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

# ANNUAL REPORT

for the year ended 30 June 2004

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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 2003 to 30 June 2004.



**Rodger Fisher**  
**Chairperson**

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**ABBREVIATIONS**

ACAS	Airborne Collision Avoidance System	NCI	Non-Compliance Index
ACC	Accident Compensation Corporation	NOTAM	Notice to Airmen
ACNZ	Airways Corporation of New Zealand	NPRM	Notice of Proposed Rule Making
AIA	Aviation Industry Association	NRCC	National Rescue Co-ordination Centre
AIP	Aeronautical Information Publications	NZAAA	New Zealand Agricultural Aviation Association
AIS	Aeronautical Information Service	NZAIP	New Zealand Aviation Information Publication
APEC	Asia Pacific Economic Co-operation	NZALPA	New Zealand Airline Pilots Association
AQI	Audit Quality Index	NZHGPA	New Zealand Hang Gliding and Paragliding Association
ASAR	Aviation Security Statistics Recording	NZSRR	New Zealand Search and Rescue Region
ASL	Aviation Services Limited	PLB	Personal Locator Beacon
ATM	Air Traffic Management	RCCNZ	Rescue Co-ordination centre of NZ
ATS	Air Traffic Services	RESA	Runway End Safety Areas
AvSec	Aviation Security Service	RNZAC	Royal New Zealand Aero Club
BASA	Bilateral Aviation Safety Agreements	RNZAF	Royal New Zealand Air Force
CAA	Civil Aviation Authority	RVSM	Reduced Vertical Separation Minimum
CASA	Civil Aviation Safety Authority (Australia)	SAR	Search and Rescue
CIRAG	CAA / Industry Rules Advisory Group	SRR	Search and Rescue Region
CNS	Communications, Navigation and Surveillance	SSC	State Services Commission
COSPAS- SARSAT	International Satellite system for Search and Rescue	TAIC	Transport Accident Investigation Commission
DCA	Director of Civil Aviation	TAOC	Transitional Air Operator Certificate
EAP	Employee Assistance Programme	TAWS	Terrain Avoidance Warning System
EASA	European Aviation Safety Agency	TTMRA	Trans-Tasman Mutual Recognition Agreement
EDD	Explosive Detector Dogs	VFR	Visual Flight Rule
EEO	Equal Employment Opportunities	VNC	Visual Navigation Chart
EGPWS	Enhanced Ground Proximity Warning Systems		
ELT	Emergency Locator Transmitters		
ETOPS	Extended Twin-engine Operations		
FAA	Federal Aviation Administration		
GEOLUT	Geo-stationary Satellite Local User Terminal		
GPWS	Ground Proximity Warning Systems		
GST	Goods and Services Tax		
HSE	Health and Safety in Employment		
ICAO	International Civil Aviation Organisation		
IFR	Instrument Flight Rules		
ILS	Instrument Landing System		
ISO	International Organisation for Standardisation		
LEOLUT	Low Earth Orbit Local User Terminal		
LOSA	Line Operations safety Audit		
LUT	Local User Terminal		
LTSA	Land Transport Safety Authority		
MHz	Mega-hertz		
MoT	Ministry of Transport		
MSA	Maritime Safety Authority		

## Directory

### Civil Aviation Authority of New Zealand



#### Civil Aviation Authority

#### Search and Rescue Services

#### Aviation Security Service

<b>Head Office</b>	10 Hutt Road Petone  Tel: +64 4 560 9400 Fax: +64 4 569 2024	Rescue Coordination Centre of New Zealand Avalon  Tel: +64 4 914 8380 Fax: +64 4 914 8388	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	PO Box 30 050 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 Banking Corporation		
<b>Insurance Brokers</b>	Marsh Limited		

## Profile

# Civil Aviation Authority of New Zealand

## Overview

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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 currently 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. The responsibility for the Class III Search and Rescue Services will shift to the Maritime Safety Authority during 2004.

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

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### 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, Tenon Limited, Lyttelton Port Company Limited, Deputy Chairman of Wel Networks Limited, and a Director of several other companies. He is a Fellow of the Institute of Directors, the Chartered Institute of Secretaries, the Chartered Institute of Transport and the New Zealand Institute of Management. Mr Fisher was appointed Chairperson of the Authority in 1998.

### Hazel Armstrong (Deputy)

Hazel Armstrong is a Wellington based Barrister, specialising in personal injury litigation, employment and safety related matters. Ms Armstrong has a background in research, policy development and in the application of work place health and safety. She is a member of the Government advisory committees on work related occupational disease and employment related education. Ms Armstrong is an author of the Brooker’s publication

“Personal Injury in New Zealand” and a 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.

### **Darryll Park**

Darryll Park joined Air New Zealand’s commercial graduate scheme in 1973, and spent his last six years with the company as South Island Manager before leaving in 1998, to establish Christchurch and Canterbury Marketing Limited, where he was CEO. He is now Managing Director and part-owner of corporate travel provider Signature Travel, a Fellow of the New Zealand Institute of Management, a Director of the Canterbury Rugby Union and a member of the Institute of Directors. Mr Park was appointed to the Authority in 2003.

### **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, and 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 of airline operations and marketing before retiring from the position of General Manager Operations in 2000. Mr Tannock was appointed to the Authority in 2004.

## **Director of Civil Aviation**

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### **John Jones**

John Jones’ has been closely involved with aviation for over 40 years. As a pilot he has completed many thousands of hours in a range of aircraft including the Douglas DC3, Hawker Siddeley 748, Piper PA31, Fokker F27, and the Aerospatiale ATR72 which he introduced to New Zealand as General Manager Operations for Mt Cook Airline in 1995. In John’s 31 years with Mt Cook Airline he gained extensive management experience in airline, airfield, and flight seeing tourism operations.

As part of his wider aviation community credentials, John is a past President of the Aviation Industry Association. He has also been a member of many committees, covering a wide range of aviation activities, as diverse as aerodrome rescue fire and aviation rule making. John is a Fellow of the Royal Aeronautical Society.

John was appointed Director of Civil Aviation in 2001.

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**

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#### **Mark Everitt**

Mark Everitt was a sworn Police Officer for 21 years spending eight years at Police National Headquarters. He was responsible for the development of Intelligence Analysis, introducing computers to assist the management of serious crime investigations, and establishing the Police Helicopter Operations, becoming the first National Co-ordinator.

Mark was appointed General Manager of the Aviation Security Service in 1993.

In April 2000 The Aviation Security Service was recognized as the most outstanding Aviation Security Organisation in the Asia/Pacific area, with Mark Everitt receiving the individual award of outstanding Aviation Security Official. Mark is a fellow of the Royal Aeronautical Society.

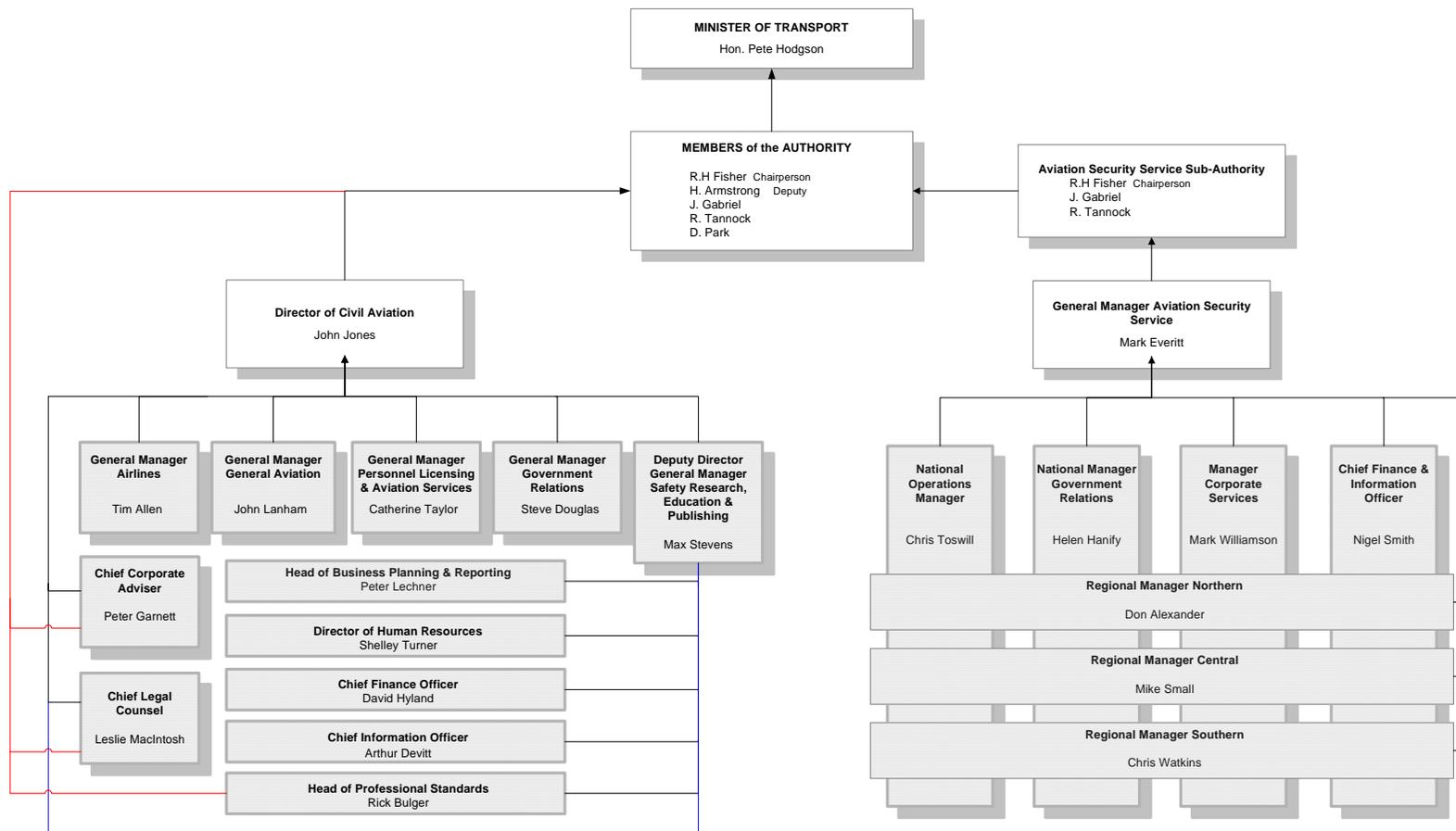
Mark Everitt firmly believes in emphasising the human factor element and quality management systems in aviation security. This approach has put the New Zealand Aviation Security Service in a very strong position.

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 at 30 June 2004



## Purpose

# Civil Aviation Authority of New Zealand

## Civil Aviation Authority

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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 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

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On 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. Note that the responsibility for the Class III Search and Rescue Services will shift to the Maritime Safety Authority in the second half of 2004.

## Aviation Security Service

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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 2003/2004 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

In 1998 I was appointed Chairperson of the Civil Aviation Authority taking over from Sir Ron Carter. The last 6 years have been a journey with many challenges and with great change occurring both locally and abroad. Together with my Authority colleagues, I am proud and privileged to have steered CAA, AvSec and SAR through these times and I am delighted to have seen each of them respond well to the many public, Government and international demands. Each of these organisations are no longer what they were in 1998, they have grown and developed but remain flexible and responsive - this advantage remains the key to their continuing success.

With my pending retirement from the position of Chairperson in November 2004, this is my last Annual Report, and I would like to take the opportunity to thank all of the staff at CAA, AvSec and SAR for being so professional and dependable over the years. In particular, I would also like to thank Kevin Ward and John Jones for their leadership of CAA and SAR and Mark Everitt for his leadership of AvSec. I would also like to thank all of the Authority Members who have served with me; their breadth of experience has been invaluable in guiding each of the three separate organisations.

#### Civil Aviation Authority

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The global balance of business and politics continues to suffer from significant and far reaching economic and terrorist events, more so than at any time over the last five decades. After a hundred years of controlled flight, aviation is an internationalised business sector and will increasingly have to face such difficulties. New Zealand aviation is no different and our geographical location no longer isolates us from these events.

Despite these challenges New Zealand continues to have an aviation safety system comparable to the best in the world – a system sought out by other States to model their own safety system developments. Today the CAA is devising and implementing safety systems and perspectives second to none.

During the year domestic passenger numbers in New Zealand increased more than anticipated while departing international passenger numbers also increased. While these visitor numbers reflect New Zealand as a safe haven, it is also clear that the national economy is having a positive effect on the domestic aviation industry.

Financially, the CAA has had a good year. CAA management maintained good control on discretionary expenditure and made the best use of above forecast levy funds. It is my intention that the \$2.196m surplus be used to restore a more appropriate capital base for the CAA.

Notwithstanding this year's good result, the financial risk to the CAA arising from the dependence on third-party based levy revenue continues to be of concern. The funding review, sidelined by the Government Transport Sector Review, is expected to resume later in 2004. It is expected that the Review's recommendations will enable this risk to be mitigated at least in part.

The focal point for the past year was the Government Transport Sector Review. It was initiated in late 2003 and reported to Ministers of State Service and Transport in June 2004. The recommendations of the review were more far reaching in other parts of the transport sector than in the aviation sector. Most significant to the CAA are the aspects concerned with the implementation of the New Zealand Transport Strategy of December 2002. While

there is significant work still to be done over many years in this regard, it is clear that the CAA has been successful in its initial assimilation of these new perspectives and direction.

Other significant reviews conducted during the year included a review by the State Service Commission on the CAA policies, procedures and practices relating to conflicts of interest and conduct of special purpose inspections and investigations in the CAA. This review concluded well for all parties and recommended the implementation of various progressive management procedures and protocols. The triennial review of the CAA by the Office of the Auditor General was initiated early in 2004 and a report is expected before Parliament in September 2004.

The CAA continues to be progressive and successful with the manner in which it engages with both the aviation community and the public. Along with the well-established memorandums of understanding with aviation representative organisations the CAA has been successful in establishing international bilateral agreements of economic significance to the New Zealand aviation community. Our traditional stakeholders have maintained strong input into the developments of CAA objectives. In the future, the general public will also have a stronger input than before into our safety target setting.

Over the year the CAA has continued to develop its capabilities to meet its new responsibilities under the Health and Safety in Employment Act regarding aircraft crew and cabin staff. A dedicated unit of specialists has been established and work has progressed very well in creating and initiating procedures, best practice and programmed field work.

The purchase by Air New Zealand of Airbus A320 aircraft for its domestic fleet was a major change not only for the company but for the regulator. The CAA continued to work closely with both Air New Zealand and Airbus to ensure the smooth entry and certification of the new technologies and aircraft. Similarly, the decision by Air New Zealand to purchase new Boeing B777 aircraft required significant CAA input in an upfront role. This included working with the Air New Zealand project managers at an early stage to expedite later certification and entry of these aircraft to the New Zealand register in good time.

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 concerned with the number of accidents that are occurring. Appropriate approaches to best meet and deal with these issues continue to be developed and implemented by the CAA. One initiative undertaken during the year was to bolster staff numbers and expertise in the area, and the development of rules designed to increase oversight of this area. Another aspect was the clear delineation of particular high level issues and the description of these as aviation risk interventions in CAA planning.

An independent review of the Rules process to ensure that the process adequately involves all stakeholders was completed by Mary Scholtens QC at the end of 2002. During this year a dedicated project has begun work on the implementation of the Scholtens recommendations and progress has been made across a broad range of objectives.

One senior manager, Mr John Bartlett, left the CAA during the year to take up a senior position with an international airline. While I am always sorry to see staff leave, I am also aware that they take with them into the aviation industry a better understanding of the regulator's role and responsibilities and can use this to positively influence their new organisation in the practical mitigation of safety risk in aviation.

I asked the State Services Commissioner early in 2003 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 from Douglas White QC was received later in 2003 and contained a

number of progressive recommendations. These recommendations have been accepted and largely implemented.

### **Search and Rescue Services**

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The National Rescue Co-ordination Centre (NRCC) co-ordinated 28 major and 849 minor search and rescue operations throughout New Zealand and the South Pacific during the year. As a result of these emergencies 161 people were rescued but unfortunately 14 people lost their lives.

The NRCC returned a deficit of \$0.131m for the year. There was a significant injection of capital (\$1.402m) from Government to fund the transition to the fully staffed 24 hour operation of the Rescue Co-ordination Centre of NZ (RCCNZ) and to cover the extraordinary expenses of two searches for missing helicopters during July and August.

During April 2004 the COSPAS- SARSAT antennae, previously located in Lower Hutt were relocated to a purpose built, unattended, installation north of Martinborough.

At the end of the year (5 July 2004) the NRCC ceased to co-ordinate New Zealand's Search and Rescue Region (SRR) and at that time the new RCCNZ began its operations from the newly commissioned Joint Rescue Co-ordination centre at Avalon. The new RCCNZ operations centre will be staffed 24 hours per day to co-ordinate all Class III Search and Rescue events.

During 2004 the responsibility for RCCNZ will transfer from the CAA to the Maritime Safety Authority (MSA).

### **Aviation Security Service**

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Looking back over the last six years I am extremely proud of AvSec's achievements, many of which were made in the demanding context of an escalating international security risk. The events of September 11 had an extraordinary impact on international aviation, including New Zealand. Despite the challenges, AvSec got on with the job, working closely with the CAA, other government agencies and industry to effect major change within a very short time and with minimal disruption to the public or airline operations. I thank Mark Everitt and his team for their professionalism and commitment and for the support provided during my six years as Chairman.

The year proved to be another very busy and positive one for the Aviation Security Service. Both international and domestic passenger numbers showed strong growth of respectively 15.21% and 14.56% over last year's totals, and the combination of this factor and the demand for additional security measures for many international services, impacted on workload at most airports, particularly at Auckland and Christchurch. Only thirteen complaints were received from the 8.3 million passengers screened.

The financial outcome was a deficit of \$0.093m against a budgeted surplus of \$0.031m. A \$3.8m increase in revenue over budget was eroded by even stronger growth in expenditure of \$4.019m above budget, attributed in the main to the growth in staff numbers to meet additional workload, the impact of the Collective Agreement settlement and of the Holidays Act 2003.

Staff turnover remained a significant issue for AvSec during the year. The new Collective Agreement enabled AvSec to align its salary bands more closely with the market, thereby reducing staff turnover in locations where this was becoming a critical issue, particularly Auckland. However, the tight labour market, strong growth in salaries across the whole

economy and competition for similar skills from other agencies like NZ Customs continued to impact on AvSec's ability to recruit and retain officers.

As with the past two years, AvSec's main priority remained the implementation of its 2002-05 Strategic Plan. Significant progress was made on planning for the implementation of hold stow baggage screening, from 1 October 2005, a reflection of the commitment from AvSec, CAA and other agencies as well as industry to the success of this critical project. Government provided a capital injection of \$25m to fund equipment purchases and implementation costs.

Another strategic plan initiative related to AvSec funding issues. Kevin Ward's report to Cabinet on AvSec funding presented in August 2003 provided a useful, independent assessment of the current international and domestic levy structure. During the year AvSec officials worked with the Ministry of Transport and border agency staff on proposed changes to the levies to meet increased AvSec costs, including those associated with the introduction of hold stow screening. At year end Cabinet had deferred decisions on AvSec funding pending the outcome of deliberations on broader border funding issues. This is of concern. Uncertainty in respect of funding remains a big risk for AvSec.

A further strategic plan initiative related to AvSec's strong commitment to the International Civil Aviation Organisation and building aviation security capability in the South Pacific region. In May AvSec hosted an ICAO crisis management course for the Asia/Pacific region at its new training centre in Auckland. AvSec personnel were also made available to assist in ICAO audits and the running of courses and in late 2003 AvSec agreed to the six month secondment to ICAO of its Manager Quality Systems Roger Biggs who subsequently retired from AvSec. I am also delighted to report the success of AvSec's bid to have its Auckland training centre designated an ICAO sub regional training centre. This initiative will enhance New Zealand's ability to assist the countries of the South Pacific region to build their aviation security infrastructure, by offering a range of specialist courses on an annual basis.

AvSec's activities in the South Pacific region were not limited to ICAO courses. It was able to undertake four significant projects in the region at a cost of \$0.647m, funded by the Pacific Security Fund, a new government initiative introduced during the year. These projects which included the deployment and installation of cabin x-ray machines to six countries and a review of possible hold baggage screening requirements for them significantly contributed to aviation security within the region. At year end, AvSec had submitted further proposals for inclusion in the Fund's proposed programme for the 2004/05 year.

The Government Transport Sector Review also impacted on the Aviation Security Service. My submission to the review team included recommendations relating to the governance arrangements for AvSec. The review team recommended that there be no changes to these arrangements and Government accepted this recommendation. This may be an issue for Government to revisit in the future.

AvSec continued with its strong commitment to training and development during the year with delivery of a comprehensive training programme. In December twenty six officers graduated from the inaugural Frontline Management course for aspiring supervisors that AvSec launched in conjunction with the New Zealand Institute of Management in early 2003. A further course commenced in February of this year and concludes in December 2004.

The increased demand for training services also resulted in the recruitment of an additional training officer in Auckland.

The 2003/04 year was a challenging one for the Aviation Security Service as it faced pressure on a number of fronts. The AvSec response to these challenges was effective, providing a strong platform for further progress in the coming year. Looking ahead, issues of funding, staff turnover, and implementation of hold stow screening and stronger growth than planned in demands for its services presents potentially serious risks for AvSec. I am satisfied that there are robust strategies in place to manage these risks.

The three yearly independent review currently underway with a focus on AvSec internal systems, is also intended to help strengthen the organisation.

The AvSec's management team and staff led by Mark Everitt are to be congratulated for their achievements during the year. Particularly satisfying is that AvSec continued to provide a quality service to passengers, airlines and other key stakeholders and to work collegiately with other agencies on initiatives to move industry forward and to meet government's strategic objectives.

Governance of the Aviation Security Service during the year was the responsibility of a Sub-Authority that I chaired. I thank both John Gabriel and Ron Tannock for their services on the Sub-Authority and I also thank the other Authority members for their support during the year.



**Rodger Fisher**  
**Chairperson**

## Governance and Accountability Statement

### Civil Aviation Authority of New Zealand

#### Role of the Authority

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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

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The Authority has appointed a Chief Executive (the Director of Civil Aviation) 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. In preparation for and during the transition of responsibility for the Class III Search and Rescue Services to the Maritime Safety Authority in the second half of 2004, the CAA will chair the interim Board of management.

#### 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 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 9001/2000 and its successors.

#### Governance Philosophy

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##### 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 Director stands apart and the Authority does not have any responsibility or influence in relation to the specific regulatory obligations of the Director 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 72 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, while it provides reports to management, its findings are passed 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 (the Director of Civil Aviation together with responsibility for the management of 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 Director of Civil Aviation (including Search and Rescue Services) and the General Manager of the 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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### 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. The safety of people will be paramount in any consideration.

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#### People

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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:

**Responsibility and accountability** – Understanding, meeting and exceeding our obligations as CAA employees (effective 1 July 2004).

**Honesty & ethical conduct** - Being people with integrity that clients and fellow staff can trust to be open, straightforward and reliable.

**Fairness & consistency** – Treating all clients and staff in a timely, 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 energetic and innovative 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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## Practice

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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 while recognising the CAA’s primary role of regulation on behalf of the public.

**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 acceptance and national economic benefit.

**Recognition and reward** – ensuring that the extra effort and performance of everyone in the CAA is recognised and rewarded in a positive and appropriate manner (effective 1 July 2004).

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## CIVIL AVIATION AUTHORITY

### 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 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

#### 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
<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
	Management of Exemption Process	Direct fees and charges
<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

## CIVIL AVIATION AUTHORITY

### Director and Chief Executive's Report - CAA

The aviation environment continued to be one of growth and change, presenting a full spectrum of issues and challenges for the CAA. The changing dynamics of the airline sector and the technological and growth changes in the general aviation sector received close attention.

Relationships with the aviation community remain very positive with the CAA taking a proactive and participative part in safety development and the integration of new technologies and concepts.

The CAA also continued to take a positive approach to implementing the New Zealand Transport Strategy and in fulfilling its international responsibilities and bilateral development undertakings.

The following (pages 25 – 49) 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

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#### Safety and Security

##### *Supporting Rules Changes*

During the year small amendments were made to:

Part 1	Definitions and Abbreviations
Part 19	Transition Rules
Part 21	Certification of Products and Parts
Part 91	General Operating and Flight Rules
Part 93	Special Aerodrome Traffic Rules and Noise Abatement Procedures
Part 121	Air Operations – Large Aeroplanes
Part 125	Air Operations – Medium Aeroplanes
Part 129	Foreign Air Transport Operator Certification

Changes were incorporated in Part 43 – General Maintenance and the associated part of other Rules. Part 137 – Agricultural Aircraft Operations was reissued with changes to aircraft load prescription and jettison procedures.

##### *Pilots Licenses*

Rule amendments arising from the review of Rule Part 61 concerning the requirements and standards for the issue of pilot licences were divided into three project stages early in 2003 so that the most pressing issues could be dealt with sooner. The Stage 1 NPRM was issued on 5 June 2004 for public consultation, with comments closing 30 July 2004. Over 50 submissions were received, most of which were of a very high standard. A summary of the submissions is expected to be completed in October 2004.

##### *Runway End Safety Areas*

New rules implementing the ICAO requirements for Runway End Safety Areas (RESA) were published in a Part 139 NPRM on 1 July 2004. The draft rules will require the ICAO

Standard 90 metre RESA at the seven aerodromes in New Zealand serving regular international operations.

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

Amendments to Rule Parts 121 and 125 were signed by the Associate Minister of Transport to require large and medium size aeroplanes conducting air transport operations to be equipped with Airborne Collision Avoidance Systems (ACAS) and Terrain Awareness and Warning Systems (TAWS). These aeroplanes are required to be progressively equipped with these systems during the next two and one-half years.

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

The CAA undertook a comprehensive survey of passengers during the year to determine an appropriate new standard weight for passengers in order to update the various rules regarding the weight and balance of aircraft. The updated rules, which also provide greater flexibility for air operators in determining the take off weight for aircraft, will be signed and become effective later in 2004.

### ***Airspace***

Rule Parts 71 and 73 that deal with the Designation and Classification of Airspace have been reviewed and have been combined into a re-issued Part 71. The reissue of Part 71 will be signed by the Associate Minister of Transport in July and the rules will come into force in August 2004.

### ***Air Cargo Security***

A draft NPRM for Part 109 - Air Cargo Security, is expected to be submitted to the Ministry of Transport for assessment later in 2004. The purpose of this proposed Rule is to implement New Zealand's international security obligations under Annex 17 to the Chicago Convention (ICAO) to ensure that cargo and mail that is intended for carriage on passenger flights is subjected to appropriate security controls.

### ***Wire Marking***

Through the year a programme to mark the worst 20 transmission line spans in New Zealand was continued by a number of electricity transmission lines companies. In parallel to this programme a draft of rule proposals have been developed. Further rule development awaits cost information from the electricity transmission lines companies gained from their experience in marking the transmission lines.

### ***Line Operations Safety Audit System***

The proprietary Line Operations Safety Audit System (LOSA), developed mainly in the northern hemisphere, was introduced by its promoters to a number of New Zealand airlines during the period. The CAA has taken part in LOSA seminars and will continue to support the use of LOSA as an important safety risk management facility for airline operations.

### ***Asian Gypsy Moth Spraying***

Asian Gypsy Moth low level spraying operations over Hamilton were completed early in the period along with a scaled down programme over West Auckland during the summer, both using light aircraft. While there were a small number of complaints from disgruntled residents, the CAA had no safety concerns about either operation. The spraying programmes were completed without incident.

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

The CAA completed its annual Summer Safety Initiatives Programme, concentrating on fixed wing, parachute and private operations and the use of helicopters for frost control in the horticultural sector. The programme also encompassed a number of well attended and successful Airmanship, Confidence and Experience days (ACE) where aviation and related experts ran various information workshops. The success of these ACE days will ensure that they are continued.

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

Continuing a good history, 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 will continue to be assessed in a procedural manner and, where warranted, made subject of detailed investigation and report to serve the public interest. However, due to capacity limitations a small percentage of detailed investigations were not completed within 6 months of commencement.

### ***Unruly Passengers and Infringement Offence Legislation***

The CAA implemented systems to support the new unruly passenger proceedings under Part 5A of the Civil Aviation Act that came into force on 1 June 2004. Under the legislation border agencies such as the Police, AvSec and MAF issue infringement offence notices to unruly passengers on domestic or international flights, regardless of the State of Registry of the aircraft, and the proceedings are managed by the CAA.

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

During the period Air New Zealand took delivery of a number of new Airbus A320 aircraft. The CAA participated with special type introduction teams initiated for the purpose by Air New Zealand and took part in all pre-delivery checks as part of the aircraft certification process. This closer arrangement in the introduction of new aircraft types to New Zealand has proved highly successful for the CAA in meeting its obligations and the process is expected to be used with the future introduction of new types.

### ***New Airline Operations***

During the period the CAA worked intensively with Pacific Blue Airlines to ensure the new company met the various Rules governing the safe trans-Tasman operation of their aircraft so certification could be issued.

### ***Security Threat Environment***

At a global level, transportation and civil aviation in particular, remains a favoured target of terrorists as demonstrated by events in Russia. While there is no specific threat to New Zealand's aviation interests either within New Zealand or internationally, the overall international threat against civil aviation is significant, and will probably remain at that level for the foreseeable future.

Additionally, while New Zealand airlines or international aviation interests are not a specific target of extremists, collateral damage could be sustained as a result of an overseas attack. However, it is noted that the threat level can change significantly at any time. Continuing tensions in the Middle East and South East Asia are of concern and provide a potential catalyst for future activity.

Concerns remain about the potential vulnerability of many smaller Pacific Islands States to terrorist infiltration and attack due to a range of capability and capacity issues but at this stage they are not the subject of any known specific threat.

### ***Security Initiatives***

Implementation of Hold Baggage Screening for international passenger flights is scheduled for 1 October 2005. This measure is required for compliance with the Chicago Convention (ICAO) Annex 17 standards that come into effect on 1 January 2006. Responsibility for the implementation rests with the various stakeholders, with the CAA's role now being that of standard identification and regulatory oversight.

Implementation of legislative issues identified during the urgent Ministerial Review process in late 2001 and new Annex 17 standards is ongoing. Matters under consideration include the Airport Identity Card system and provisions for random screening of persons, other than passengers, in security restricted areas. Work on these particular aspects is now under Ministry of Transport leadership.

### ***Aeronautical Information Publication on-line***

After review and development the new Aeronautical Information Publication (AIP) was published and effective from September 2003. The new format adopts the prescribed ICAO format. Significantly, the CAA completed the development of an internet web site for the new AIP which has proved very popular.

### ***Visual Navigation Charts***

New visual navigation charts were introduced in January 2003. While these were generally well received, a number of issues were identified that required further improvement. As a result the CAA embarked on a wide consultation programme to ensure the aviation community was thoroughly canvassed as to their response and requirements regarding the new charts. As a result of this programme the next issue of the chart series, in November 2004, will encompass the required changes.

### ***Taupo Airspace Review***

A comprehensive review of the use of Taupo aerodrome and associated airspace was completed during the period. The intention of this review was to determine the level of air traffic management needed at Taupo. In so doing the CAA implemented a risk management approach to the review. The final recommendations from the review are expected during August 2004.

### ***Bilateral Aviation Safety Agreements***

Work continued on the issues regarding the US/NZ airworthiness Bilateral Aviation Safety Agreement (BASA) with a very successful Bilateral Partners meeting jointly hosted by the CAA and the FAA held in Wellington in March 2004. The meeting involved delegates from nine authorities in the Asia/Pacific Region. During the meeting the US delegates formally advised that the FAA was now committed to giving New Zealand special treatment regarding the development of bilateral agreements on the conduct of aircraft maintenance. Meetings to progress the initiative were held in Philadelphia in June 2004. Later in the period work commenced on the development of a technical arrangement with the new European Aviation Safety Agency.

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

The CAA continued to work with the Australian Department of Transport (DOTARS) and the Civil Aviation Safety Authority of Australia (CASA) on mutual recognition of safety certification. Enabling legislation was passed in New Zealand; however, the Australian counterpart legislation has been delayed until later in 2004. Implementation is therefore delayed until this legislation is passed. During the Australian legislative process CAA

management made submissions to the Senate Committee responsible for assessing the proposals.

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

Technical assistance and advice provided by the CAA to various Pacific Island States continues to be well received. Under the revised agreement with the Tongan Government for the supply of technical assistance and advice, and certification and oversight activities, the CAA has been providing various services and expertise. Unrelated to this, however, Tongan airlines operations have been significantly rationalised.

### ***Meteorological Services for International Aviation***

As the designated Meteorological Authority under Annex 3 to the Chicago Convention (ICAO), CAA has had an arrangement since 1994 with Meteorological Service of New Zealand Limited for providing the meteorological information and services needed by international civil aviation operating in and through New Zealand airspace. This relationship has been very successful. During the period the contract for the supply of these services was reviewed and streamlined and a new contract signed in February 2004.

### ***Meteorological Services for General Aviation***

The provision of meteorological information to the General Aviation (GA) community has, for over a decade, been controversial because of the costs involved. Through the latter part of the period the CAA developed a proposal to lift the game by meeting the costs of providing improved meteorological services to non-commercial GA operations. This was intended to allow recreational pilots and pilots under training, operating unpressurised aircraft about or less than 10,000 feet, to access the enhanced MetFlight-GA. The product will be provided by MetService and is planned for introduction in August 2004.

### ***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. Work has been undertaken in preparation for the World Radio Conference to be held in 2006 where significant decisions on allocation protocols are expected to be developed.

## **Risk Management**

### ***Transport Sector Review***

In December 2003 the Government began a review of the Government Transport Sector. This was undertaken to consider whether the Government Transport Sector had the capability and best arrangement to implement the New Zealand Transport Strategy (NZTS) and to consider ways to enhance performance in the sector. Significant representation documents were compiled by the CAA and presented to the review panel. The final report and recommendations were tabled in June 2004.

The essence of the recommendations required the CAA to take a proactive role, along with the other transport agencies, in a collegial approach to development and management of the overall transport sector, lead by the Ministry of Transport, and guided by the NZTS.

### ***Office of the Auditor General***

The Office of the Auditor General began its triennial management audit of the CAA late in 2003. The focus of the work this time was the review of the safety audit functions and

obligations of the CAA. Management have worked pro-actively in the process with the provision of all the required information. The final report is expected in September 2004.

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

During early 2003, 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 from Douglas White QC was received later in 2003 and contained a number of progressive recommendations. These recommendations have been accepted and largely implemented.

### ***Funding Review***

Significant effort was directed to undertaking a CAA funding review in liaison with the Ministry of Transport early in the period. Information from an earlier strategic resource capability review together with environmental, financial and organisational analysis was assembled for the purpose of a consultation programme with the aviation community. However, due to the announcement by Government to conduct a significant review of the Government Transport Sector beginning December 2003, the CAA funding review documentation and consultation was postponed. This review is expected to be taken up again late in 2004.

### ***ISO Certification***

Responding to a requirement to re-certify the CAA to ISO 9000/2000 standards by December 2003, the CAA was certificated under AS/NZ ISO 9001/2000 completing a major work programme ahead of time.

### ***ICAO Safety Oversight***

During the period the CAA reviewed its aerodrome obligations under Annex 14 to the Chicago Convention in preparation for an audit by ICAO under their long term Safety Oversight Audit programme.

### ***Management controls***

There have been no significant changes to the focus and application of management controls in the CAA over the period. The earlier implementation of a Conflict of Interests Register has been maintained and is working well.

### ***Debt Management***

While the routine management of debtors maintains bad debt at a very low level, this year saw the CAA having to write off significant debt incurred by Origin Pacific Airlines. The debt to CAA was effectively struck out by a creditor arrangement that the CAA could not agree with due to its fiduciary responsibilities for public monies.

## **Strategic Management**

### ***Planning***

Through the period the CAA has continued to implement changes to its internal and external planning documents to ensure the requirements and objectives of the New Zealand Transport Strategy (NZTS) and the New Zealand Injury Prevention Strategy (NZIPS) are covered to the best extent possible. This process is expected to continue in an iterative fashion as the practical potentials of these strategies are developed between the associated

agencies. Over time, other Government Strategy documents are expected to be issued and the intent of these will also need to be folded into the CAA's business and functions.

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

A Memorandum of Understanding between the Aviation Industry Association, the Accident Compensation Corporation (ACC) and the CAA was signed during the period to facilitate the joint objective of bringing about by 2005 a significant reduction in general aviation accidents. The initiatives being implemented carry the joint brand of AirCare and are intended to provide a visible commitment to a common purpose and alignment of activities to be undertaken by the parties.

### ***Generic Transport Strategies and Measures***

The CAA continued with its participation in the Ministry of Transport "Transport Safety Strategies" development with a consultant from the University of London Centre for Transport Studies. The focus on means to improve safety targets, reporting against such targets, and developing linkages between outputs and outcomes was overshadowed by the Government Review of the Transport Sector, however, with the implementation of recommendations from that review it is expected that work on generic strategies will resume in late 2004. Nevertheless the CAA has continued with collaborative work with London University on the field. This work is expected to operationally support the New Zealand Transport Strategy.

### ***Injury Information Network***

Stemming from previous work with the ACC to match relevant data, the CAA continues to take a significant role in the development of injury information data standards. Other organisations involved in this initiative include Statistics NZ, ACC, the Department of Health and each of the transport sector regulator agencies (refer to page 44 for further developmental information on the social costs of accidents).

### ***Pacific Aviation Safety Organisation***

After taking some part in the planning and implementation of the Pacific Aviation Safety Organisation (PASO) the CAA decided to join the organisation as a full member. The role of PASO is to co-ordinate aviation safety initiatives across the Pacific Island States.

### ***Client Survey***

Early in the period the CAA engaged a company to survey the general attitude of the public to the CAA and the safety of air travel. This information was needed to develop a better stance for the CAA in the overall community.

Awareness of CAA (the acronym) was low (18%), but when prompted further with the full name, awareness increased to an encouraging 72%. Over two thirds of New Zealanders understood the CAA's role to be:

- looking into the cause of air accidents,
- making sure aircraft operators meet operating standards or
- regulation of the aviation industry is also seen to be roles that CAA plays (25% and 23% respectively).

Recall of messages of any communications was low, with four in five saying they had not seen or heard anything from CAA. The majority of those who recalled some kind of communication from CAA attributed it to media coverage (78% news story).

The average frequency of flying was just over once a year, with New Zealanders in general very confident about the operating and safety standards of aviation operators in New Zealand.

### ***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 of a fully functioning Health and Safety in Employment (HSE) Unit was completed over the year 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 between the Secretary for Labour and the Director of Civil Aviation early in the year.

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

The CAA has implemented the recommendations of the Independent Review of Participation by Interested Persons in the Development of Civil Aviation Rules (late 2002). This included changes to the rule-making process, the advisory group process, statutory requirements for rule making, models for consultation, and issues relating to historical arrangements. It is expected that a trial of the new system on a particular Rule will be undertaken in later in 2004.

### ***CAA Premises***

The CAA successfully completed a shift of its entire premises from Lower Hutt to Petone in September 2003. The building was converted from a warehouse some years ago and provides the CAA with a good flexible workplace in closer proximity to Wellington city.

## **Good Employer Requirements**

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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>2002/2003</b>	<b>2003/2004</b>	<b>Variance</b>
Women	49	51	+2
Men	116	125	+9
<b>Total</b>	<b>165</b>	<b>176</b>	<b>+11</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 staff members obtained assistance through the Employee Assistance Programme (EAP) during the year (compared to 34 staff members last year). The majority of staff members approached the support counsellor.

### **Corporate Wellness Programme**

The Corporate Wellness Programme introduced in June 2003 continues to be well received by CAA staff. 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. Initiatives undertaken during the period include: healthy diet, healthy heart, summer time fitness, stress identification and management programme, and "beating the winter blues".

### **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 continued to work 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**

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### **Commentary**

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:*

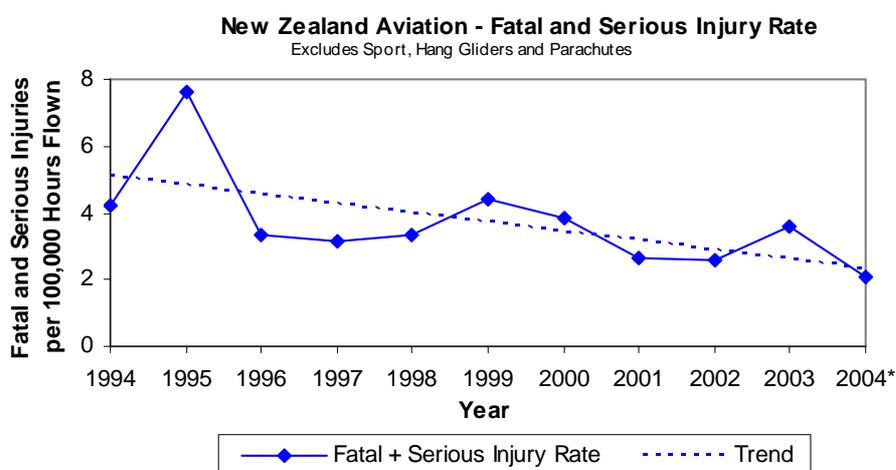
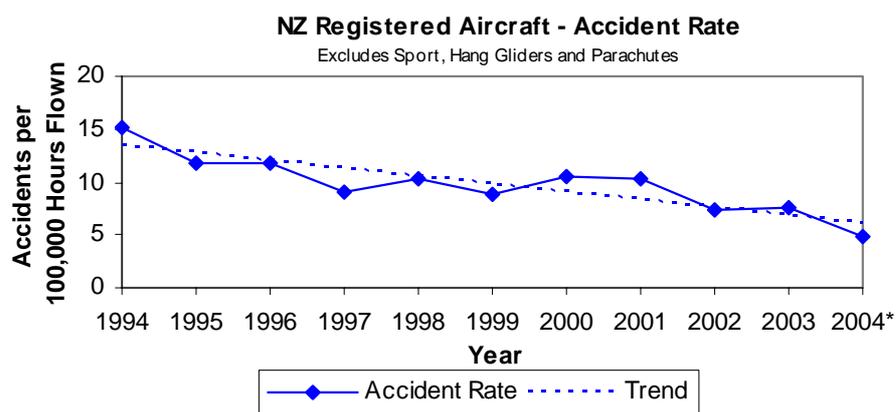
- (a) *the CAA is only one contributor to the achievement of these targets, with the aviation industry the major contributor;*
- (b) *while consultation with the aviation industry has taken place on the setting of the aviation accident targets, full agreement has not been possible as some sectors of 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	
	2003/2004	2002/2003	2003/2004	2002/2003
13,608 kg and above revenue passenger and freight	1	1	1	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	1	2	0	1
Below 2,721 kg revenue passenger and freight	1	2	0	0
Below 2,721 kg revenue other	15	15	3	3
Below 2,721 kg non-revenue	15	6	2	0
Helicopters revenue passenger and freight	2	2	0	0
Helicopters revenue other	10	15	1	3
Helicopters non-revenue	7	6	3	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



Note. \* Data to June 2004 (other years represent full calendar years)

**Fixed Wing Aircraft Sector**

***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.

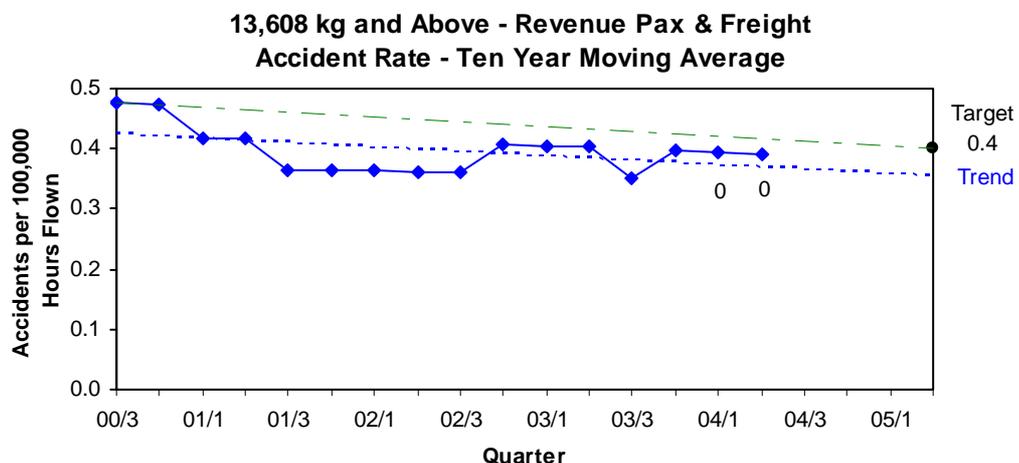
*Measure:* The number of accidents per 100,000 flight hours with reports based on the types of operation and aircraft weight breaks.

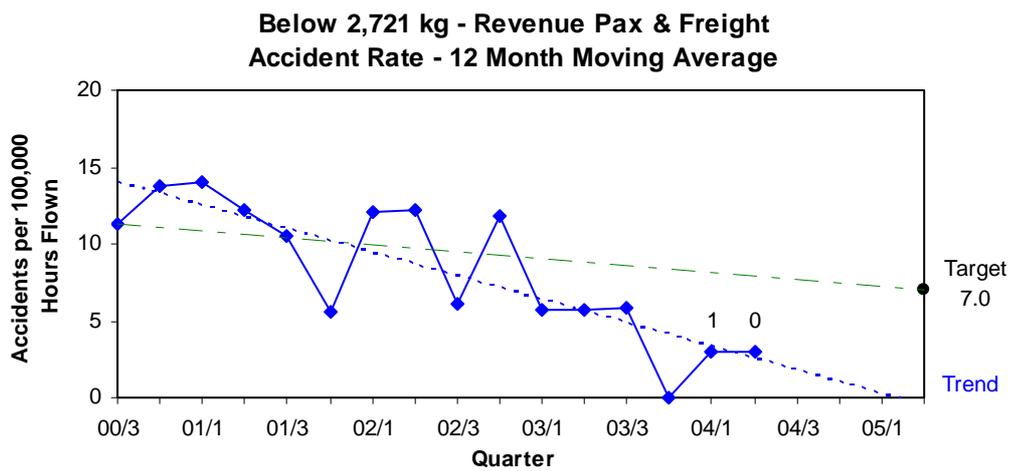
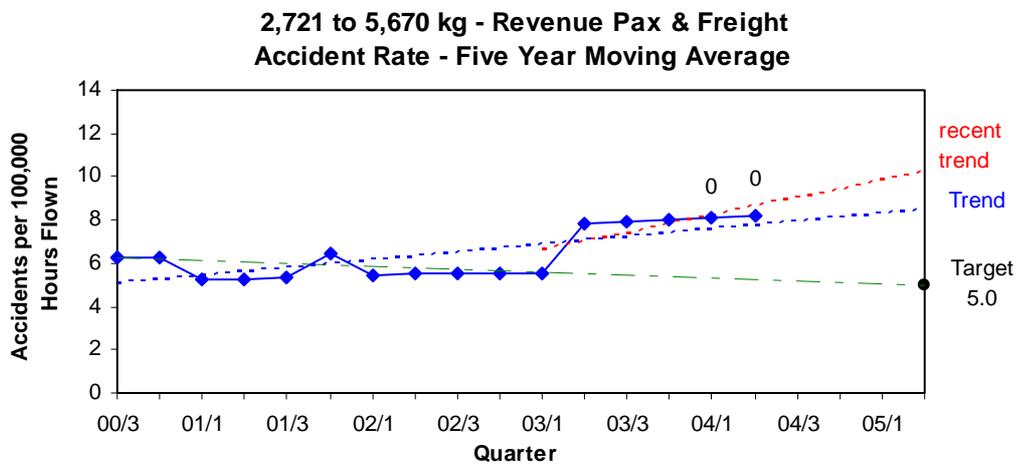
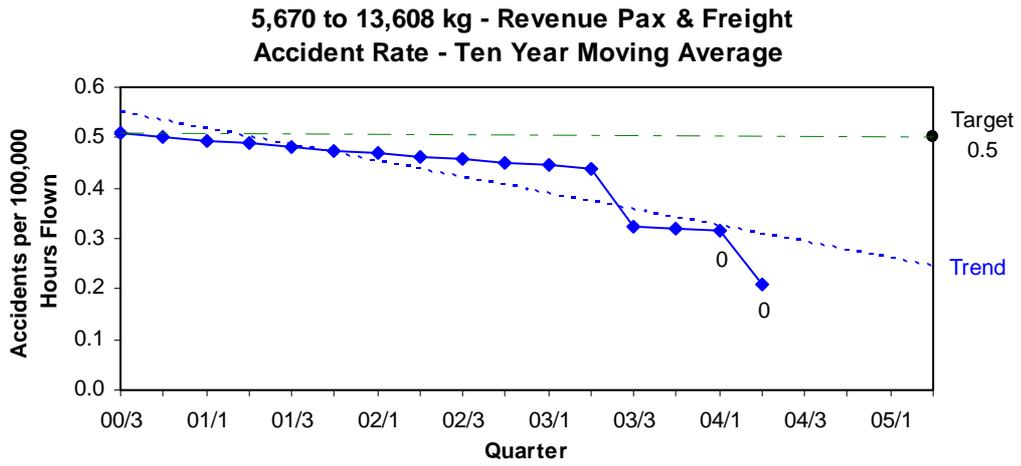
***Fixed Wing Aircraft Sector Tabulated Result***

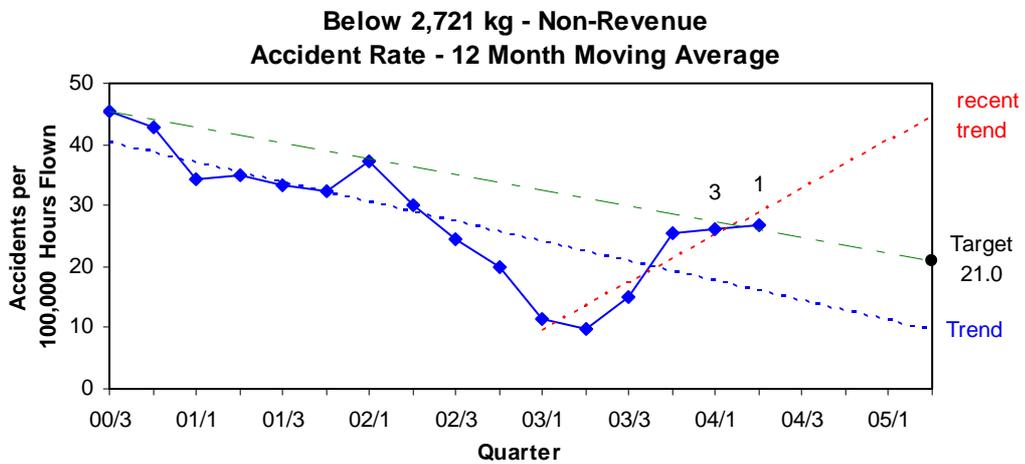
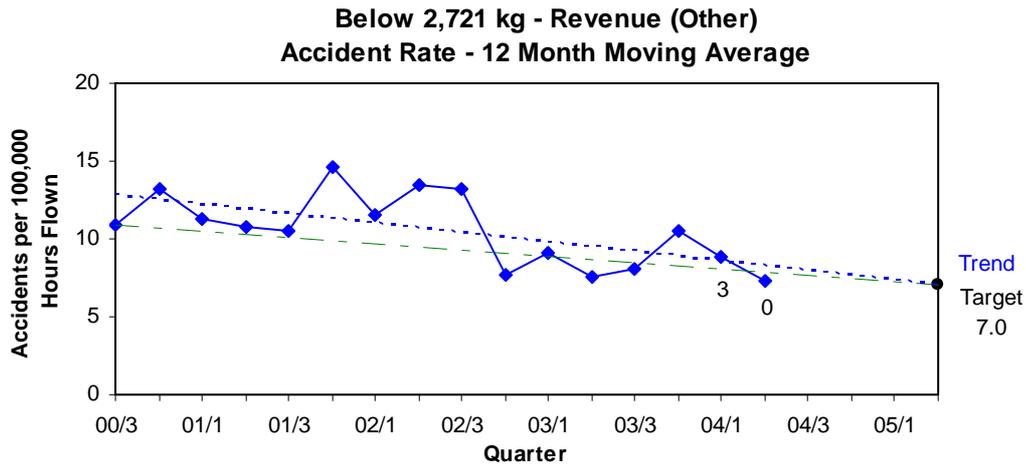
TYPE OF OPERATION	AIRCRAFT WEIGHT BREAK	MOVING AVERAGE	ACCIDENTS PER 100,000 FLIGHT HOURS BY YEAR 2005		LONG-TERM ACCIDENTS PER 100,000 FLIGHT HOURS	
			Target	Achieved 03/04	Target	Achieved 03/04
Commercial passenger and freight air transport operations	13,608kg and above	10 years	0.4	<b>0.39</b>	Trending down	<b>Trending down</b>
	5,760 to 13,608kg	10 years	0.5	<b>0.21</b>	Trending down	<b>Trending down</b>
	2,721 to 5,670kg	5 years	5	<b>8.2</b>	Trending down	<b>Trending up</b>
	Below 2,721kg	12 months	7	<b>2.9</b>	Trending down	<b>Trending down</b>
Commercial other than passenger and freight air transport operations	Below 2,721kg	12 months	7	<b>7.3</b>	Trending down	<b>Trending down</b>
Private non-revenue	Below 2,721kg	12 months	21	<b>26.8</b>	Trending down	<b>Trending down</b>

***Fixed Wing Aircraft Sector Charted Results 2000 – 2004***

- 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.







For the Below 2,721 kg Non-Revenue category, the accident rate for the period ended 30 June 2004 and the ‘recent’ trend line are above the “Target” line, and the accident rate is currently above the 2005 target of 21.0 accidents per 100,000 flying hours. However, the trend line is below the “Target” line.

**Helicopter Sector**

**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.

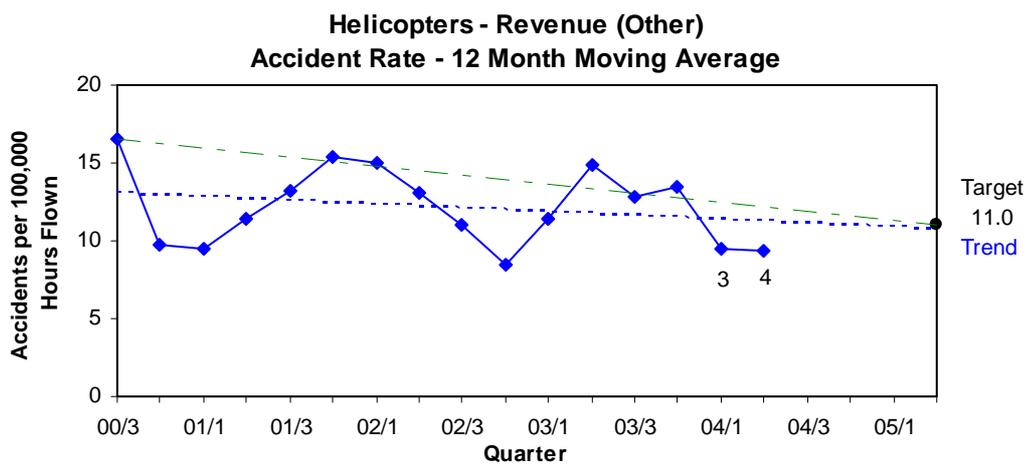
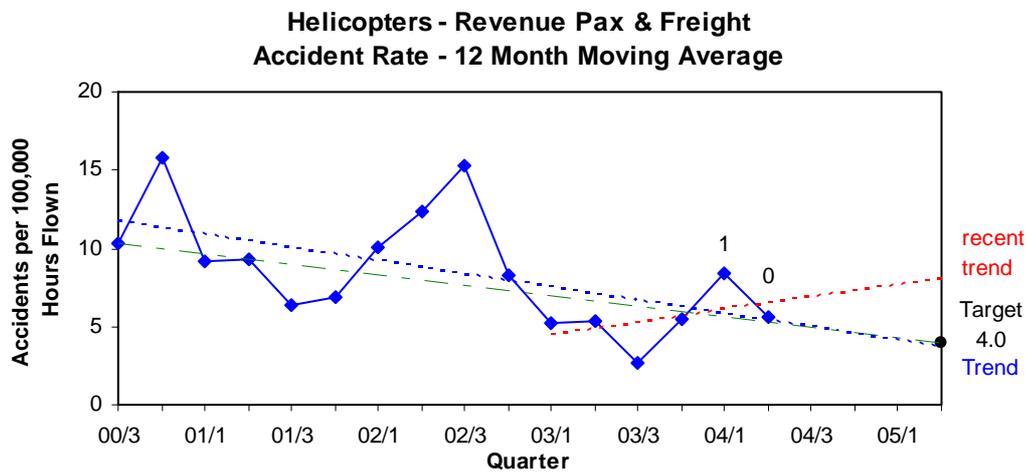
*Measure:* The number of accidents per 100,000 flight hours with reports based on the types of operation and aircraft weight breaks.

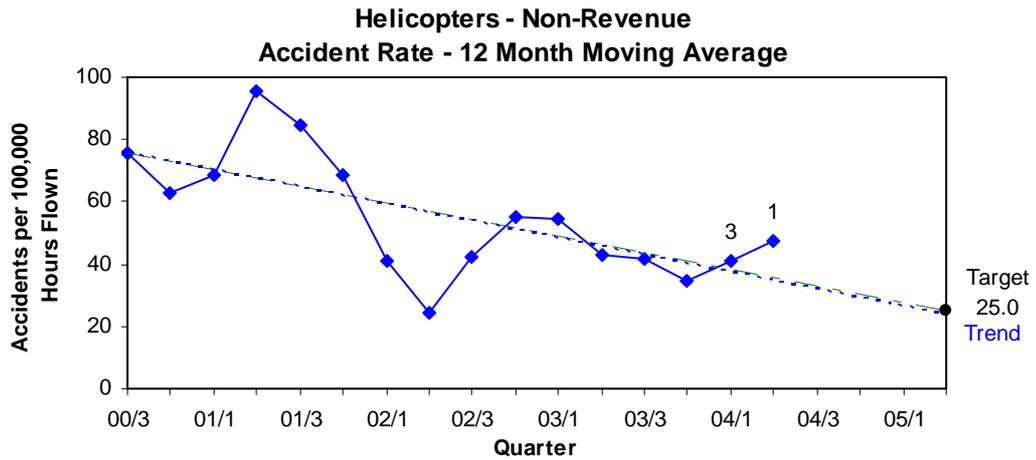
**Helicopter Sector Tabulated Result**

TYPE OF OPERATION	MOVING AVERAGE	ACCIDENTS PER 100,000 FLIGHT HOURS BY YEAR 2005		LONG-TERM ACCIDENTS PER 100,000 FLIGHT HOURS	
		Target	Achieved 03/04	Target	Achieved 03/04
Commercial passenger and freight air transport operations	12 months	4	5.7	Trending down	Trending down
Commercial other than passenger and freight air transport operations	12 months	11	9.4	Trending down	Trending down
Private non-revenue	12 months	25	47.5	Trending down	Trending down

**Helicopter Sector Charted Results 2000 -2004**

- 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**

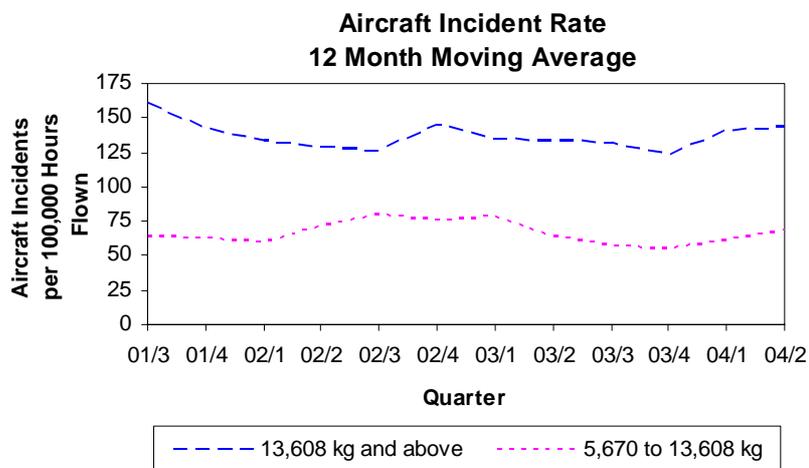
**Aircraft Incidents Target**

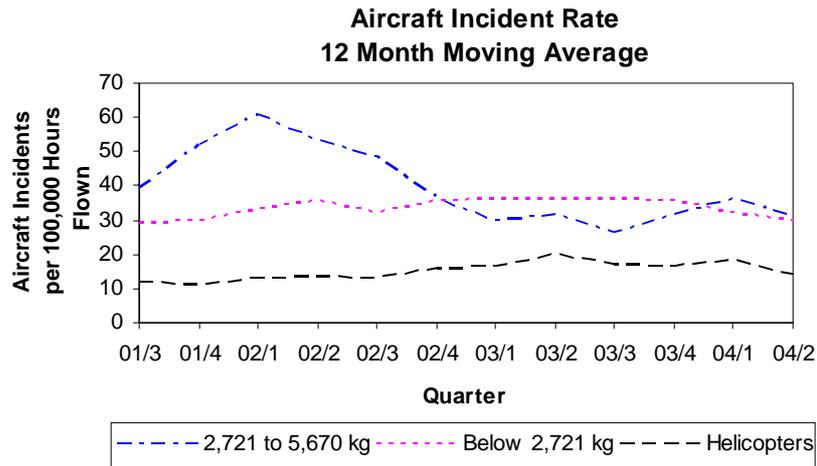
*Target:* A downward trend in the rate of aircraft incidents for fixed wing aircraft and helicopters.

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

**Aircraft Incidents 2003/2004 Result**

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





**Airspace Incidents**

**Airspace Incidents Target**

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

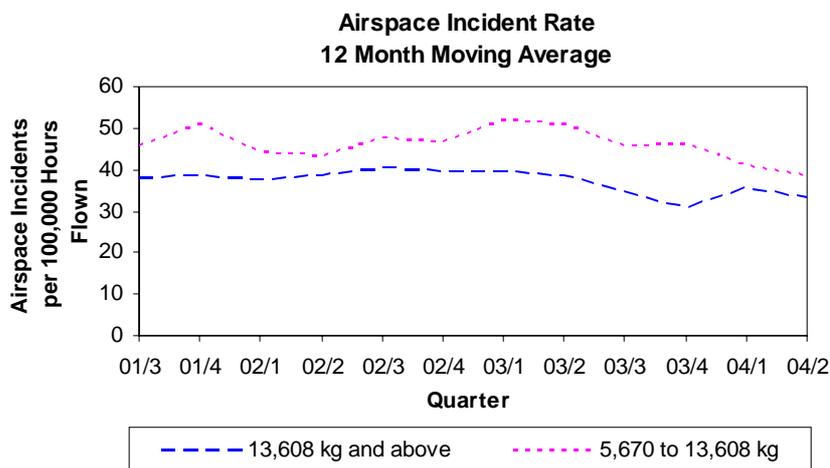
*Measure:* Airspace incidents will be recorded by the number of incidents:

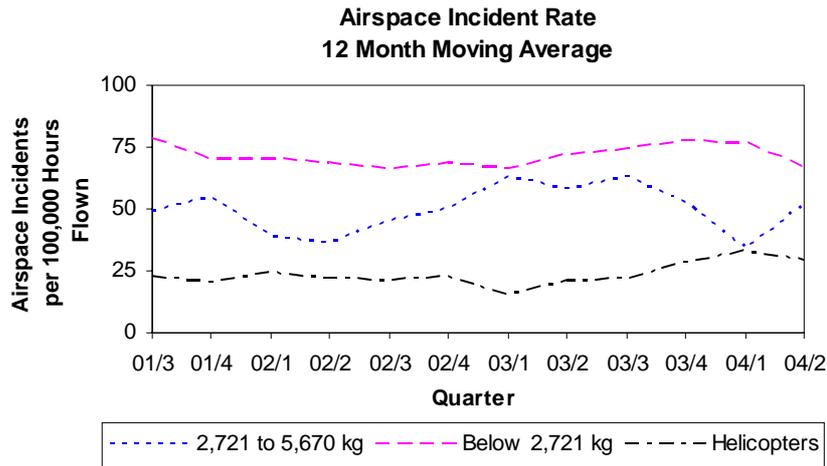
- (a) per 100,000 flight hours to allow comparison with accident and other incident rates, and overseas trends; and
- (b) in the case of ATS attributable incidents, per 100,000 movements in view of the relevance of movements to ATS operations.

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

**Airspace Incidents 2003/2004 Result**

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





**Reportable Aircraft Defects**

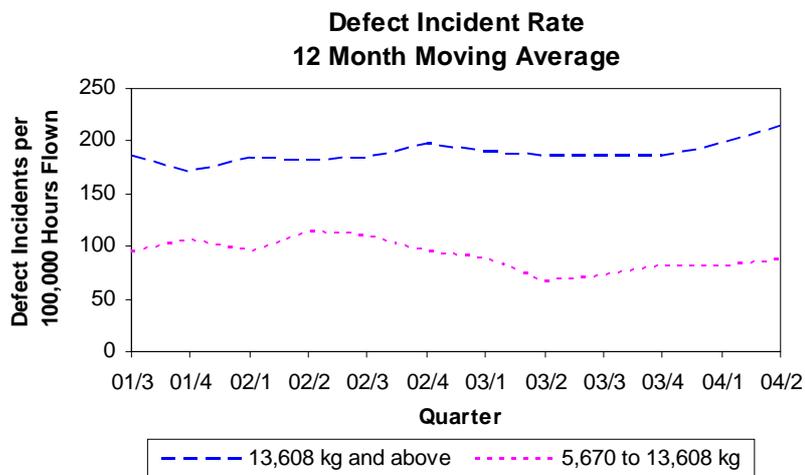
**Reportable Aircraft Defects Target**

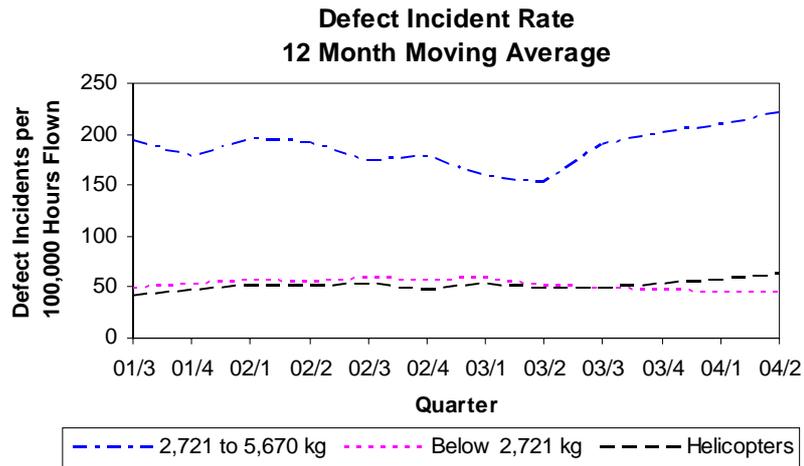
*Target:* A downward trend in the rate of reportable aircraft defects for fixed wing aircraft and helicopters.

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

**Reportable Aircraft Defects 2003/2004 Result**

Aircraft Group	Trend (ATS and Pilot)
13,608 kg and above	Trending up
5,670 to 13,608 kg	Trending down
2,721 to 5,670 kg	Trending up
Below 2,721 kg	Trending down
Helicopters	Trending up





**Industry Non-compliance**

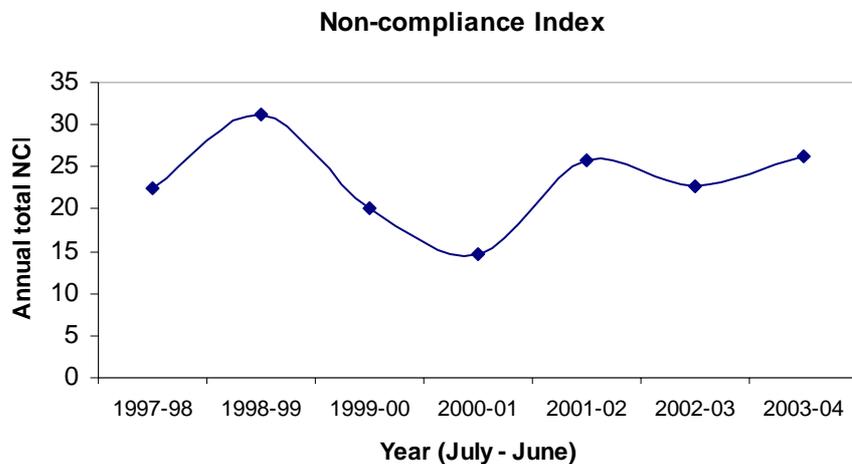
***Industry Non-compliance with Aviation Legislative Requirements Target***

*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”.

***Industry Non-compliance 2003/2004 Result***

Year	Non-compliance Index
1997-98	22.5193
1998-99	31.09946
1999-2000	20.12693
2000-01	14.67944
2001-02	25.8459
2002-03	22.81846
2003-04	26.30539



## **Work on the Social Cost of Accidents**

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The CAA has been working on the development of measures to assist in better understanding the range and quantum of aviation safety failure and to assist in the more accurate targeting of safety remedies. This section sets out an overview of the CAA's work in the area of the social costs of accidents.

### **Background on the Social Cost of Accidents**

Different accidents have different economic impacts on the nation. Estimating the social cost of accidents is one way of valuing the impact of accidents on the country, thereby providing more information for CAA managers. It is also a way to rank the severity of accidents, which at present receive equal weighting within a safety target group regardless of their scale. For example; a fatal accident and a non-fatal accident are each recorded as one accident. A development of the existing five-year aircraft accident targets would be to complement these with a set of social cost targets for each safety group.

The main components of the social cost of accidents are fatalities, serious injuries, aircraft destroyed in fatal or serious injury accidents, and third party property damage. The value to the nation of fatalities (\$2.63 million each) is based on the value of statistical life (VOSL) estimated by the Land Transport Safety Authority (LTSA). The value of serious injuries (\$0.28 million each) is also based on the LTSA's figure. Aircraft destroyed are valued using estimates of aircraft values made by the CAA on the basis of market prices in a number of developed aviation nations.

The social cost of accidents, using the LTSA's estimates (in June 2002 dollars) and aircraft values (in 1999 dollars), for the safety target groups and the sport group are shown below.

### **The Social Cost of Accidents Per Annum**

The total estimated social cost for the nine safety target groups and the sport group over the ten-years 1 January 1994 to 31 December 2003 was \$654 million (on average \$65.4 million per annum). This represents the cost of 221 fatalities and 132 serious injuries, and 103 aircraft destroyed in fatal and serious injury accidents. Almost 95% of the cost was incurred by the below 5,670 kg, helicopter and sport groups.

### **Safety Target Groups**

The following tables show the estimated social cost per annum for each of the nine safety target groups in the ten-year period 1 January 1994 to 31 December 2003.

Safety Target Group	94 \$m	95 \$m	96 \$m	97 \$m	98 \$m	99 \$m	00 \$m	01 \$m	02 \$m	03 \$m	Total \$m
13,608 kg and above revenue pax & freight	-	24.4	-	-	-	-	0.8	-	-	8.4	33.6
5,670 to 13,608 kg revenue pax & freight	-	-	-	0.3	-	-	-	-	-	-	0.3
2,721 to 5,670 kg revenue pax & freight	-	16.6	14.2	-	15.3	-	-	-	-	22.4	68.5
Below 2,721 kg revenue pax & freight	-	8.4	0.7	5.4	15.9	13.2	5.4	0.3	15.9	-	65.2
Below 2,721 kg revenue (other)	11.0	9.9	5.6	3.8	-	2.7	0.3	4.5	5.8	16.6	60.2
Below 2,721 kg non-revenue	0.8	14.6	2.9	21.2	5.6	32.4	27.3	0.6	8.1	8.4	121.9
Helicopter revenue pax & freight	28.7	-	-	0.6	-	13.6	24.5	5.7	-	-	73.1
Helicopter revenue (other)	0.8	11.0	20.3	5.4	9.3	6.4	6.2	3.1	9.1	6.4	78.0
Helicopter non-revenue	3.6	-	3.1	0.6	3.1	9.6	-	12.0	0.3	1.0	33.3
<b>Total</b>	<b>44.9</b>	<b>84.9</b>	<b>46.8</b>	<b>37.3</b>	<b>49.2</b>	<b>77.9</b>	<b>64.5</b>	<b>26.2</b>	<b>39.2</b>	<b>63.2</b>	<b>534.1</b>

The following table shows the average social cost for the five-year periods 1 January 1994 to 31 December 1998 and 1 January 1999 to 31 December 2003.

Safety Target Group	Annual Average 1994 to 1998 \$m	Annual Average 1999 to 2003 \$m	Change \$m
13,608 kg and above revenue pax & freight	4.9	1.8	- 3.1
5,670 to 13,608 kg revenue pax & freight	0.1	-	- 0.1
2,721 to 5,670 kg revenue pax & freight	9.2	4.5	- 4.7
Below 2,721 kg revenue pax & freight	6.1	7.0	+ 0.9
Below 2,721 kg revenue (other)	6.1	6.0	- 0.1
Below 2,721 kg non-revenue	9.1	15.4	+ 6.3
Helicopter revenue pax & freight	5.9	8.8	+ 2.9
Helicopter revenue (other)	9.4	6.2	- 3.2
Helicopter non-revenue	2.1	4.6	+ 2.5
<b>Total</b>	<b>52.9</b>	<b>54.3</b>	<b>+ 1.4</b>

### **Sport Group**

The sport group includes all gliders, gyroplanes, microlights and amateur built aircraft (it excludes parachute and hang-glider accidents as these aircraft are not registered). It is not a designated safety target group. However, it does incur costs to the nation in terms of fatal and serious injuries and destroyed aircraft. The following table shows the estimated social cost per annum for the sport group in the ten-year period 1 January 1994 to 31 December 2003.

Aircraft Group	94 \$m	95 \$m	96 \$m	97 \$m	98 \$m	99 \$m	00 \$m	01 \$m	02 \$m	03 \$m	Total \$m
Sport	11.4	1.1	5.1	19.1	14.1	16.5	8.8	8.5	14.3	21.2	120.1

The following table shows the average social cost for the five-year periods 1 January 1994 to 31 December 1998 and 1 January 1999 to 31 December 2003.

Aircraft Group	Annual Average 1994 to 1998 \$m	Annual Average 1999 to 2003 \$m	Change \$m
Sport	10.2	13.9	+ 3.7

### Continuing work on the Social Cost of Accidents

Work continues on the derivation of an acceptable form of measure relating accident episodes or trends in particular parts of the aviation community to actual cost to the community versus the social utility of the activity involved.

For example, the social cost of accidents per passenger could be used to identify priorities for CAA safety planning and the development of business and safety management strategies, with spending on safety measures being concentrated on those safety target groups with the highest social cost. The tables above show that the below 2,721 kg non-revenue and sport groups have a higher social cost than for any of the other safety target groups and this may indicate that these groups should have a higher priority for safety-related intervention or expenditure.

It is the intention of the CAA to continue developing social cost of accident concepts and measures in conjunction with the derivation of safety targets to assist in the management of the civil aviation system over the period to the year 2010.

### Other Information

#### 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 Carruthers, 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 expires on 30 June 2008. The delegation is subject to various conditions and limitations specified in the Schedules to the Delegation. Fifty sub-delegations of the relevant powers under section 72K have been issued to flight examiners and exam writers.

The CAA 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 four individuals holding senior positions in the Sport Aviation Corporation Limited and the Recreational Aircraft Association of New Zealand Incorporated. 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 three senior persons nominated by Gliding New Zealand formally the New Zealand Gliding Association. 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 three senior persons nominated by the New Zealand Hang Gliding and Paragliding Association (NZHGPA). He has also delegated to those individuals his powers under sections 8 and 10(3) of the Act in relation to receiving applications for those certificates and receiving information regarding whether applicants are fit and proper to hold those certificates.

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

### ***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.

### ***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
- Airwork (NZ) Ltd
- Techair Ltd
- 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

<b>Vision</b>
To deliver superior Class III search and rescue services.
<b>Mission</b>
To provide a high quality, responsive and cost efficient search and rescue co-ordination service focused on saving life.
<b>Strategic Goals</b>
<ol style="list-style-type: none"> <li>1. To deliver prompt, efficient and effective Class III search and rescue services with maximum economy.</li> <li>2. To maintain our status as a Quality Assured Supplier of Class III search and rescue services.</li> <li>3. To maintain international recognition of the National Rescue Co-ordination Centre as a model for other states in the region.</li> <li>4. To promote co-operation among providers of search and rescue services in New Zealand.</li> <li>5. To maintain public confidence in the operation of the National Rescue Co-ordination Centre.</li> </ol>

### Significant Search and Rescue Activities

The New Zealand Rescue Coordination Centre (NRCC) managed 849 Class III SAR incidents during the year 2003/2004. Of these, 198 were aviation incidents, 126 were marine incidents and 36 involved land search and rescue operations. These SAR incidents resulted in the rescue of 161 people but also resulted in 14 people losing their lives. The NRCC was fully activated to coordinate major SAR operations on 28 occasions during the year. Significant Class III SAR operations included the following:

- (a) **Fishing Vessel Adrift between Fiji and American Samoa.** On Thursday 3 July 2003 a distress beacon was activated belonging to a US-owned fishing vessel, the Day Star, which was in transit between Fiji and American Samoa. Arrangements were made for another vessel in the area to provide assistance to the vessel. After completing a transfer of diesel fuel, both vessels proceeded on their way.
- (b) **Fishing Vessel Sinking between New Zealand and Fiji.** On Tuesday 22 July 2003 the Maritime Surveillance Centre in Fiji informed the NRCC they had received a report from a Taiwanese fishing company's agent that one of their vessels, the Long Dar with a crew of 24, had sunk. Although other fishing vessels from the same Taiwanese fleet were proceeding to the incident location to render assistance, the NRCC tasked an RNZAF Orion to immediately proceed to the area. The Orion was unable to detect survivors, wreckage or the other fishing vessels in the area. Because

of the subsequent concerns about the accuracy of the information provided, the NRCC requested and received repeated confirmation from the Fiji SAR authorities of the location of the Long Dar's reported sinking. After the Orion had completed about two hours searching in that area, the Fiji authorities informed the NRCC the survivors of the sunken vessel had been rescued. This had occurred some 240 nautical miles north of the position initially reported and subsequently confirmed by the Fiji Maritime Surveillance Centre. Subsequent enquiries revealed the correct coordinates of the Taiwanese vessel sinking were passed by the shipping agent to the Fiji Surveillance Centre but incorrect information was repeatedly provided to New Zealand.

- (c) **Fishing Vessel Adrift in Tongan Waters.** On Saturday 26 July 2003 a distress beacon operating in the vicinity of Tonga was detected by the COSPAS-SARSAT system. Following discussions with the Tongan SAR authorities, an RNZAF Orion aircraft was tasked to investigate and discovered a local fishing vessel, the Lady Vina, adrift with a crew of eight and without radio communications. The engine had failed and the batteries were flat. The Orion aircrew contacted a nearby vessel and arranged for the broken-down vessel to be towed to safety.
- (d) **Fishing vessel on fire south of Tongatapu Island.** A major SAR operation coordinated by the NRCC involved a Tonga based Taiwanese fishing vessel, the Bokyung. This vessel, with a crew of 11 on board, set off its distress beacon on Monday 25 August 2003 while 200 kilometres south of Tongatapu Island. An RNZAF Orion was diverted to the area and located the vessel, which was aflame. After abandoning the Bokyung, which subsequently sank, the crew were rescued safely from their life raft by another fishing vessel.
- (e) **Three youths adrift in aluminium craft from Tokelau Group.** On Sunday 5 October 2003, concern was expressed by Tokelau authorities about the safety of three youths who were reported to have departed Atafu, in the Tokelau Group, the previous day in an aluminium craft but had failed to return. Local searches of the lagoon and the shoreline were unsuccessful and assistance was requested. An RNZAF Orion aircraft carried out a radar and visual search on the Sunday and a second aircraft continued the search on the Monday. This resulted in the missing craft being located 70 nm south-west of Atafu and the three youths being uplifted and rescued by the MV Tokelau.
- (f) **Solo rower attempting to row from New Zealand to South Africa.** The NRCC was activated on Monday 17 November 2003 to coordinate the rescue of a solo rower who was attempting to row from New Zealand to South Africa. Heavy seas had capsized the craft several times resulting in the loss of much equipment, including the rowboat's oars. A vessel was requested to divert and travel over 300 nautical miles to rescue the rower and his boat. This occurred, with assistance from an RNZAF Orion aircraft, on 19 November 2003.
- (g) **Four crew adrift in a life raft from a fishing vessel south of Samoa.** On Saturday 6 December 2003 numerous COSPAS-SARSAT alerts were received indicating distress beacon activity in an area south of Samoa. A faint distress signal was also reported by an aircraft enroute from Faleolo to Niue. An RNZAF Orion aircraft, despatched from Auckland, located four survivors in a life raft and diverted a fishing vessel to their rescue. The survivors were from a vessel based in Pago Pago.
- (h) **Vessel disabled between Tongatapu and Ha'apai.** On Thursday 25 December 2003 a distress beacon was reported by COSPAS-SARSAT between Tongatapu and

Ha'apai in the Tonga Group. With the assistance of a patrol craft from the Tongan Defence Forces, one vessel with four people on board that had broken down due to fuel contamination was towed to Nuku'alofa while the four crew of a fishing vessel that had sunk were also rescued by the same patrol vessel.

- (i) **Capsized vessel with three people on board.** On Wednesday 31 December 2003 the COSPAS-SARSAT system reported a distress beacon operating off the North Canterbury coast which was confirmed by an over-flying aircraft. A helicopter and a fixed-wing aircraft from Christchurch and a Volunteer Coastguard unit from Kaikoura were despatched to the area where three people were picked up from a small upturned vessel.
- (j) **Overdue helicopter in Hollyford Valley.** During the period 3-9 January 2004 inclusive the NRCC coordinated the search for a Hughes 369HS helicopter with two persons on board who were last sighted on Saturday 3 January 2004 when they departed a hut in the Hollyford Valley for Milford Sound. After a brief radio exchange with Milford Flight Service in which the pilot indicated he was in cloud and in trouble, there was no further communication with ZK-HNW. Extensive air search operations were conducted during the next seven days. Despite numerous reports of the helicopter having been seen or heard by tramping and camping groups and individuals on the Saturday morning, neither the major air search effort nor the limited searching by ground parties discovered any information that could indicate the fate or whereabouts of the missing helicopter and its occupants.

The costs incurred in this search exceeded the 2003/04 funding provision for Class III SAR services and resulted in a deficit which required supplementary funding from the Crown to restore the CAA's financial position.

- (k) **Overdue helicopter on flight, Taupo to Te Puke.** The NRCC coordinated a search for a Robinson R22 helicopter, ZK-HXT with two persons on board, that was overdue on a flight from Taupo to Te Puke on Saturday 10 January 2004. The search involved numerous helicopters from the Central North Island, the establishment of a Forward Search Control Centre in Taupo, and ended when the wreckage and deceased persons were located on the Monday morning. The search effort involved more than 60 flying hours.
- (l) **Search for yacht failing to maintain communications schedule.** On Sunday 18 January 2004 the NRCC coordinated a search using an RNZAF Orion aircraft to locate the yacht Wanda that was sailing from Akaroa to Dunedin. The solo yachtsman had failed to maintain communication schedules and there was some concern for his well-being. The Orion found the vessel safe and well near the entrance to Otago Harbour. It had encountered rough weather conditions and experienced radio failure, but was not in trouble.
- (m) **Launch overdue returning to Norfolk Island.** The NRCC coordinated a search for a launch with two persons on board that had failed to return to Norfolk Island after setting out on a two hour recreational trip on Monday 19 January 2004. In conjunction with the Norfolk Island Police, the NRCC engaged land search parties and local light aircraft and an RNZAF Orion aircraft to search the coastline and adjacent waters of Norfolk Island for two days before the missing craft and its occupants were located. They had experienced difficulties with their outboard motor and drifted for almost two days before being located on Wednesday 20 January 2004. They had set off without life jackets, a radio, a distress beacon, food, water or an auxiliary motor.

- (n) **Fishing Vessel experiences engine failure.** On 5 February 2004 a beacon associated with a United States owned fishing vessel was detected 150 nautical miles north-west of Samoa. An RNZAF Orion aircraft was despatched to investigate and found the vessel with a crew of six had experienced engine failure and was adrift. It had lost electrical power and communications and had to be towed to Pago Pago.
- (o) **Vessel swamped near Preservation Sound.** On 8 February 2004 a helicopter from Te Anau was tasked to locate a distress beacon transmitting in Preservation Sound in Fiordland. Two men were located on an uninhabited island, picked up by the helicopter and transferred to the safety of a nearby lodge. The survivors had swum ashore after their 13 foot rigid inflatable boat had been swamped by rough seas.
- (p) **Injured hunter in Lewis Pass.** On 13 February 2004 a distress beacon was activated in the Lewis Pass-Murchison area. As soon as the weather and light conditions improved, a helicopter from Christchurch located an injured hunter and transferred him to hospital.
- (q) **Injured tramper on Stewart Island.** On 15 February 2004 a distress beacon that had been activated by a tramper with a broken arm was localised on Stewart Island by a helicopter from Invercargill. The tramper was airlifted to hospital.
- (r) **Launch sinks in Cook Strait.** On 15 February 2004 the NRCC assumed responsibility from the Police for the coordination of a SAR incident involving the MV Rita that was experiencing difficulties near Cape Jackson in the Cook Strait. The vessel sank and co-ordination of other vessels, helicopters and an RNZAF Orion aircraft resulted in three crewmembers being rescued but the fourth crewman was never found.
- (s) **Launch sinks near Great Barrier Island.** On 24 February 2004 a 40-foot launch sank near Great Barrier Island. The crew activated their distress beacon, which resulted in a helicopter from Auckland locating two persons in a life raft and a third crewmember clinging to the semi-submerged launch. One of the survivors was transferred to hospital suffering from hypothermia.
- (t) **Medical emergency on Tuna boat when 3,000km east of Wellington.** On 2 March 2004 the NRCC was alerted to a medical emergency on a Canadian-registered tuna boat 3,300 kilometres east of Wellington. The vessel's skipper had sustained major burns to a large area of his back. During the next eight days the NRCC facilitated the provision of medical advice to the crew, arranged the diversion of a bulk carrier vessel to rendezvous with the tuna boat and transfer medications such as pain-killers, and arranged for an aircraft to uplift the patient when he reached the Chatham Islands and transfer him to Hutt Hospital for specialist treatment.
- (u) **Fishing vessel disabled west of Tonga.** On 4 March 2004 a distress beacon was detected to the west of Tonga. An oil tanker was diverted to the area and discovered a fishing vessel that had broken down and was drifting. The tanker took the fishing vessel under-tow and proceeded to Nuku'alofa.
- (v) **One of two climbers injured in Southern Alps.** On 11 March 2004 two climbers in the Southern Alps activated their distress beacon after one had fallen and experienced a knee injury. The COSPAS-SARSAT system provided the NRCC with their location and a helicopter was despatched from Christchurch to effect their recovery.

- (w) **Fishing vessel broken up in heavy seas in Tongan waters.** On Tuesday 13 April 2004 an Air New Zealand aircraft and a COSPAS-SARSAT satellite detected a distress beacon in Tongan waters. The NRCC liaised with Tongan authorities who arranged for a Tongan Defence Force patrol boat to assist. During the night the patrol boat located crew-members of a Tongan fishing vessel that had broken up in heavy seas. Four crewmen, one of whom was suffering from shark bites, were clinging to ship wreckage and debris. A fifth crew-member had experienced a heart attack and died.
- (x) **Medical emergency on fishing vessel east of Gisborne.** A medical emergency 110 nautical miles east of Gisborne resulted in a fisherman, who was suffering from severe blood poisoning, being uplifted from a New Zealand commercial vessel by a helicopter and delivered to the Gisborne Hospital for treatment. The helicopter was accompanied by a fixed-wing safety aircraft.
- (y) **Man overboard from container vessel near Tonga.** Late in the evening of Tuesday 27 April, the NRCC received a report that the Master of the Forum Fiji II, a Cyprus-registered container vessel en route from Tonga to New Zealand, had been seen to fall overboard without a lifejacket earlier in the evening. Although a 'man-overboard-buoy' and some life-rings had been launched, the vessel had been unable to locate the missing Captain. An RNZAF Orion was sent to the area at first-light and located a body two hours later.
- (z) **Injured climber, Mt Cook National Park.** On 1 May 2004, a COSPAS-SARSAT satellite detected a distress beacon transmitting in the Mt Cook National Park. A Christchurch helicopter tasked to locate the beacon reported hearing the signal but weather forced it to land at Mt Cook without locating the source. At first light the next day the helicopter crew located an injured climber on the mountain at the beacon site. The climber was lifted off safely.
- (aa) **Fishing vessel missing off south coast of Savaii Island.** On Wednesday 5 May 2004, a Royal Australian Navy officer in Samoa informed the Search Co-ordinator of a fishing vessel with three men on board, missing off the south coast of Savaii Island. It had anchored after engine failure, but the anchor had parted overnight and the vessel had drifted off. A RNZAF Orion aircraft was launched from Whenuapai and located the fishing vessel and crew who were uninjured. A local patrol craft towed the vessel and crew safely to Apia.
- (bb) **Crashed helicopter near Te Puke.** Early in morning of Thursday 15 May 2004, the New Zealand Fire Service informed the NRCC of a crashed helicopter which was on fire near Te Puke. One person, the pilot, was seen to leave the helicopter. The Search Co-ordinator ensured that local resources were able to deal with the situation with the assistance of an air ambulance. Later it was discovered that a deceased passenger was still in the helicopter. The injured pilot was conveyed to hospital.
- (cc) **Injured tramper near Oamaru.** Shortly before midday of Thursday 15 May 2004, a COSPAS-SARSAT satellite detected a distress beacon 60nm southwest of Oamaru. A Christchurch helicopter tasked to locate the beacon source then located a tramping party. One member of the group had suffered a dislocated knee and was airlifted to Christchurch Hospital.
- (dd) **Vessel collides with rock on Lake Waikaremoana.** On Friday 21 May 2004, a COSPAS-SARSAT satellite detected a distress beacon transmission at Lake

Waikaremoana. The Search Co-ordinator initiated a helicopter search but inquiries revealed that a local ambulance organisation was also responding to an emergency in the area. An injured man was located in a Department of Conservation (DOC) hut. The injuries had occurred when his vessel had hit a rock in foggy conditions. DOC staff at the hut had activated his distress beacon. The ambulance service helicopter conveyed him to hospital the next morning.

- (ee) **Injured trampler on Stewart Island.** On Monday 24 May 2004, a COSPAS-SARSAT satellite received transmissions from a distress beacon transmitting on Stewart Island. A helicopter from Invercargill was tasked to locate the transmission source. The helicopter crew located two trampers, one had lower back injuries. The helicopter returned to Invercargill, collected paramedics with a stretcher, then retrieved and airlifted the woman to hospital.
- (ff) **Crewman lost overboard from fishing vessel near Samoa.** On Tuesday evening 1 June 2004 a crewman was lost overboard from a fishing vessel 50nm northeast of Samoa. A local search by Samoan Police using five fishing vessels, searching in ideal conditions over two days failed to locate the crewman.
- (gg) **Aircraft reports making forced landing.** Shortly after midday on Sunday 13 June 2004, Airways Corporation informed the NRCC that the pilot of Cessna 172 aircraft, ZK-LRD had reported a rough running motor requiring him to make a forced landing near Motatapu. However, before any SAR resources were tasked, a nearby aircraft reported that the pilot had made a successful landing on Islington Bay beach and that the two occupants were uninjured.
- (hh) **Crewman lost overboard from fishing vessel in Pacific.** On Thursday 17 June 2004, a Korean fishing vessel reported having lost a crewman overboard approximately 35 hours earlier at a position some 450nm northeast of Norfolk Island; the fishing vessel had continuously searched during this period without success. The water temperature in the search area made it unlikely the missing man could have survived beyond 12 hours. The fishing vessel was advised that the only air resource available from New Zealand was currently on a SAR mission near Fiji's. The vessel continued the search unsuccessfully for a further day.
- (ii) **Yacht disabled and in distress near Norfolk Island.** On Monday 28 June 2004, a distress beacon began transmitting at a position approximately 50nm east of Norfolk Island. An RNZAF Orion aircraft, tasked to locate the source, found the French-Polynesian catamaran yacht, Te Marama 3, with 4 people on board. The sail and rudder had been disabled by severe weather and it had also suffered engine failure. The MV Susaki Wing, a bulk carrier, was located nearby and directed to the scene but because of high freeboard and lack of manoeuvrability was unable to assist. The New Caledonia was authorities were requested to assist and dispatched the naval patrol vessel La Glorieuse to the scene. On arrival only three of the crew elected to be rescued, the skipper declined, having made arrangements to have his vessel towed to Noumea.

## Other SAR related events

Other SAR related events of significance included:

- (a) The Independent Reviewer engaged by the New Zealand SAR Council investigated the circumstances and completed his report on matters associated with the search and rescue response to the sinking of a pleasure craft (Time Out) near Oamaru on 11 May 2003.
- (b) On Wednesday 13 August 2003, the Minister of Transport released the report of the Independent Reviewer of the search and rescue response to the sinking of a pleasure craft (Time Out) near Oamaru on 11 May 2003.
- (c) The New Zealand SAR Council adopted the recommendations of the Independent Reviewer and, among other things, appointed an individual to carry out a risk analysis of a range of NRCC organisational and structural arrangements that might be implemented to produce the “least risk option” for the delivery of an effective Class III SAR service. This risk assessment and an implementation plan for the recommended option for the future location and management of the NRCC was to be completed by 12 September 2003.
- (d) The Manager NRCC’s attendance at COSPAS-SARSAT Council meeting in the United Kingdom in October was followed by familiarisation visits to the maritime and aviation rescue co-ordination centres operated by the UK Coastguard and the RAF at Aberdeen and Kinloss, respectively.
- (e) The New Zealand SAR Council established a Transition Planning Team to organise and arrange the replacement of the present NRCC with a new RCC to be operated under the management of the Maritime Safety Authority by January 2004. CAA Executives and the Transition Team Project Manager (Mr Bernard Robbins) briefed NRCC full-time and contract staff on the proposed new RCC arrangements on Tuesday 11 November 2003.
- (f) On 3 December 2003 the NRCC Manager met with representatives of the AIA Air Ambulance Division to update them on the changes to SAR Governance and the future RCCNZ location. The opportunity was also taken to explore the possibility of implementing some form of “Agreement” between helicopter owners and the RCC to address response times and the nature of service that could be provided.
- (g) On Friday 21 February 2004 the National SAR Committee (NSRC) met to consider a report from the Ministry of Transport on the status and progress of a new governance structure for search and rescue in New Zealand. Instead, the NSRC received a briefing from the Maritime Safety Authority representative, who reported that on 3 February 2004 Cabinet had endorsed a paper prepared by the Ministry of Transport proposing the establishment of a SAR governance structure comprising a New Zealand SAR Council, supported by a permanent SAR Secretariat, to replace the existing NSRC.
- (h) On Thursday 27 February 2004 the NRCC Manager chaired the inaugural meeting of the 406 MHz Interagency Transition Task Group that has been directed 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.

- (i) The COSPAS-SARSAT aerials, previously located on the roof of the old Aviation House in Lower Hutt, were relocated to a purpose-built, unattended container positioned on Morrison Hill, 15 kilometres north of Martinborough, on Friday 23 April. This was part of the transfer of responsibility for Class III SAR from the CAA to the Maritime Safety Authority and allowed the accommodation lease for the 1 Market Grove building to be fully terminated on 31 August 2004, by which time the new RCC at Avalon should be fully operational.
- (j) At 12 noon on Monday 5 July 2004 the National Rescue Coordination Centre (NRCC) ceased to coordinate Class III search and rescue services in New Zealand's Search and Rescue Region (SRR). At the same time the newly commissioned Rescue Coordination Centre of New Zealand (RCCNZ) assumed that responsibility, providing a 24 hour per day watch from their Operations Centre at Avalon TV Studios, Lower Hutt.



**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

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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

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The Output for which the Aviation Security Service was responsible during the 2003/2004 financial year was *Aviation Security Service*.

## General Manager's Report – AVSEC

The 2003/04 year was a successful and challenging one for AvSec. We saw strong passenger growth and an increase in demand for AvSec services in most locations. This created challenges in terms of staffing and resources. Good progress was made across a number of fronts, particularly in respect of hold baggage screening, new initiatives in the South Pacific, changes to AvSec's structure and quality initiatives. Key AvSec activities, as in past years, involved close co-operation with the CAA, other government agencies and industry. It is pleasing to see the aviation sector working together so effectively.

AvSec also continued to work closely with the international sector, contributing in particular to ICAO and APEC deliberations. There was also close involvement with regulators and airlines in the Pacific region. A highlight of the year was having the Auckland training centre designated as an ICAO sub-regional training centre.

The following (pages 64 – 70) is an overview of significant aviation security activities undertaken by the Aviation Security Service during the year. Activities are grouped according to AvSec's strategic goals contained in its 2002-05 Strategic Plan. Details of the more specific and/or routine activities undertaken are contained in the Statement of Service Performance later in this report.

### General Overview

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**Strategic Goal One**     *Enhance the operational capability of the Service through the improvement of approaches to the management of intelligence, aviation security personnel, procedures, technology, equipment and resources.*

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#### **Enhanced security measures**

Enhanced security measures put in place on many international services in the aftermath of 11 September 2001 continued for most of the year, impacting on AvSec workload particularly in Auckland. Additional measures included the introduction of secondary screening for QANTAS international services out of Auckland Airport, in response to that airline's concerns at the delays in addressing problems associated with the structure of the Auckland terminal.

#### **Review of Aviation Security Matters**

AvSec continued to be involved in activities associated with this report that was approved by Cabinet in May 2002. In addition to hold stow baggage screening, the other main areas of consideration included the vetting arrangements and standards for the airport identity card system administered by AvSec on behalf of the Director of Civil Aviation, and provisions relating to the random screening of passengers in security restricted areas.

#### **Hold Stow Baggage Screening**

Planning for the introduction of hold stow baggage screening was the major AvSec project during 2003/04. Early in the year AvSec commissioned consultant Airplan to undertake a review of the requirements in New Zealand's seven international airports. The Airplan report presented on 1 August formed the basis for discussions with other agencies and the airport companies.

In early 2004 AvSec reached agreement with industry on the project management process to be used for the selection of the technology required. AvSec undertook a tender process for the equipment supplier and selected a preferred supplier.

Agreement was also reached with the government and industry on the proposed division of responsibilities and implementation arrangements.

In the first quarter Cabinet approved a capital injection of \$25m to cover equipment costs for hold stow screening.

### ***Independent Review***

Late in the year AvSec and the Minister of Transport agreed the terms of reference for a further routine (3 to 4 yearly) independent review. The review is focusing on AvSec's internal systems, recognising the substantial changes the organisation has been through in recent years. A tender process conducted by the Ministry of Transport resulted in the selection of consultants firm Rutherford Sloan to undertake the review. The review was due to commence in early July 2004.

### ***AvSec Change Management Plan***

Changes were made to the National Office structure during the year, reflecting increased workload. New positions of National Manager Government Relations, National Operations Manager and Human Resources Adviser, Health and Safety were established and appointments made.

### ***Auckland Terminal Infrastructure Issues***

The inadequacy of the Auckland Airport international terminal has been apparent for some time and has increasingly put strains on the AvSec operation. Throughout the year AvSec worked with Auckland International Airport Limited (AIAL) and the Civil Aviation Authority on the development of a long term solution to the terminal infrastructure problems. Late in the year AIAL announced plans for major alterations to the terminal to alleviate these problems.

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

Following a review of the explosive detector dog structure, this important function was substantially upgraded with the creation of new management positions.

An additional five new handlers were appointed during the year to meet the increased demand for Explosive Detector Dog services.

### ***Training***

In 2003 AvSec had introduced a new training programme for its sergeants and aspiring sergeants (frontline management) run in conjunction with the New Zealand Institute of Management. In December 2003, 26 staff graduated from the programme and new courses involving almost twenty participants commenced in February 2004, concluding in December 2004.

AvSec provided training to all staff in the administration of the infringement regime for unruly passengers developed following a latest amendment to the Civil Aviation Act.

A further training officer was appointed in Auckland to assist with the workload in the Northern region. Recruitment was undertaken in the three regions during the year to meet the increased workload and demands for additional staff. Refresher training for sergeants particularly in performance management was also provided.

### ***Occupational Health and Safety***

This was a major commitment for AvSec during the year. In December 2003 AvSec made an appointment to the newly established position of health and safety adviser to co-ordinate its health and safety and ACC related activities. Early in 2004 AvSec undertook a comprehensive review of its health and safety strategies and used the findings to develop a new AvSec health and safety strategy statement. Implementation of this strategy statement commenced late in the year and is scheduled to be completed within two years.

AvSec also implemented a new structure for employee health and safety representation establishing health and safety committees in each of its three regions. The three staff unions were invited to nominate health and safety representatives and by year end the regional committees were functioning effectively. A training programme for the employee representatives had also been developed, involving training programmes approved under the Health and Safety in Employment Amendment Act.

### ***AvSec Collective Agreement***

In late 2003 negotiations were undertaken for a new Collective Agreement covering officers, sergeants and receptionists. For the first time the negotiations involved three staff unions, the Engineers union representing (EPMU), the National Union of Public Employees (NUPE) and Public Service Association (PSA). A settlement was obtained in December after six days of negotiations. Settlement of the new Collective Agreement was at a cost of \$0.680m, \$0.286m above the amount budgeted. This has required careful management.

Following ratification of the document the parties were required to discuss new amendments to the Collective Agreement to reflect the requirements of the Holidays Act 2003.

### ***Holidays Act 2003***

As a shift worker operation, application of the new Holidays Act was a significant issue for AvSec in the second half of the year as several key clauses impacted on employment conditions. Following a comprehensive review AvSec made changes to the administration of its leave provisions. The clause of most potential impact is section 50 which requires payment of 1.5 salary for work on a public holiday. AvSec's current salary structure includes compensation for the requirement to work on public holidays and AvSec believes that it is able to meet the criteria of section 51, which is to provide proof of this. Failure to provide this proof for the unions in order that they accept the AvSec position has the potential to increase AvSec costs by in excess of \$1m per annum.

At year end AvSec was continuing discussions with the three staff unions on this issue. AvSec's objective remains to apply section 50 of the Holidays Act without increasing its costs or impacting on individuals' incomes. Other clauses of the Act also impacted on AvSec costs.

**Strategic Goal Two** *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.*

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### **NZ Post Mail Screening**

On 1 October 2003 AvSec commenced the screening of mail out of the international mail centre at Auckland Airport, following consultation with the Ministry of Transport, NZ Customs and the Civil Aviation Authority. This initiative is aimed at enhancing the security of international services out of New Zealand.

### **Rotorua Operation**

On 1 December 2003 AvSec recommenced screening services out of Rotorua following the reintroduction of an Air New Zealand jet service on a six month trial basis. Initially AvSec staffed the operation out of its Hamilton branch, but the subsequently recruited locally based staff.

**Strategic Goal Three** *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.*

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### **Quality and Audits**

In late 2003 AvSec's long serving Manager Quality Systems retired and a new appointee took up his position in January 2004. A comprehensive review of AvSec's quality and audit programme was launched and by year end significant changes had been implemented. These changes included the contracting of Verification NZ Limited to audit AvSec against its ISO certification and a new framework for the AvSec internal audit programme. This change process continues into 2004/05.

There was no disruption to AvSec's audit programme with regular external reviews of AvSec functions undertaken, including a review of AvSec's Training Section by the Civil Aviation Authority to assess compliance with the requirements of Civil Aviation Rule Part 141, Aviation Training Organisations.

### **Standard Passenger Processing Times**

AvSec participated in a Customs led project involving the border agencies and AvSec to develop a standard passenger processing time policy in the airport environment, including both the arrival and departure process.

**Strategic Goal Four** *Enhance the strategic capability of the Service through enhancements to strategic management processes, Service infrastructure and risk management.*

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Refer to comments on Transport Sector Review (Goal Seven)

**Strategic Goal Five** *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.*

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#### **South Pacific Training and Infrastructure/ICAO Support**

During the year AvSec received funding of \$0.647m from the Government's newly established Pacific Security Fund for four key projects, aimed at enhancing aviation capability within six countries in the region, primarily with direct air links with New Zealand. The projects related to the security arrangements for the South Pacific Games in Fiji, deployment of cabin luggage x-ray machines in six countries, installation of an ID card system on Niue and provision of consultancy advice, primarily on hold stow screening. By year end the four projects had been completed.

AvSec also continued with its commitment to the International Civil Aviation Organisation (ICAO) initiatives in the region. In May 2004, AvSec hosted an ICAO crisis management course at its training centre, attended by twenty participants from the Asian Pacific region.

In late 2003 an AvSec manager participated in an audit of Cambodia's aviation security infrastructure.

Late in the year AvSec received advice from ICAO of the success of its business plan to have its Auckland training centre designated as an ICAO sub regional training centre. AvSec has sought ICAO accreditation for several years to complement its activities in the South Pacific region. It is pleasing that this ambition is finally coming to fruition.

**Strategic Goal Six** *Reinforce the national and international reputation of the Aviation Security Service as a recognised leader in the provision of the quality security services through active marketing and promotion.*

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#### **Review of AvSec Website**

In early 2004 AvSec undertook a review of its web site to ensure that it continued to be an effective communications and marketing tool.

**Strategic Goal Seven** *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.*

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#### **Maritime Security (and Goal Two)**

During the year AvSec was involved in cross agency discussions on a revised maritime security infrastructure for New Zealand to ensure compliance with new agreed International Maritime Organisation standards. This included provision of policy advice on the Maritime Security Bill which was enacted during the year. At year end a submission to the Minister of Transport was under preparation recommending the designation of AvSec as an authorised Maritime Security Organisation.

In November 2003, AvSec assisted with arrangements for the screening of passengers embarking at Auckland for the 2003/04 summer cruise ship season. This involved assisting the shipping agent in accessing equipment and experienced screening staff.

### ***Transport Sector Review (and Goal Four)***

In December 2003 the Government commenced a review of the transport sector agencies, including the Aviation Security Service. AvSec made submissions to the review team. Government advised of its response to the review team's recommendations in June. The greatest impacts on AvSec were in respect of governance arrangements, which remained unchanged and initiatives to bring about a closer alignment between the agencies, particular in respect of alignment with the New Zealand Transport Strategy and strategic and business planning processes.

### ***SARS and Avian Flu***

AvSec continued to participate in cross agency discussions co-ordinated by the Prime Minister's Department on the potential risks represented by SARS and Avian Flu. Although not a border agency there are risks for AvSec staff given their airport location. AvSec periodically issued updates to staff on SARS and Avian Flu and ensured that it had adequate stocks of preventative equipment such as masks and gloves.

**Strategic Goal Eight** *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 funding.*

### ***Review of AvSec Funding Regime***

Review of AvSec funding was a key activity throughout the year, following completion of the independent review of AvSec funding in August 2003, a review of costs associated with the implementation of hold stow baggage screening and a review of border agency funding also commissioned by the government during the year. Following completion of the independent review of AvSec funding, a new model was developed that better separates the international and domestic passenger costs. This model was assessed by an independent consultant and Audit New Zealand. As a consequence of the review of passenger services at the border, funding decisions impacting on AvSec relating to the implementation and operation of hold stow baggage screening were delayed. At year end uncertainty over changes to the passenger levies along with the operating funding for hold stow baggage screening posed major financial risks for AvSec.

### **Staff Numbers**

	<b>2002/03</b>	<b>2003/04</b>	<b>Variance</b>
Women	157	183	+26
Men	248	280	+32
<b>Total</b>	<b>405</b>	<b>463</b>	<b>+58</b>

## Statement of Impacts and Consequences

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### 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*

---

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

**Measure:** *Number of inflight security incidents.*

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

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#### *Airside Security Incidents*

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

**Measure:** *Number of airside security incidents.*

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

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#### *Dangerous Goods Introduced Into Aircraft*

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

**Measure:** *Number of incidents involving dangerous goods*

**Result:** There were nil dangerous goods incidents reported regarding aircraft screened by the Aviation Security Service.

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



# GROUPED FINANCIAL STATEMENTS

## GROUPED FINANCIAL STATEMENTS

for the Year Ended 30 June 2004

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 2004 are our responsibility; and
- c) In our opinion the grouped financial statements for the year ended 30 June 2004 fairly reflect the service performance, financial performance, position and cash flows of the Authority.




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

27 October 2004

**J G Jones**  
Director  
Civil Aviation Authority

27 October 2004



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

27 October 2004

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

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

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#### **Reporting Entity**

The grouped financial statements for the year ended 30 June 2004 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 and Rescue**

- **Search and 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 2003/2004 – 2005/2006. 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 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 86% (2003 83%) 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 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.

#### **Finance Leases**

Leases which effectively transfer to the Authority substantially all the risks and benefits incident to ownership of the leased items are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and the corresponding lease liabilities are recognised in the statement of financial position. The leased assets are depreciated over the period the Authority is expected to benefit from their use.

### **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 2004. Buildings are revalued every three years. Additions between revaluations are recorded at cost.

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 a debit balance in the asset revaluation reserve, this balance is expensed 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	10 - 14 years	10% - 7%
Furniture and Fittings	10 years	10%
Plant and Equipment	5 - 10 years	20% - 10%
Office Equipment	5 years	20%
Motor Vehicles	4 - 5 years	25% - 20%
Computer Equipment	3 years	33%
Leased Equipment	5 years	20%

### **Employee Entitlements**

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

Annual leave has been calculated on an actual entitlement basis at current rates of pay. Long service leave and retirement leave have been calculated on an actuarial basis. The retirement leave valuation was calculated by Melville Jessup Weaver (Consulting Actuaries).

### **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 2004

Specified financial performance	Achievement	Target
Expenditure to be within budget (\$000)	56,012	49,645
To achieve the budgeted surplus (\$000)	1,972	18
To maintain total current assets at budgeted levels (\$000)	15,969	10,199
To achieve the budgeted current ratio	2.37	2.15
To achieve the budgeted average debtors ratio	26	28
To achieve the budgeted average creditors ratio	49	37
To maintain physical assets at budgeted levels (\$000)	8,363	7,357
Capital expenditure to be within budget (\$000)	3,822	3,577
To achieve the budgeted ratio of capital additions to physical assets	46%	49%
To achieve the budgeted ratio of physical assets to total assets	34%	42%
To maintain Equity at budgeted levels (\$000)	15,430	11,338
To achieve the budgeted ratio of public equity to total assets	63%	65%

#### Explanation of significant variances in Financial Performance

Expenditure was higher than budget due to unexpected increases in demand which put pressure on resources and staff numbers. Staff numbers were increased in both the regulation of Civil Aviation Safety and in the Aviation Security Service to cope with this. The increase in demand also improved our revenues which contributed to the better than budgeted surplus. The increase in total assets is a flow on from the increase in cash receipts from our improved revenues, the extra cash is retained to restore our cash reserves. Significant search and rescue operations early in 2003/04 led to the restructuring of the Class III Search and Rescue operation and unbudgeted costs were incurred in implementing the requirements of the new Rescue Co-ordination Centre.

## CIVIL AVIATION AUTHORITY OF NEW ZEALAND

### Grouped Statement of Financial Performance

for the Year Ended 30 June 2004

The Authority agreed the following financial targets with the Minister at the beginning of the year:

2003 Actual \$000	Notes	2004 Actual \$000	2004 Budget \$000
38,585	Levy Revenue	44,046	40,307
2,965	Crown Revenue	4,578	2,777
6,873	Other Revenue	8,812	6,060
619	Interest Income	548	519
<b>49,042</b>	<b>Total operating revenue</b>	<b>57,984</b>	<b>49,663</b>
46,112	Cost of Services	56,012	49,645
<b>2,930</b>	<b>NET SURPLUS / (DEFICIT)</b>	<b>1,972</b>	<b>18</b>

### Grouped Statement of Movements in Equity

for the Year Ended 30 June 2004

2003 Actual \$000		2004 Actual \$000	2004 Budget \$000
2,930	Net surplus / (deficit)	1,972	18
<b>2,930</b>	<b>Total recognised revenues and expenses</b>	<b>1,972</b>	<b>18</b>
114	Retention of previous years surpluses	2,095	-
93	Increase in asset revaluation reserve	319	-
(1,103)	Capital Injection/(Repayment)	(900)	(900)
(1,892)	Provision for repayment of surplus to the Crown	-	(31)
<b>142</b>	<b>Movements in Equity for the year</b>	<b>3,486</b>	<b>(913)</b>
<b>11,802</b>	<b>Taxpayers' Equity as at 1 July</b>	<b>11,944</b>	<b>12,251</b>
<b>11,944</b>	<b>Taxpayers' Equity as at 30 June</b>	<b>15,430</b>	<b>11,338</b>

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

## CIVIL AVIATION AUTHORITY OF NEW ZEALAND

### Grouped Statement of Financial Position

As at 30 June 2004

2003 Actual \$000		Notes	2004 Actual \$000	2004 Budget \$000
	<b>Public Equity</b>			
11,637	General Funds	3	14,804	11,031
307	Asset Revaluation Reserve	3	626	307
<b>11,944</b>	<b>TOTAL PUBLIC EQUITY</b>		<b>15,430</b>	<b>11,338</b>
	Represented by:			
	<b>CURRENT ASSETS</b>			
9,656	Cash		9,695	5,069
4,602	Receivables and other assets	4	6,274	5,130
<b>14,258</b>	<b>TOTAL CURRENT ASSETS</b>		<b>15,969</b>	<b>10,199</b>
	<b>NON-CURRENT ASSETS</b>			
6,220	Fixed Assets	5	8,363	7,357
<b>20,478</b>	<b>TOTAL ASSETS</b>		<b>24,332</b>	<b>17,556</b>
	<b>CURRENT LIABILITIES</b>			
2,550	Payables		4,094	2,078
2,170	Employee entitlements	6	2,571	2,670
-	Current portion of lease liabilities	12	72	-
2,095	Provision for payment of surplus		-	-
<b>6,815</b>	<b>TOTAL CURRENT LIABILITIES</b>		<b>6,737</b>	<b>4,748</b>
	<b>NON-CURRENT LIABILITIES</b>			
-	Lease liabilities	12	264	-
1,719	Employee entitlements	6	1,901	1,470
<b>8,534</b>	<b>TOTAL LIABILITIES</b>		<b>8,902</b>	<b>6,218</b>
<b>11,944</b>	<b>NET ASSETS</b>		<b>15,430</b>	<b>11,338</b>

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

## CIVIL AVIATION AUTHORITY OF NEW ZEALAND

### Grouped Statement of Cash Flows

for the Year Ended 30 June 2004

2003 Actual \$000	Notes	2004 Actual \$000	2004 Budget \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
38,558	Levies	43,254	39,767
2,965	Crown	4,578	2,777
7,062	Fees, Charges & Other	8,893	6,292
643	Interest	508	521
49,228		57,233	49,357
<b>Cash was applied to:</b>			
(30,453)	Payments to employees	(33,021)	(31,147)
(13,106)	Payments to suppliers	(18,865)	(15,001)
-	Interest paid	(11)	-
(39)	Net Goods and Services Tax	(86)	-
(999)	Payments of Capital Charge to the Crown	(1,081)	(1,003)
(44,597)		(53,064)	(47,151)
<b>4,631</b>	<b>Net Cash Flow from Operating Activities</b>	<b>4,169</b>	<b>2,206</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
117	Sale of Assets	640	25
<b>Cash was applied to:</b>			
(3,034)	Purchase of Assets	(3,822)	(3,577)
<b>(2,917)</b>	<b>Net Cash Flow from Investing Activities</b>	<b>(3,182)</b>	<b>(3,552)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash was applied to:</b>			
-	Repayment of Surplus to Crown	-	(2,406)
-	Repayment of borrowings	(48)	-
(1,103)	Capital Injection/(Repayment)	(900)	(900)
<b>(1,103)</b>	<b>Net Cash Flow from Financing Activities</b>	<b>(948)</b>	<b>(3,306)</b>
611	Net Increase/(Decrease) in Cash held	39	(4,652)
9,045	Plus opening cash	9,656	9,721
<b>9,656</b>	<b>Closing Cash balance</b>	<b>9,695</b>	<b>5,069</b>
176	Cheque	125	89
9,480	Short term deposits	9,570	4,980
<b>9,656</b>	<b>Closing Cash balance</b>	<b>9,695</b>	<b>5,069</b>

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

## CIVIL AVIATION AUTHORITY OF NEW ZEALAND

### Grouped Statement of Commitments

#### As at 30 June 2004

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.

Some leases, previously included as non-cancellable operating leases in this Statement, have been assessed as finance leases and are now recognised as a liability, refer to Note 12.

<b>2003</b>		<b>2004</b>
<b>Actual</b>		<b>Actual</b>
<b>\$000</b>		<b>\$000</b>
	<b>Capital commitments</b>	
-	Purchase of capital equipment	675
-	<b>Total Capital commitments</b>	<b>675</b>
	<b>Operating commitments</b>	
5,244	Non cancellable leases	5,186
2,277	Non-cancellable contracts – supply of goods and services	1,192
<b>7,521</b>	<b>Total Operating commitments</b>	<b>6,378</b>
<b>7,521</b>	<b>Total Commitments</b>	<b>7,053</b>

#### Commitments by term

	<b>Capital commitments</b>	
-	- Less than one year	675
	<b>Operating commitments</b>	
2,020	- Less than one year	1,622
1,359	- One year but less than two years	1,281
2,986	- Two years but less than five years	3,004
1,156	- Longer than five years	471
<b>7,521</b>	<b>Total Operating commitments</b>	<b>6,378</b>
<b>7,521</b>	<b>Total Commitments</b>	<b>7,053</b>

## Grouped Statement of Contingent Liabilities

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### As at 30 June 2004

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.

<b>2003</b>		<b>2004</b>
<b>Actual</b>		<b>Actual</b>
<b>\$000</b>		<b>\$000</b>
75	Judicial Review	10
-	Legal Claims	100
50	Statutory Review	150
<b>125</b>	<b>Total Contingent liabilities</b>	<b>260</b>

## CIVIL AVIATION AUTHORITY OF NEW ZEALAND

### Statement of Operations of Industry Segments

for the Year Ended 30 June 2004

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

Industry Segment	Aviation Safety		Class III SAR		Security Service		Elimination		Grouped	
	2003 Actual \$000	2004 Actual \$000								
<b>Operating Revenue</b>										
Revenue Outside the Group	22,830	25,724	1,332	2,736	24,880	29,524	-	-	49,042	57,984
Inter-Segment Revenue	72	83	-	-	-	-	(72)	(83)	-	-
<b>Total Revenue</b>	<b>22,902</b>	<b>25,807</b>	<b>1,332</b>	<b>2,736</b>	<b>24,880</b>	<b>29,524</b>	<b>(72)</b>	<b>(83)</b>	<b>49,042</b>	<b>57,984</b>
<b>Segment result</b>	<b>1,173</b>	<b>2,196</b>	<b>(135)</b>	<b>(131)</b>	<b>1,892</b>	<b>(93)</b>	<b>-</b>	<b>-</b>	<b>2,930</b>	<b>1,972</b>
Segment Non-Current Assets	1,098	2,666	49	943	5,073	4,754	-	-	6,220	8,363

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. Aviation Security Service comprises of the screening of passengers and cabin baggage onto international departing aircraft and onto 90+ seat domestic aircraft, undertaking searches where necessary of aircraft, passengers, cargo, aerodromes and navigational facilities and patrols at security designated aerodromes including administering the national airport identity card system

## CIVIL AVIATION AUTHORITY OF NEW ZEALAND

### Notes to the Grouped Financial Statements

for the Year Ended 30 June 2004

<b>Note 1</b>		<b>Other Revenue</b>		
<b>2003</b>			<b>2004</b>	<b>2004</b>
<b>Actual</b>			<b>Actual</b>	<b>Budget</b>
<b>\$000</b>			<b>\$000</b>	<b>\$000</b>
5,391	Fees and Charges		6,621	4,617
1,418	Ministry		2,100	1,418
64	Gain on disposal of Assets		91	25
<b>6,873</b>			<b>8,812</b>	<b>6,060</b>
<b>Note 2</b>		<b>Cost of Services</b>		
<b>2003</b>		Notes	<b>2004</b>	<b>2004</b>
<b>Actual</b>			<b>Actual</b>	<b>Budget</b>
<b>\$000</b>			<b>\$000</b>	<b>\$000</b>
28,827	Employee remuneration	8	34,112	30,706
276	Training		564	204
762	Recruitment		984	1,181
938	Rental expenses on operating leases		1,692	1,420
1,009	Capital Charge		1,071	1,003
121	Authority Members Fees	9	129	121
4	Bad debts written off		100	-
(17)	Provision for doubtful debts		-	-
28	Fees paid to Auditors		28	29
6	Fees paid to Auditors - other services		28	-
12,098	Other Operating Costs		15,019	12,581
	Depreciation:			
692	Plant & Equipment		919	744
971	Computer Equipment		834	1,050
323	Motor Vehicles		329	370
29	Buildings		47	29
34	Furniture & Fittings		85	67
-	Leased Office Equipment		44	-
11	Office Equipment		27	140
2,060	Total depreciation for the year		2,285	2,400
<b>46,112</b>			<b>56,012</b>	<b>49,645</b>

<b>Note 3</b>		<b>Taxpayers' Equity</b>		
<b>2003</b>		<b>2004</b>	<b>2004</b>	
<b>Actual</b>		<b>Actual</b>	<b>Budget</b>	
<b>\$000</b>		<b>\$000</b>	<b>\$000</b>	
	Net surplus / (deficit)			
1,173	Aviation Safety	2,196	2	
(135)	Search & Rescue	(131)	(15)	
1,892	Security Service	(93)	31	
<b>2,930</b>	<b>Total recognised revenues and expenses</b>	<b>1,972</b>	<b>18</b>	
(1,103)	Capital Injection/(Repayment) – Security Service	(900)	(900)	
114	Retention of previous years surpluses - Security Service	2,095	-	
(1,892)	Provision for repayment of surplus to the Crown - Security Service	-	(31)	
<b>49</b>	<b>Movements in Equity for the year</b>	<b>3,167</b>	<b>(913)</b>	
<b>11,588</b>	<b>Taxpayers' Equity as at 1 July</b>	<b>11,637</b>	<b>11,944</b>	
<b>11,637</b>	<b>Taxpayers' Equity as at 30 June</b>	<b>14,804</b>	<b>11,031</b>	

*Asset Revaluation Reserve*

*Building*

<b>2003</b>		<b>2004</b>	<b>2004</b>	
<b>Actual</b>		<b>Actual</b>	<b>Budget</b>	
<b>\$000</b>		<b>\$000</b>	<b>\$000</b>	
214	Opening balance	307	307	
93	Revaluation	319	-	
<b>307</b>	<b>Closing balance</b>	<b>626</b>	<b>307</b>	

**Note 4**      **Receivables and other assets**

<b>2003</b>		<b>2004</b>	<b>2004</b>	
<b>Actual</b>		<b>Actual</b>	<b>Budget</b>	
<b>\$000</b>		<b>\$000</b>	<b>\$000</b>	
4,083	Trade debtors	5,154	4,400	
(2)	Less provision for doubtful debts	(2)	(2)	
306	Prepayments	693	532	
215	Work in Progress	284	200	
-	Inventories	145	-	
<b>4,602</b>	<b>Total</b>	<b>6,274</b>	<b>5,130</b>	

<b>Note 5</b>		<b>Fixed Assets</b>					
<b>2003</b>	<b>2003</b>	<b>2003</b>		<b>2004</b>	<b>2004</b>	<b>2004</b>	<b>2004</b>
<b>Cost or</b>	<b>Accumulated</b>	<b>Carrying</b>	<b>Grouped</b>	<b>Cost or</b>	<b>Accumulated</b>	<b>Carrying</b>	<b>Budget</b>
<b>Valuation</b>	<b>Depreciation</b>	<b>Value</b>		<b>Valuation</b>	<b>Depreciation</b>	<b>Value</b>	<b>Value</b>
<b>\$000</b>	<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
7,384	4,072	3,312	Plant and Equipment	6,283	3,124	3,159	3,963
7,178	5,986	1,192	Computer Equipment	7,677	6,147	1,530	1,297
1,580	893	687	Motor Vehicles	1,718	894	824	615
710	-	710	Auckland Building <sup>1</sup>	1,003	-	1,003	815
1,685	1,393	292	Furniture and Fittings	1,576	233	1,343	543
-	-	-	Leased Equipment	385	44	341	-
196	169	27	Office Equipment	355	192	163	124
<b>18,733</b>	<b>12,513</b>	<b>6,220</b>	<b>TOTAL ASSETS</b>	<b>18,997</b>	<b>10,634</b>	<b>8,363</b>	<b>7,357</b>

<sup>1</sup> The Auckland Building was revalued to net current value as determined by Seagar & Partners (Registered Valuers) as at 30 June 2004.

The Authority has recognised assets rented under finance lease arrangements for the first time as at 30 June 2004. The Authority's liability in respect of future lease payments is disclosed in Note 12.

<b>Note 6</b>		<b>Employee Entitlements</b>			
<b>2003</b>		<b>2004</b>		<b>2004</b>	
<b>Actual</b>		<b>Actual</b>		<b>Budget</b>	
<b>\$000</b>		<b>\$000</b>		<b>\$000</b>	
1,658	Annual Leave	2,148		2,154	
171	Performance Based pay	262		260	
341	Salaries and Wages	161		256	
821	Long Service Leave	945		645	
898	Retirement Leave	956		825	
<b>3,889</b>	<b>Total</b>	<b>4,472</b>		<b>4,140</b>	
2,170	Current	2,571		2,670	
1,719	Non-current	1,901		1,470	
<b>3,889</b>	<b>Total</b>	<b>4,472</b>		<b>4,140</b>	

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

<b>2003 Actual \$000</b>		<b>2004 Actual \$000</b>	<b>2004 Budget \$000</b>
<b>2,930</b>	<b>Net Surplus / (Deficit)</b>	<b>1,972</b>	<b>18</b>
	Add non-cash items		
(13)	Bad and Doubtful Debts	112	-
2,060	Depreciation	2,285	2,400
<b>2,047</b>	<b>Total Non-Cash Items</b>	<b>2,397</b>	<b>2,400</b>
	<b>Movements in Working Capital</b>		
295	Decrease/(Increase) in Receivables	(1,045)	(375)
-	Decrease/(Increase) in Inventories	(145)	-
24	Decrease/(Increase) in Work in Progress	(69)	11
(109)	Decrease/(Increase) in Prepayments	(387)	(148)
444	(Decrease)/Increase in Payables	1,170	116
(895)	(Decrease)/Increase in Employee Entitlements	584	183
<b>(241)</b>	<b>Movements in Net Working Capital</b>	<b>108</b>	<b>(213)</b>
	<b>Movements in Investing Activities</b>		
(42)	(Decrease)/Increase in Payables - Assets	(218)	26
(63)	Gain on sale of Assets	(90)	(25)
<b>(105)</b>	<b>Total Movements in Investing Activities</b>	<b>(308)</b>	<b>1</b>
<b>4,631</b>	<b>Net Cash Flow from Operating Activities</b>	<b>4,169</b>	<b>2,206</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>2003</b>	<b>Total remuneration and other benefits</b>	<b>2004</b>
4	\$100,000 to \$109,999	8
1	\$110,000 to \$119,999	11
1	\$120,000 to \$129,999	2
4	\$130,000 to \$139,999	-
1	\$140,000 to \$149,999	3
2	\$150,000 to \$159,999	3
1	\$160,000 to \$169,999	1
1	\$170,000 to \$179,999	2
-	\$180,000 to \$189,999	-
-	\$190,000 to \$199,999	-
1	\$200,000 to \$209,999	-
-	\$210,000 to \$219,999	-
-	\$220,000 to \$229,999	1
-	\$230,000 to \$239,999	1

The Director of Civil Aviation's remuneration lies in the \$220,000 to \$229,999 band (2003: \$200,000 to \$209,999 band) and the General Manager of Aviation Security Service's remuneration lies in the \$230,000 to \$239,999 band (2003: \$170,000 to \$179,999 band).

### Note 9 Authority Fees

<b>2003 Actual \$000</b>		<b>2004 Actual \$000</b>	<b>2004 Budget \$000</b>
49	R Fisher (Chair)	52	49
18	H Armstrong (Deputy Chair)	19	19
13	T Ryan (term ceased December 2002)	-	-
8	R Tannock (term started January 2003)	20	15
-	D Park (term started November 2003)	10	10
15	G Vette (term ceased October 2003)	5	5
18	J Gabriel	23	23
<b>121</b>	<b>Honoraria</b>	<b>129</b>	<b>121</b>

The Authority pays honoraria and actual or reasonable expenses to members in accordance with Cabinet Office Circular CO (03) 4. No member received any payment for severance, ex-gratis or consultancy work. R H Fisher, J Gabriel and R Tannock (2003 R H Fisher, J Gabriel and T Ryan) receive 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 2003/2004 was 8.5% (2002/2003:8.5%).

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 2004 (2003: nil). The interest rates on the Authority's investments ranged from 2.8% to 5.7% pa (2003 : 3.0% to 5.9% pa).

<b>Note 12</b>	<b>Lease Liability</b>		
<b>2003</b>		<b>2004</b>	<b>2004</b>
<b>Actual</b>		<b>Actual</b>	<b>Budget</b>
<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
	Finance Leases:		
-	Current	72	-
-	Non-current	264	-
<b>-</b>	<b>Total</b>	<b>336</b>	<b>-</b>
	Repayable as follows		
-	One to two years	190	-
-	Two to five years	212	-
-	Beyond five years	-	-
-		402	-
-	Future finance charges	(66)	-
<b>-</b>	<b>Recognised as a liability</b>	<b>336</b>	<b>-</b>

The effective interest rate on the finance leases is 8.49%. The ownership of the assets remains with the lessor.

The Authority's IT leases were reviewed during the year with the result that some have been determined to be finance leases. In accordance with SSAP-18 *Accounting For Leases And Hire Purchase Contracts*, the present value of future lease payments as at 30 June 2004 has been recognised as a liability and an equivalent amount, representing the future service potential arising from the use of the equipment, has been recognised as an asset. The Authority's liability in respect of future lease payments was previously included in the Statement of Commitments

Under the Public Finance Act 1989, entering into financing lease arrangements is deemed to be raising a loan, which requires the approval of the Minister of Finance. The Authority has received the Minister's approval for these leases.



## ADDITIONAL FINANCIAL INFORMATION

## CIVIL AVIATION AUTHORITY OF NEW ZEALAND

### Grouped Financial Statements for the year ended 30 June 2004

#### Financial Performance

Grouped	Statement of Financial Performance	Aviation Safety		Search & Rescue		Security Service		Elimination		Grouped	
		2004 Actual \$000	2004 Budget \$000								
	<b>Revenue</b>										
38,585	Levies	19,181	17,443	-	-	24,865	22,864	-	-	44,046	40,307
2,965	Crown Funding	1,719	1,320	2,690	1,288	169	169	-	-	4,578	2,777
1,418	Ministry	1,418	1,418	-	-	682	-	-	-	2,100	1,418
5,391	Fees / Charges	3,137	2,346	-	-	3,484	2,271	-	-	6,621	4,617
619	Interest	228	192	46	27	274	300	-	-	548	519
64	Gain on Disposals	41	-	-	-	50	25	-	-	91	25
-	Inter-Group Income	83	77	-	-	-	-	(83)	(77)	-	-
<b>49,042</b>	<b>Total Revenue</b>	<b>25,807</b>	<b>22,796</b>	<b>2,736</b>	<b>1,315</b>	<b>29,524</b>	<b>25,629</b>	<b>(83)</b>	<b>(77)</b>	<b>57,984</b>	<b>49,663</b>
	<b>Expenditure</b>										
29,865	Personnel Costs	13,742	13,534	379	276	21,539	18,281	-	-	35,660	32,091
12,104	Other Operating Costs	7,386	6,937	2,178	747	5,483	4,896	-	-	15,047	12,581
2,060	Depreciation	865	1,041	91	122	1,329	1,237	-	-	2,285	2,400
1,009	Capital Charge	377	343	93	88	601	572	-	-	1,071	1,003
938	Rental Property and Equipment	1,020	817	56	20	616	583	-	-	1,692	1,420
121	Authority Members' Costs	104	104	-	-	25	18	-	-	129	121
4	Bad debts	100	-	-	-	-	-	-	-	100	-
(17)	Provision for doubtful debt	-	-	-	-	-	-	-	-	-	-
28	Audit Fee	17	18	-	-	11	11	-	-	28	29
-	Inter-Group Expense	-	-	70	77	13	-	(83)	(77)	-	-
<b>46,112</b>	<b>Total Expenditure</b>	<b>23,611</b>	<b>22,794</b>	<b>2,867</b>	<b>1,330</b>	<b>29,617</b>	<b>25,598</b>	<b>(83)</b>	<b>(77)</b>	<b>56,012</b>	<b>49,645</b>
<b>2,930</b>	<b>Net Surplus/(Deficit)</b>	<b>2,196</b>	<b>2</b>	<b>(131)</b>	<b>(15)</b>	<b>(93)</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>1,972</b>	<b>18</b>

**CIVIL AVIATION AUTHORITY OF NEW ZEALAND**

**Grouped Financial Statements for the year ended 30 June 2004**

**Movement in Taxpayers' Equity Reporting**

Grouped 2003 Actual \$000	Statement of Movement in Taxpayers' Equity	Aviation Safety		Search & Rescue		Security Service		Grouped	
		2004 Actual \$000	2004 Budget \$000	2004 Actual \$000	2004 Budget \$000	2004 Actual \$000	2004 Budget \$000	2004 Actual \$000	2004 Budget \$000
2,930	Net Operating Surplus/(Deficit)	2,196	2	(131)	(15)	(93)	31	1,972	18
93	Revaluation Reserve	-	-	-	-	319	-	319	-
<b>3,023</b>	<b>Total recognised revenues and expenses for the year</b>	<b>2,196</b>	<b>2</b>	<b>(131)</b>	<b>(15)</b>	<b>226</b>	<b>31</b>	<b>2,291</b>	<b>18</b>
(1,892)	Provision for repayment of surplus to the Crown	-	-	-	-	-	(31)	-	(31)
(1,103)	Capital injection/(repayment)	-	-	-	-	(900)	(900)	(900)	(900)
114	Retention of previous years surpluses	-	-	-	-	2,095	-	2,095	-
<b>142</b>	<b>Movements in Equity for the year</b>	<b>2,196</b>	<b>2</b>	<b>(131)</b>	<b>(15)</b>	<b>1,421</b>	<b>(900)</b>	<b>3,486</b>	<b>(913)</b>
<b>11,802</b>	<b>Taxpayers' Equity at start of year</b>	<b>3,764</b>	<b>4,037</b>	<b>1,107</b>	<b>1,031</b>	<b>7,073</b>	<b>7,183</b>	<b>11,944</b>	<b>12,251</b>
<b>11,944</b>	<b>Taxpayers' Equity at end of year</b>	<b>5,960</b>	<b>4,039</b>	<b>976</b>	<b>1,016</b>	<b>8,494</b>	<b>6,283</b>	<b>15,430</b>	<b>11,338</b>

## CIVIL AVIATION AUTHORITY OF NEW ZEALAND

### Grouped Financial Statements for the year ended 30 June 2004

#### Financial Position

Grouped 2003 Actual \$000	Statement of Financial Position	Aviation Safety		Search & Rescue		Security Service		Eliminations		Grouped	
		2004 Actual \$000	2004 Budget \$000								
<b>11,944</b>	<b>TAXPAYERS' EQUITY</b>	<b>5,960</b>	<b>4,039</b>	<b>976</b>	<b>1,016</b>	<b>8,494</b>	<b>6,283</b>			<b>15,430</b>	<b>11,338</b>
	Represented by:										
	<b>CURRENT ASSETS</b>										
9,656	Cash	4,586	2,440	644	590	4,465	2,039	-	-	9,695	5,069
4,081	Receivables	1,884	2,277	-	-	3,268	2,121	-	-	5,152	4,398
-	Inventories	145	-	-	-	-	-	-	-	145	-
215	Work in Progress	284	200	-	-	-	-	-	-	284	200
306	Prepayments	11	2	132	100	550	430	-	-	693	532
<b>14,258</b>	<b>Total Current Assets</b>	<b>6,910</b>	<b>4,919</b>	<b>776</b>	<b>690</b>	<b>8,283</b>	<b>4,590</b>	<b>-</b>	<b>-</b>	<b>15,969</b>	<b>10,199</b>
6,220	Non-Current Assets	2,666	1,940	943	473	4,754	4,944	-	-	8,363	7,357
<b>20,478</b>	<b>Total Assets</b>	<b>9,576</b>	<b>6,859</b>	<b>1,719</b>	<b>1,163</b>	<b>13,037</b>	<b>9,534</b>	<b>-</b>	<b>-</b>	<b>24,332</b>	<b>17,556</b>
	<b>CURRENT LIABILITIES</b>										
2,550	Payables	1,878	1,220	688	127	1,528	700	-	-	4,094	2,047
-	Current portion of term liabilities	72	-	-	-	-	-	-	-	72	-
	<b>Provisions</b>										
2,170	Employee Entitlements	790	1,050	55	20	1,726	1,600	-	-	2,571	2,670
2,095	Repayment of Surplus to the Crown	-	-	-	-	-	31	-	-	-	31
<b>6,815</b>	<b>Total Current Liabilities</b>	<b>2,740</b>	<b>2,270</b>	<b>743</b>	<b>147</b>	<b>3,254</b>	<b>2,331</b>	<b>-</b>	<b>-</b>	<b>6,737</b>	<b>4,748</b>
	<b>NON-CURRENT LIABILITIES</b>										
-	Term liabilities	264	-	-	-	-	-	-	-	264	-
1,719	Employee Entitlements	612	550	-	-	1,289	920	-	-	1,901	1,470
<b>8,534</b>	<b>Total Liabilities</b>	<b>3,616</b>	<b>2,820</b>	<b>743</b>	<b>147</b>	<b>4,543</b>	<b>3,251</b>	<b>-</b>	<b>-</b>	<b>8,902</b>	<b>6,218</b>
<b>11,944</b>	<b>NET ASSETS</b>	<b>5,960</b>	<b>4,039</b>	<b>976</b>	<b>1,016</b>	<b>8,494</b>	<b>6,283</b>	<b>-</b>	<b>-</b>	<b>15,430</b>	<b>11,338</b>

## CIVIL AVIATION AUTHORITY OF NEW ZEALAND

### Grouped Financial Statements for the year ended 30 June 2004

#### Cash Flows

Grouped 2003 Actual \$000	Statement of Cash Flows	Aviation Safety		Search & Rescue		Security Service		Eliminations		Grouped	
		2004 Actual \$000	2004 Budget \$000								
	<b>Cash from Operating Activities</b>										
	<b>Cash was provided from:</b>										
38,558	Levies	18,902	16,964	-	-	24,352	22,803	-	-	43,254	39,767
2,965	Crown Funding	1,719	1,320	2,690	1,288	169	169	-	-	4,578	2,777
-	Ministry	1,304	1,418	-	-	117	-	-	-	1,421	1,418
7,062	Fees, Charges & Other	3,960	2,362	-	-	3,512	2,512	-	-	7,472	4,874
643	Interest	230	192	47	27	231	302	-	-	508	521
49,228		26,115	22,256	2,737	1,315	28,381	25,786	-	-	57,233	49,357
	<b>Cash was applied to</b>										
(30,453)	Payments to employees	(12,971)	(13,139)	(278)	(271)	(19,772)	(17,737)	-	-	(33,021)	(31,147)
(13,106)	Payments to suppliers	(10,012)	(8,500)	(2,004)	(730)	(6,849)	(5,771)	-	-	(18,865)	(15,001)
-	Interest paid	(11)	-	-	-	-	-	-	-	(11)	-
(39)	Net Goods and Services Tax	(14)	-	-	-	(72)	-	-	-	(86)	-
(999)	Payments of Capital Charge	(377)	(343)	(103)	(88)	(601)	(572)	-	-	(1,081)	(1,003)
(44,597)		(23,385)	(21,982)	(2,385)	(1,089)	(27,294)	(24,080)	-	-	(53,064)	(47,151)
<b>4,631</b>	<b>Net Cash Flow</b>	<b>2,730</b>	<b>274</b>	<b>352</b>	<b>226</b>	<b>1,087</b>	<b>1,706</b>	<b>-</b>	<b>-</b>	<b>4,169</b>	<b>2,206</b>
	<b>Cash from Investing Activities</b>										
	<b>Cash was provided from:</b>										
117	Sale of Assets	89	-	-	-	551	25	-	-	640	25
	<b>Cash was applied to:</b>										
(3,034)	Purchase of Assets	(1,863)	(1,675)	(785)	(576)	(1,174)	(1,326)	-	-	(3,822)	(3,577)
<b>(2,917)</b>	<b>Net Cash Flow</b>	<b>(1,774)</b>	<b>(1,675)</b>	<b>(785)</b>	<b>(576)</b>	<b>(623)</b>	<b>(1,301)</b>	<b>-</b>	<b>-</b>	<b>(3,182)</b>	<b>(3,552)</b>
	<b>Cash from Financing Activities</b>										
(1,103)	Capital injection/(repayment)	-	-	-	-	(900)	(900)	-	-	(900)	(900)
-	Repayment of borrowing	(48)	-	-	-	-	-	-	-	(48)	-
-	Repayment of Surplus to Crown	-	-	-	-	-	(2,406)	-	-	-	(2,406)
<b>(1,103)</b>	<b>Net Cash Flow</b>	<b>(48)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(900)</b>	<b>(3,306)</b>	<b>-</b>	<b>-</b>	<b>(948)</b>	<b>(3,306)</b>
611	Increase/(Decrease) in Cash	908	(1,401)	(433)	(350)	(436)	(2,901)	-	-	39	(4,652)
9,045	Add Opening Cash balance	3,678	3,841	1,077	940	4,901	4,940	-	-	9,656	9,721
<b>9,656</b>	<b>Cash held at 30 June</b>	<b>4,586</b>	<b>2,440</b>	<b>644</b>	<b>590</b>	<b>4,465</b>	<b>2,039</b>	<b>-</b>	<b>-</b>	<b>9,695</b>	<b>5,069</b>





# STATEMENTS OF SERVICE PERFORMANCE

## STATEMENTS OF SERVICE PERFORMANCE

### Civil Aviation Authority

#### Output Class: Policy Advice

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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.

**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 2003 - 2004	Performance Standards	Performance Result
<b>Ministerial Servicing</b>	1. Draft responses to Ministerial correspondence.	20-50*	39
	2. Provide reports and briefings to the Minister.	70 – 90*	62
	3. Provide responses to Parliamentary Questions.	30 – 100*	139
	4. Provide reports and responses to Select Committees.	4-8*	5
	5. Percentage of draft replies to Ministerial correspondence forwarded to the MoT within 10 working days of receipt by CAA.	100%	100%
	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:		%
	- Crown Entities Bill: study and report on issues for the CAA.	August 2003	100%
	- Air Traffic Services and Airspace Policy: preparation of discussion document and proposals for aviation community consultation	October 2003	95%
	- Aviation Security: development of legislative/policy proposals on background vetting and random screening	December 2003	75%
	- Review of Participation of Interested Persons in the Development of Civil Aviation Rules: implementation of recommendations.	June 2004	25%
	- Mutual Acceptance: - airline AOCs (Australia) and Part 145 MOCs (Canada) - extension of US/NZ BASA to maintenance activities - technical arrangement with JAA/EASA	Ongoing	Ongoing
	- CAA Funding Review: examination and development of policy in support.	June 2004	On Hold
	- The development of aviation sector injury prevention strategies in liaison with and reflecting government interagency injury prevention programmes.	June 2004	On Hold
- Work closely with the MoT and the Department of Labour to actively manage the HSE CAA designation transition period including providing cost advice to the Government for ongoing funding needs to give effect to any policy directions from the Ministers of Labour and Transport.	June 2004	Complete	
<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*	15
	10. Provision of advice and comment on government policy initiatives and consular initiatives that impact on aviation activity.	5 - 15*	14
<b>Legislation Development</b>	11. Provide support and advice on the development or amendment of civil aviation related legislation including: - Civil Aviation Act 2003; development - Civil Aviation Charges regulations; amendments - Civil Aviation Safety Levies Order; amendments	As required	4
<b>International Aviation &amp; Safety Related</b>	12. Provide responses on behalf of New Zealand to ICAO State letters on aviation safety and security matters.	30 - 50*	46
	13. Review ICAO decisions notified to New Zealand including amendments to Annexes and file acceptances or differences	10 -15 assessments*	15

<b>Agreements</b>	as necessary		
	14. Provide aviation safety and security advice and assistance to Niue, and the Cook islands.	20-30*	40
	15. Provide advice and representation in support of international agreements, projects and other forums.	5-10*	12

**Rules Development Services** The Authority undertakes Rules Development services under separate contract to the MoT.

\*Demand driven or reactive

<b>Output Class 1: POLICY ADVICE</b>			
<b>2003 Actual</b>		<b>2004 Actual</b>	<b>2004 Budget</b>
<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
1,320	Crown Revenue	1,320	1,320
1,528	Other revenue	1,551	1,418
<u>2,848</u>	Total revenue	<u>2,871</u>	<u>2,738</u>
2,550	Total expenses	2,659	2,738
<u>298</u>	Net surplus / (deficit)	<u>212</u>	<u>-</u>

### **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 to achieve compliance with the Civil Aviation Rules.
- The maintenance of an effective Field Safety Adviser 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.
- 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.

### 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 2003 - 2004	Performance Standards	Performance Result
<b>Airline Sector Safety Risk Management</b>	16. Routine audits and inspections.	220 modules / 4,000 hours	215 / 5,529
	17. Spot checks.	300 hours	360
	18. Special purpose audit.	100 hours	65
	19. 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	100% (208)
	20. Percentage of corrective actions identified in audit reports that are implemented within agreed date for compliance.	85%	93% (472)
	21. Airworthiness directives to be developed and published	120 - 150*	207
	22. Operator Certification work requests.	200 - 500*	594
	23. Aircraft Certification work requests.	800 - 1,000*	1,447
	24. Aircraft Registration work requests.	1,200 - 2,000*	1,712
	25. Petitions for rule exemptions processed	50 - 70*	95
<b>General Aviation Sector Safety Risk Management</b>	26. Routine audits and inspections.	600 modules 3,000 hours	433 2,234
	27. Spot checks.	1,000 hours	1,792
	28. Special purpose audit.	100 hours*	10
	29. 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	74% (295)
	30. Percentage of corrective actions identified in audit reports that are implemented within agreed date for compliance.	85%	75% (510)
	31. Operator Certification work requests.	1,100 - 1,300*	788

<b>Personnel Licensing &amp; Aviation Services Sector Safety Risk Management</b>	32. Routine audits and inspections.	230 modules 1,500 hours	149 1,021
	33. Spot checks.	200 hours	295
	34. Special purpose audit.	20 hours	0
	35. 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	100% (130)
	36. Percentage of corrective actions identified in audit reports that are implemented within agreed date for compliance.	85%	97% (251)
	37. Personnel licensing work requests.	2,500 – 3,000	4,909
	38. Process requests for Accredited Medical Conclusions.	80% within 5 days	78%
	39. Release general directions for consultation.	6	1

\*Demand driven or reactive

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

<b>Output Class 2: SAFETY ASSESSMENT AND CERTIFICATION</b>			
<b>2003 Actual \$000</b>		<b>2004 Actual \$000</b>	<b>2004 Budget \$000</b>
-	Crown Revenue	399	-
14,793	Other revenue	17,356	15,091
14,793	Total revenue	17,755	15,091
14,367	Total expenses	15,887	15,089
426	Net surplus / (deficit)	1,868	2

### **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 2003 - 2004	Performance Standards	Performance Result
<b>Safety Investigation</b>	40. Number of investigations initiated into aviation safety occurrences.	1,700 – 2,200*	2,108
	41. Number of investigations closed that meet the specified accuracy and completeness requirements in CAA procedures.	90%	97%
	Percentage of investigations of critical or major occurrences completed:		
	42. within 6 months of registration,	70%	70%
	43. within 12 months of registration, and	90%	93%
	44. within 2 years of registration.	100%	100%
<b>Safety Analysis</b>	45. Number of Aviation Safety summary reports.	4 quarterly reports	4
<b>Safety</b>	46. Number of Vector Periodicals.	Minimum of 6	6
<b>Education &amp;</b>	47. Number of CAA Safety Videos.	2	3
<b>Information</b>	48. Number of Kiwi Safety Seminars.	Minimum of 6	12

\*Demand driven or reactive

Output Class 3: SAFETY ANALYSIS and INFORMATION			
2003 Actual \$000		2004 Actual \$000	2004 Budget \$000
4,220	Other revenue	4,410	4,200
3,970	Total expenses	4,250	4,200
250	Net surplus / (deficit)	160	-

## 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 2003 - 2004	Performance Standards	Performance Result
<b>Enforcement</b>	49. Number of alleged offences reported/recorded.	200 – 240*	183
	50. Number of detailed investigations undertaken.	130 - 160*	189
	Percentage of detailed investigations completed in the period:		
	51. within 6 months of commencement, and	90%	97%
	52. within 12 months of commencement.	100%	97%
53. A high proportion of enforcement actions taken are resolved in favour of the CAA.	% and number of successes		97%/42

\*Demand driven or reactive

Output Class 4: ENFORCEMENT		
2003 Actual \$000	2004 Actual \$000	2004 Budget \$000
738 Other revenue	771	767
771 Total expenses	815	767
<u>(33) Net surplus / (deficit)</u>	<u>(44)</u>	<u>-</u>

## Search and Rescue Services

### Output Class: Class III Search and Rescue

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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 forums 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

Output Class : SEARCH and RESCUE			
Output	Performance Measures 2003 - 2004	Performance Standards	Performance Result
Search & Rescue	1. Number of SAR incidents responded to	600-900*	849
	2. Number of SAR missions undertaken	10-15*	28
	3. Percentage of SAR operations that are successfully concluded (refer to note)	100%	100%
	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 Class 5: SEARCH and RESCUE			
2003 Actual \$000		2004 Actual \$000	2004 Budget \$000
1,289	Crown Revenue	2,690	1,288
43	Other revenue	46	27
1,332	Total revenue	2,736	1,315
1,467	Total expenses	2,867	1,330
(135)	Net surplus / (deficit)	(131)	(15)

## Aviation Security Service

### Output Class: Aviation Security Service

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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.

Output Class : Aviation Security		
Performance Measures 2003 - 2004	Performance Result	
<b>Quantity</b>		
Number of international passengers screened.	Actual screened passengers	3,860,539
	Estimate	3,460,196
	Variance	+400,343
	% Variance	+11.57%
Number of domestic passengers screened.	Actual screened passengers	4,539,941
	Estimate	4,242,199
	Variance	+297,742
	% Variance	+7.02%
<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	3,711
	Objects detected	3,616
	% Detected	97.44%
During 2003/2004 year there will be no more than one formal complaint per 100,000 passengers.	Actual complaints per 100,000 passengers	.00015
<b>Timeliness</b>		
No flight delays due to screening activities.	There were three 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.

Output Class : Aviation Security		
Performance Measures 2003 - 2004	Performance Result	
<b>Quantity</b>		
Number of aircraft searched.	Actual searched aircraft	2,286
	Estimate	2,100
	Variance	+186
	% Variance	+8.86%
<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	865
	Objects detected	843
	% detected	97.46%
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.

<b>Output Class : Aviation Security</b>		
<b>Performance Measures 2003 - 2004</b>	<b>Performance Result</b>	
<b>Quantity</b>		
Number of patrol hours.	Actual patrol hours	96,769.5
	Estimate	75,000
Note: the number of patrols hours was increased because of doubling up as new staff were trained in the function.	Variance	+21,769.5
	% Variance	+29.03%
<hr/>		
Number of incidents attended.	Number of attended incidents	2,669
	Estimate	2,600
	Variance	+69
	% Variance	+2.65%
<hr/>		
<b>Quality</b>		
Persons unlawfully within a security area will be detected within five minutes of entry.		100%
<hr/>		
<b>Timeliness</b>		
Incidents attended within three minutes of coming to notice.		100%

## Access Control

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

<b>Output Class : Aviation Security</b>		
<b>Performance Measures 2003 - 2004</b>	<b>Performance Result</b>	
<b>Quantity</b>		
No incidents of unauthorised access.		3
<hr/>		
Number of Airport Identity Cards issued:		
• 6200 Permanent	Permanent Cards Issued	6,838
• 24000 Temporary	Temporary Cards Issued	27,932
<hr/>		
<b>Quality</b>		
97% compliance by Airport Identity Cardholders with the requirement for use.	Number of checks	10,084
	Number of breaches	349
	Percentage compliance	96.53%
<hr/>		
<b>Timeliness</b>		
95% of Airport Identity Cards replaced by expiry date.	Number of checks	10,084
	Number of breaches	62
	Percentage compliance	99.39%

### Promote Security Awareness and Airline Co-operation

Supply of security awareness training as required.

<b>Output Class : Aviation Security</b>		
<b>Performance Measures 2003 - 2004</b>	<b>Performance Result</b>	
<b>Quantity</b>		
Number of courses held.	Actual courses held	83
	Estimate	50
<b>Quality</b>		
Level of customer satisfaction – needs of customer met based on course evaluations.		100%
<b>Timeliness</b>		
Percentage of training requests met within one week.		100%

<b>Output Class : Aviation Security Service</b>			
<b>2003 Actual</b>		<b>2004 Actual</b>	<b>2004 Budget</b>
<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
356	Crown Revenue	169	169
24,524	Other revenue	29,355	25,460
24,880	Total revenue	29,524	25,629
22,988	Total expenses	29,617	25,598
1,892	Net surplus / (deficit)	(93)	31

# **REPORT OF THE AUDITOR GENERAL**

**AUDIT REPORT**  
**TO THE READERS OF**  
**THE CIVIL AVIATION AUTHORITY OF NEW ZEALAND'S**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

The Auditor-General is the auditor of the Civil Aviation Authority of New Zealand. The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Civil Aviation Authority of New Zealand, on his behalf, for the year ended 30 June 2004.

**Unqualified opinion**

In our opinion the financial statements of the Civil Aviation Authority of New Zealand on pages 73 to 110:

- ▲ 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 2004;
  - the results of its operations and cash flows for the year ended on that date; and
  - its service performance achievements measured against the performance targets adopted for the year ended on that date.

The audit was completed on 27 October 2004, and is the date at which our opinion is expressed.

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

**Basis of opinion**

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

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

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

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

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

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

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

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

The Board is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Civil Aviation Authority of New Zealand as at 30 June 2004. They must also fairly reflect the results of its operations and cash flows and service performance achievements for the year ended on that date. The Board's responsibilities arise from the Public Finance Act 1989.

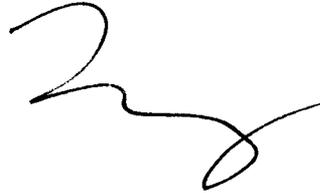
We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 43(1) of the Public Finance Act 1989.

### **Independence**

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

In addition to the audit we have carried out assurance related assignments in the areas of taxation compliance and a review of conflict of interest issues.

These assignments were compatible with the Auditor-General's independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Civil Aviation Authority of New Zealand



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 2004 included on the Civil Aviation Authority of New Zealand's website. The Board 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 website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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 27 October 2004 to confirm the information included in the audited financial statements presented on this website.

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