



STATEMENT OF INTENT

FY 2008/2011



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Civil Aviation Authority of New Zealand
Aviation House, 10 Hutt Road, Petone
PO Box 31 441, Lower Hutt, Wellington, New Zealand

Tel: +64 4 560 9400

Fax: +64 4 560 2024

Email: info@caa.govt.nz

www.caa.govt.nz

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FOREWORD FROM THE AUTHORITY

The Civil Aviation Authority is New Zealand's primary agency for the establishment and monitoring of civil aviation safety and security standards, investigation of accidents and incidents, the promotion of safety and security, and provision of aviation security services for international and domestic air operations, including airport security, passenger and baggage screening.

These economically and socially important tasks of regulation and service delivery are achieved by the Authority through the work of its two operating arms, the Civil Aviation Authority of New Zealand (CAA) and the Aviation Security Service (Avsec).

The Authority operates in very challenging international and domestic environments, with significant demands that must be met if New Zealand is to maintain a viable aviation sector. These challenges will continue to be met in an informed, professional, and progressive manner to serve the New Zealand public.

The consolidated 2008/09 revenue is \$122.851 million and an operating expenditure of \$111.829 million. The CAA is expected to register a deficit of \$355,000 and Avsec a surplus of \$11.377 million for 2008/09. Grouped financial indicators are reflected in the following table.

The strategic directions and operating intentions for the next three financial years are set out in this Statement of Intent.

The first part of this Statement of Intent documents the context in which we operate, the outcomes we contribute to, and our intended strategic initiatives for 2008/09. The second part sets out our Forecast Service Performance and Financial Statements.

GROUPED KEY FINANCIAL INDICATORS	FORECAST 2007/08 (\$million)	BUDGET 2008/09 (\$million)
Revenue	107.088	122.851
Output expenses	93.404	111.829
Net deficit	13.684	11.022
Working Capital		
Net working capital	34.715	47.698
Resource Utilisation		
Cash and bank balances	33.600	45.125
Physical assets at year end (NBV)	13.266	16.659
Capital expenditure	2.623	10.590
Capital expenditure as % of physical assets	20%	64%
Physical assets as % of total assets	23%	22%
Taxpayers' Equity		
Taxpayers' equity at year-end	38.208	55.192
Taxpayers' equity as % of total assets	65%	74%

RICK BETTLE
Chairman

SUSAN HUGHES
Member

ERROL MILLAR
Deputy Chairman, CAA

ROSS CRAWFORD
Member

DARRYLL PARK
Deputy Chairman, Avsec

PART A

STATEMENT OF INTENT 2008/11

1. INTRODUCTION FROM THE DIRECTOR OF CIVIL AVIATION

The CAA has implemented a new management structure over the past year and brought four new general managers to the organisation. These changes have afforded an opportunity to review the organisation's strategic goals with the Authority. There are five strategic goals with supporting initiatives, all of which focus the CAA's activities on its safety and security obligations undertaken in the public interest.

These changes, together with the implementation of recommendations from Phase one of the Capability and Resources Review, should ensure that the CAA can continue to respond quickly and positively to changes in demands from the aviation sector, the public and government stakeholders.

Importantly, the CAA will continue to work to ensure that New Zealand meets its international aviation regulatory and compliance obligations. The key work to be completed is to ensure that findings of the ICAO Universal Safety Oversight and Universal Security Audit recommendations are implemented. Good progress on these recommendations has already been made. Where it can, the CAA will also continue with its efforts in the South Pacific by supporting aviation safety and security in the region.

Where the current safety targets for 2010 indicate specific parts of the aviation community that need particular attention; the CAA will direct resources at the causal issues; and it will continue its core work to progressively and firmly encourage all sectors of the civil aviation community to meet their regulatory requirements and conduct their activities in a safe and responsible manner. In part this will be achieved by ensuring the aviation community is well informed on what is required of them. This includes working with sector groups to identify where improvements can be made, and ensuring they know what to expect from the CAA. The CAA also acknowledges that this will require a better understanding of its stakeholders.

The ongoing issue of operating in an environment

of increased demand and change will continue to result in increasing pressure on financial resources. However, the CAA must maintain an acceptable capability, provision of regulatory services, and response to stakeholder demands. In this regard, efforts have been, and will continue to be applied to remedy key funding issues through internal change and through external assistance where appropriate and possible.

Ultimately, it remains the intention of everyone in the CAA to ensure New Zealand continues to have one of the best performing civil aviation safety and security systems in the world – because the CAA knows this is of significant economic and social value to everyone in New Zealand.



STEVE DOUGLAS
Director of Civil Aviation

2. OVERVIEW OF THE CAA

2.1 VISION

The CAA's vision is for the New Zealand civil aviation system to be integrated, safe, secure, responsive, and sustainable.

2.2 MISSION

The CAA's mission is to be an effective organisation by taking efficient oversight, regulatory and promotional action to enhance value and manage risks in the New Zealand civil aviation system.

2.3 ROLE AND FUNCTIONS

The responsibility for civil aviation oversight in New Zealand is vested with the Civil Aviation Authority of New Zealand, a Crown entity established on 10 August 1992 under the Civil Aviation Act 1990 (CA Act 1990).

The objective of the Authority is to undertake New Zealand's civil aviation safety, security and other functions in a way that contributes to the aim of achieving an integrated, safe, responsive, and sustainable transport system.

In section 72I, the Authority appoints a chief executive of the Authority, also known as the Director of Civil Aviation (Director). The Authority may delegate functions and powers to the Director, in addition to the functions and powers conferred by the Civil Aviation Act 1990. In exercising his statutory functions and powers, the Director acts independently and is not responsible to Parliament or the Authority for the performance or exercise of his functions and powers.

Overall responsibilities of the CAA:

- provision of policy advice and civil aviation rules development;
- certification and licensing of aviation participants;
- monitoring of compliance (surveillance) to civil aviation safety and security requirements by participants;
- education and promotion of aviation rules, advisory circulars and other safety and security-related information;
- investigation of aviation accidents and incidents and analysis of trends;

- enforcement of civil aviation legislation and rules;
- publication of aeronautical information; and
- oversight administration of Health and Safety in Employment Act 1992 (HSE 1992) and Hazardous Substances and New Organisms Act 1996 (HASNO 1996) in the aviation sector.

Certain international civil aviation obligations of the Crown have been delegated to the CAA or the Director in respect of the International Civil Aviation Organization (ICAO) and the Convention on International Civil Aviation signed in Chicago on 7 December 1944.

These authorities vested in the CAA are:

- Airspace Authority;
- Air Traffic Services Authority;
- Aviation Security Authority;
- Dangerous Goods Authority;
- Meteorological Authority; and
- Personnel Licensing Authority.

2.4 STAKEHOLDERS

The CAA's stakeholders include:

- the 4.2 million people in New Zealand who want confidence in New Zealand civil aviation safety and security systems;
- the estimated 2.5 million international visitors who travel to New Zealand by air;
- businesses that depend on air transport to bring people together, products to markets, and tourists to holiday destinations;
- government who require good advice, value for money, and support in achieving the objectives of the government;
- the 190 Contracting States of ICAO, and Pacific aviation authorities who want professional, technical and regulatory interaction and assistance;
- civil aviation participants (certificated, holders of aviation document, and non-certificated participants) who want appropriate and equitable regulation; and
- 193 CAA staff who want meaningful employment and a safe, secure, and sustainable civil aviation system.

2.5 REGULATING THE NEW ZEALAND CIVIL AVIATION SYSTEM

Entry

Aviation participants enter the civil aviation system when they have met the required standards and are issued with relevant aviation document(s)¹ by the Director of Civil Aviation.

Operation or participation

While in the system, aviation participants must continue to operate in compliance with civil aviation standards and conditions of their documents. The CAA conducts functional supervision of participants operating in the civil aviation system through various types of surveillance (e.g. routine audits and inspections, spot checks or special purpose audits). The CAA checks the participants' adherence to civil aviation rules and standards and identifies any corrective actions necessary to bring their performance to the required standards. The CAA and the aviation participant agree on specific implementation dates for corrective actions. Failing to implement corrective actions invokes firm regulatory action from the CAA.

It is expected that participants must:

- ensure that the appropriate aviation documents and all the necessary qualifications and other documents are held by that person or organisation;
- fully understand the roles and responsibilities attached to their aviation document(s);
- comply in full with the Civil Aviation Act 1990 and civil aviation rules, including Health and Safety in Employment Act 1992 and regulations;
- establish and follow documented safety and security standards and procedures;
- demonstrate a commitment to safe and secure practices within their organisation so as to maintain compliance with the relevant safety and security standards and conditions attached to their aviation document(s);
- report all safety (including health and safety) and security occurrences; and
- implement all corrective actions required at established due dates.

Exit

Aviation participants exit the civil aviation system, either voluntarily by surrendering their aviation documents or through the Director's decision to suspend or revoke the document. The CAA takes exit action in the interests of safety and security when other regulatory tools have failed or are unacceptable.

The Director of Civil Aviation exercises his powers, when necessary to:

- impose conditions for a specified period;
- withdraw any conditions;
- suspend any aviation document for a specified period;
- revoke or partially revoke any aviation document under section 18 of the CA Act 1990; or
- impose permanent conditions under section 18 of the CA Act 1990.

A person of whom a specified decision is taken may appeal against that decision to a District Court under section 66 of the CA Act 1990.

2.6 RESOURCE BASE

The CAA has an established staff complement of 193 full time equivalents (FTE). It is headed by the Director of Civil Aviation.

Some functions and powers of the Director of Civil Aviation are delegated, with the consent of the Minister, to individuals outside of the CAA.

- Under section 23(B) of the CA Act 1990, the Director has undertaken, with the consent of the Minister of Transport, to delegate written and practical flight examinations.
- The CAA has contracted out the provision of ICAO-defined aeronautical information publication (AIP), aeronautical charts and meteorological services for international air navigation.

To be effective in carrying-out its technical functions, the CAA requires expertise in aviation, and adequate training is required to ensure that this expertise remains current.

¹ There are some aviation participants that do not hold aviation documents such as the non-certificated aerodromes.

3. OPERATING ENVIRONMENT

3.1 SUPPORTING THE GOVERNMENT'S PRIORITIES

Economic Transformation Agenda

The CAA is responsible for the entry and participation in the New Zealand civil aviation system of designated carriers of countries with air services agreement with New Zealand.

The CAA has international² aviation safety agreements or arrangements with the United States of America, Canada, Australia, Pacific Islands, Niue, Tonga, Cook Islands, Samoa and Mongolia. (Refer to Output Class 1)

Updated New Zealand Transport Strategy (uNZTS)

Updated NZTS implementation policies, that are within the CAA's statutory responsibility have yet to be developed by MoT. In the meantime, the CAA's current engagements are to:

- consider the uNZTS objectives in Matters to be taken into account (s33, CA Act 1990) in developing civil aviation rules that are within its statutory responsibilities;
- actively participate in the various uNZTS working groups such that the transport sector can collectively address nationally important cross-sector transport priorities; and
- engage further with the MoT in assessing the implications of the amended objectives of the CAA in the CA Act 1990 reflecting the updated NZTS.

New Zealand Energy Strategy

The CAA intends to assist efforts to reduce fuel use and minimise greenhouse gas emissions from aircraft by providing a regulatory framework that facilitates the use of advanced navigation technology, Performance Based Navigation (PBN), and the designation of airspace, airspace policy.

New Zealand Energy Efficiency and Conservation Strategy

The CAA is considering how it can best implement workplace policies on how to efficiently conserve energy.

Emissions Trading Scheme

Carbon emissions trading adopted by New Zealand aviation document holders reflects the government's "Projects to Reduce Emissions (PRE)" managed by the Ministry for the Environment.

3.2 DEVELOPMENTS IN INTERNATIONAL CIVIL AVIATION

There will be changes to the global aviation infrastructure led by ICAO reflecting decisions by the 190 Contracting States during the General Assembly in September 2007 in Quebec, Canada. As a result the CAA will have an expanded scope of policy making, rules development and implementation to reflect the agreed ICAO priorities. This has been reflected in government partially funding the increased activity.

3.3 CURRENT STATE OF THE NEW ZEALAND CIVIL AVIATION SYSTEM

Aviation participants³

The CAA's scope of work increased in 2006/07 compared to same period in 2005/06. Certificated organisations increased by 18 (or +2.9% from 618 to 636), total active licensed pilots by 331 (or +3.6% from 8,980 to 9,311) and number of aircraft in the New Zealand fleet by 115 (or +2.9% from 3,988 to 4,103). In addition there are:

- 100 medical examiners responsible for the issue of medical certificates and surveillance of certificate holders;
- 705 lifetime air traffic services licence, 463 with active Class 3 medical;
- 2,233 Part 66 aircraft maintenance engineers;

² For further information refer to http://www.caa.govt.nz/International/International_Agreements.htm.

³ For updates, refer to www.caa.govt.nz.

- 98 published non-certificated aerodromes and 41 heliports;
- 24 certificated aerodromes;
- 3 certificated Air Traffic Service providers, 2 aeronautical telecommunications providers and 2 meteorological service certificated organisations;
- five New Zealand-based airlines with international operations: Air New Zealand, Zeal 320, Jetconnect, Airwork NZ Ltd and Pacific Blue Airlines;
- one New Zealand-based airline with international charter operations: Air National; and
- 37 foreign airlines with scheduled services to New Zealand.

Outcome Measures

The CAA's outcome measures to determine the status of entry, participation, and exit of aviation document holders in the New Zealand civil aviation system include the following:

(a) Non-compliance index (NCI)

A "surveillance finding" is "the act of identifying and concluding from objective evidence, a failure by a person or organisation to comply with a specified standard or a condition attached to an aviation document." Non-compliance means failure to comply with civil aviation rules, (including HSE obligations) or a condition attached to an aviation document.

Since 1997/98, the CAA has targeted a decreasing non-compliance index over time. However, the actual trend since 1997/98 to 2006/07 is increasing.

(b) Corrective actions implemented by due dates

The CAA conducts functional supervision of participants operating in the civil aviation system through the checking of their adherence to civil aviation rules. Corrective actions identified during this process to bring the performance of a document holder up to the standards required.

The target is 100% implementation of a corrective action by agreed due date regardless of severity of an associated finding. As at 30

June 2007, 56% of the total (1,590) corrective actions identified during an audit in 2006/07 were implemented at their due dates; 34% were delayed but eventually addressed by the participant before the financial year ended; and the remaining 10% were carried-over in 2007/08.

Aviation security

Internationally, the requirement for effective aviation security systems is well known. This need will remain regardless of any medium term developments in both the domestic and international aviation security environments.

It is therefore important that New Zealand's aviation security measures remain robust, in-step with international requirements and commensurate with controls applied across the wider international environment. Such measures must be capable of responding rapidly when necessary to meet any increased risk levels. This also ensures that New Zealand continues to contribute to multi-lateral efforts to combat any unlawful act.

The CAA continually monitors and assesses intelligence and information concerning short and long term security threats and risks to the New Zealand aviation system and developments in the international aviation security environment via various mechanisms, including involvement with the New Zealand Government Combined Threat Assessment Group (CTAG) and participation in relevant international forums, including those of ICAO.

Aviation safety

To assess the overall state of New Zealand civil aviation safety and security and compliance to international standards, the CAA's outcome measures include:

(a) New Zealand's USOAP results

New Zealand demonstrated that its safety oversight system was uniformly effective across all eight critical elements at 84% effective overall. This is 27% better than the global average of audited States as at 30 January 2008.

**LEVEL OF IMPLEMENTATION OF THE CRITICAL ELEMENTS OF A SAFETY OVERSIGHT SYSTEM
(ICAO, 30 JANUARY 2008)**

CRITICAL ELEMENT	NZ	GLOBAL
Primary Aviation Legislation	8	7
Specific Operating Regulations	8	7
State Civil Aviation System and Safety Oversight Function	8	6
Technical Personnel Qualification and Training	8	6
Technical Guidance, Tools and the Provision of Safety-Critical Information	8	5
Licensing, Certification, Authorization and Approval obligations	9	7
Surveillance Obligations	9	5
Resolution of Safety Concerns	9	4

Notes: 1 = not implemented, 10 = fully implemented. / For further information refer to www.icao.org. NZ was audited in March 2006.

(b) Social cost of accidents

Targets for 2010 have been set for social costs of accidents per unit of passenger exposure in 13 groups. The groups fall within three categories and are defined by a combination of aircraft type and operation.

Social cost is the portfolio outcome measure to gauge whether the aviation sector is meeting its overall strategic safety outcome or not.

Where the social cost incurred is greater than the target, the CAA applies aviation risk interventions (ARI) to manage the safety risk that contributes to the increased social cost in the particular category or group.

The CAA commissioned a review of the social cost target setting process and its usage in strategy development. The review was completed in December 2007; subsequent complementary approaches and implementation of improvements will take effect in 2009/10.

(c) Rate of accidents per 100,000 flight hours

The CAA desires safer skies for all in New Zealand and those that use the New Zealand air

space. At any given time, the CAA prefers that there are no aviation accidents and there is a decreasing rate of incidents.

The CAA assumes that if aircraft accident rate is decreasing, it is meeting its target. Rate of accidents shows an erratic trend over time.

4. MANAGING THE CAA'S CHANGEABLE OPERATING ENVIRONMENT: RISK AND MITIGATION

The following is a list of the CAA's more significant risks and corresponding mitigation.

4.1 EXTERNAL

DESCRIPTION	RISK	MITIGATION
Shortage of senior pilots for commercial operations Globally, with the growth of the aviation industry there is the need for qualified personnel. There are 16,000 aircraft on manufacturers' order books and to fly them the industry must produce 17,000 new pilots (plus aircraft engineers and cabin crew) a year. ICAO revised Annex 1 to allow for competency-based ab-initio training of pilots (multi-crew pilot license or MPL). Thus, there is increased recruitment for pilots worldwide.	Small operators are experiencing difficulty in maintaining satisfactory experience standards especially for Chief Pilot appointments. There are cases when the CAA declined application for these positions.	The CAA conducts training workshops for "Senior Persons Responsible for Air Operations" for organisations holding Part 119/135 or 137 certification, and Chief Flying Instructors for Part 141 certificated (and potential) organisations. The CAA is also in the process of reflecting Annex 1, Personnel Licensing, changes in its civil aviation rules.
Adventure aviation Over the last two decades, the use of sport and recreational aircraft for the carriage of passengers for hire or reward (e.g. tandem parachuting, gliding, ballooning, hang-gliding and para-gliding and vintage aircraft) has increased significantly. Applicable civil aviation rules for this sector were written for amateur, private and recreation activities only and are largely based on the self-administration of participants.	Failure to enforce the activities and compliance of commercial operators of adventure aviation exposes consumers to higher risk. Likewise, the public is entitled to have confidence that the CAA can monitor adventure aviation safety standards.	To protect the safety of adventure aviation consumers, the CAA undertook a comprehensive review, drafted Rule Part 21 (Certification of Aircraft in the Special Category), and proposed Rule Part 115 (Adventure Aviation) that certificate operators of commercial adventure aviation operations. The Draft Notice of Proposed Rule Making (NPRMs) has been forwarded to the MoT for their review.
Security The international nature of unlawful interference facing civil aviation means that any State that does not ensure its aviation security systems are robust and effective leaves itself vulnerable to potential attack or for use as a launching point for attacks in other States. Threat levels can change significantly at very short notice and at any time. However, terrorism is only one aspect of the security threat environment in which aviation operates. All acts of unlawful interference against aviation, whether minor or major, and arising from whatever motivation, are considered significant due to the potential for loss of life, financial loss and the need to maintain public confidence in the aviation industry.	The consequence of serious acts of unlawful interference anywhere can have severe adverse effects on aviation and associated interests globally. Attacks are likely to be both indiscriminate and devastating in nature. While government agencies work to prevent unlawful activity and may uncover information suggesting pending attacks, it is prudent to assume that they cannot identify and resolve all possible threats.	Pro-active development and consistent application of security measures required of all ICAO Contracting States, including New Zealand, remains necessary. Robust detection and identification of potential system vulnerabilities, both international and domestic, remain essential; as does addressing these vulnerabilities in a manner that ensures available security resources effectively and efficiently.

DESCRIPTION	RISK	MITIGATION
<p>Aging aircraft</p> <p>A growing fleet of aging aircraft are being used on air transport operations. These are generally turbojet and turboprop powered aircraft that are being used beyond their originally planned design life of typically 20 to 25 years and up to 90,000 flight hours.</p> <p>Aviation safety authorities globally accept that aircraft that exceed up to 30 years of age can be safely operated if properly maintained.</p>	<p>The existing certification and monitoring programmes are no longer adequate to address issues related to the maintenance and use of aging aircraft. There is an increasing concern that this gives rise to an unacceptable level of latent safety risk.</p>	<p>The CAA intends to:</p> <ul style="list-style-type: none"> • provide initial training for airline inspectors / airworthiness personnel to provide a sound understanding of aging aircraft issues; • establish a database of applicable reference material; • develop an aging aircraft recurrent training programme; • develop an aging aircraft monitoring programme; and • establish an industry forum aimed at promoting an awareness of aging aircraft issues.

4.2 INTERNAL

DESCRIPTION	RISK	MITIGATION
<p>ICAO obligations</p> <p>The inability of New Zealand to fully comply with ICAO standards will have a negative effect on safety and security in the aviation sector, with consequent potential negative economic effects (e.g. tourism and air freight) should other States imposed limits on New Zealand due to ICAO's audit rating or lack of effective implementation.</p> <p>The 2006/07 ICAO USOAP and USAP audits of New Zealand highlighted the reduced level of compliance.</p> <p>The problem for the CAA in mitigating these issues is the increased cost of managing ICAO obligations and in the cost of developing and implementing corrective actions identified during the USOAP and USAP.</p>	<p>If the New Zealand civil aviation system and civil aviation rules (CARs) do not comply with international standards, New Zealand will face limits on its aircraft operating into other States (e.g. suspension of landing rights due to downgrading of aviation safety or security rating).</p> <p>Furthermore, the CAA exposes New Zealand to a level of economic risk if it cannot participate adequately in the ICAO oversight or cannot fully implement corrective action plans.</p>	<p>Ensure that the CAA (New Zealand) meets its obligations to international civil aviation agreements. On-going implementation of corrective actions following ICAO's USOAP (safety) and USAP (security) audits of New Zealand. All deficiencies identified by ICAO that are within the CAA's control (e.g. those requiring primary legislation development and enactment are responsibilities of the MoT) are to be completely resolved not later than 31 December 2009.</p>
<p>External affairs</p> <p><i>This includes International (e.g. aviation safety agreements with other States) and Government (e.g. government priorities) Relations.</i></p> <p>The CAA's inability to meet the increasing demand from other Contracting States, the international and domestic aviation communities for negotiation of new aviation safety arrangements and assistance; and the government to pursue its priorities (e.g. uNZTS, Economic Transformation Agenda etc.)</p>	<p>The CAA's stakeholders, especially the government, might perceive it to be inefficient and uncooperative in pursuing the government's priorities and foreign relations interests.</p> <p>The CAA does not have the resources and capability to meet demands in the development of new agreements, or to proactively seek opportunities with other States that would benefit New Zealand; assist other States especially those in the Pacific; and to pursue government priorities in the transport sector.</p>	<p>The CAA has secured additional but partial funding for increased capacity in its Policy and International Relations work.</p> <p>(Refer to sections 6.4 and 10.1.)</p>

DESCRIPTION	RISK	MITIGATION
<p>Financial sustainability</p> <p>Over a number of years the CAA has retained surpluses in order to build an appropriate level of taxpayer equity and ensure that adequate resources for the oversight or management of any significant unforeseen safety or security events are achieved. The target taxpayer equity level has been reached. However, the CAA remains heavily dependent on the revenue it receives through passenger safety levy and fees and charges.</p>	<p>Revenues from aviation safety levy and fees and charges are not sufficient to finance:</p> <ul style="list-style-type: none"> • additional ICAO requirements so the CAA can fully implement all corrective actions following the USOAP and USAP; • rising personnel costs, thus making the CAA vulnerable to losing staff, particularly those with aviation skills which are in demand internationally; and • a satisfactory workplace for CAA staff. 	<ul style="list-style-type: none"> • Implement recommendations from Capability and Resources Review, Phase 1; • review of levy, fees and charges (in consultation with MoT); and • develop a long term (10-year) financial plan.
<p>Personnel capability</p> <p>Due to the nature of the CAA's operations, its people have been traditionally drawn from the more experienced and mature part of the aviation community. However, the significant growth in the international aviation market is driving skill shortages. This is contributing to a market that is very competitive for attracting the level of competent professional staff required for a regulatory organisation. The ability to attract, recruit and retain staff are significant challenges to the CAA.</p>	<p>The CAA cannot recruit to the staffing level required to competently carry out its regulatory responsibilities, contributing to a decline in aviation safety and security outcomes.</p>	<p>The development of the HR strategy will provide initiatives that will allow the CAA to continue to attract the right calibre people to the organisation and to retain them with competitive employment terms and conditions, including personal growth and development.</p> <p>A review of property requirements will also assist in ensuring that staff work in an appropriate physical environment that assists job satisfaction.</p>

5. STRATEGIC DIRECTIONS 2008/11

The CAA reviewed its vision, mission and strategic directions during the second half of 2007. In its review, the CAA considered:

- its statutory role and functions, as stipulated in the CA Act 1990;
- the needs of its stakeholders who require a civil aviation system that is safe, secure, and efficient;
- its current and future operating environment (sec 3) and risks (sec 4);
- audit findings and recommendations;
- status of its strategic goals and initiatives carried-out during the last three financial years;
- government priorities and requirements from Crown entities; and
- letter of expectation from the Minister for 2008/09.

5.1 OVERALL OUTCOME

The final outcome that the CAA is seeking is for New Zealand civil aviation system to be: integrated, safe, secure, responsive, and sustainable.

5.2 INTERMEDIATE OUTCOMES

To determine progress towards the primary outcome, the CAA has three intermediate outcomes namely:

- Public knowledge that encourages safety improvement of the aviation system.
- Effective regulation and designated service provision.
- A responsible aviation community.

5.3 STRATEGIC GOALS

The CAA wants to ensure that New Zealand civil aviation policies, rules and oversight functions comply with international standards; and directs its resources and exercises its statutory functions to achieve improved levels of safety and security in the civil aviation system.

The CAA has five strategic goals that are operational and supportive in nature that will facilitate its expected outcomes. The five strategic goals that the CAA will pursue in 2008/11:

- Effective stakeholder relationships.
- Appropriate exercise of regulatory functions and powers.
- Effective management and use of safety and security information.
- Active international engagement and alignment.
- Capable and efficient business operations and systems.

There are corresponding initiatives (sec 6) that the CAA will pursue to achieve each strategic goal. To ascertain operational effectiveness of these initiatives, these will be progressively monitored and evaluated.

5.4 OUTCOME MEASURES AND TARGETS

To measure the CAA's performance in the achievement of its outcomes, measures and targets are:

	OUTCOME MEASURES	TARGET 2008/11
To determine overall state of New Zealand civil aviation safety and security, outcome measures and targets:	Social cost of accidents per unit of passenger exposure.	Less than or equal to 2010 safety targets.
	Rate of aircraft accidents per 100k flying hours.	Decreasing rate over time.
To determine compliance of aviation participants to civil aviation rules and legislation, outcome measures and targets:	Non-compliance index (NCI).	Decreasing rate over time.
	% corrective actions, from audits or surveillance, implemented at due dates.	100% of corrective actions are implemented at due dates regardless of findings.

Refer to sec 3.3, Current state of the NZ civil aviation system, and www.caa.govt.nz for targets and historical data of outcome measures.

6. OPERATING INTENTIONS 2008/11

6.1 STRATEGIC GOAL 1: EFFECTIVE STAKEHOLDER RELATIONSHIPS

The CAA's **objectives** are to ensure that:

1. it has a thorough understanding of the changing perspectives and needs of its key stakeholders; and
2. open channels of communication exist between the CAA and its stakeholders, allowing for a transparent exchange of relevant information and promotion of progressive discussion.

The **expected outcome** is: a well informed and responsible aviation community.

The **expected impacts** of initiatives, listed below, are that:

1. the CAA is well informed and a respected leader in aviation; and
2. the aviation community performs and interacts on matters of interest to the CAA in a responsible and professional manner.

Following are initiatives the CAA will pursue for the next three financial years to achieve its strategic goal one:	Estimated completion date:
6.1.1 Clarify who the CAA stakeholders are and specify their role in the civil aviation system (taking into account the nature and changes in the civil aviation system).	December 2008
6.1.2 Develop and monitor stakeholder relationship initiatives that reflect the stakeholders' roles in civil aviation.	March 2009
6.1.3 Implement relationship management initiatives and engage with stakeholders accordingly.	July 2009

6.2 STRATEGIC GOAL 2: APPROPRIATE EXERCISE OF REGULATORY FUNCTIONS AND POWERS

The CAA's **objectives** are to ensure that:

1. civil aviation community participants consistently meet regulatory requirements; and
2. achievement of safety and security targets.

The **expected outcome** is: aviation community participants meet or exceed regulatory requirements, and deliver a sustainable safety and security performance.

The **expected impacts** of initiatives, listed below, are increased confidence of the New Zealand public and government in:

1. the CAA, as regulator and enforcer of civil aviation legislation, rules and standards;
2. certificated aviation document holders; that they operate in compliance with civil aviation legislation, rules and standards; and
3. the New Zealand fleet; that any aircraft certificated by the CAA, they are confident that these are safe.

Following are initiatives the CAA will pursue for the next three financial years to achieve its strategic goal two:	Estimated completion date:
6.2.1 Review or develop policies on: <ol style="list-style-type: none"> a) entry/exit of aviation participants; b) surveillance/risk/safety/ security information; c) investigation of aviation incidents and occurrences; d) enforcement (prosecution investigation); 	June 2010

6.2.1	e) sustainability; and f) external delegation holders.	June 2010
6.2.2	Promote the <i>Regulation of Aviation Safety and Security in New Zealand: Statement of Philosophy</i> .	June 2009
6.2.3	Review regulatory functions to determine effectiveness in the achievement of safety and security outcomes.	June 2010
6.2.4	Align and build capacity and capability to effectively exercise regulatory functions that reflect current and future civil aviation environment.	June 2010
6.2.5	Evaluate various models for deploying regulatory interventions.	June 2010

6.3 STRATEGIC GOAL 3: EFFECTIVE MANAGEMENT AND USE OF SAFETY AND SECURITY INFORMATION

The CAA's **objective** is to ensure that it makes decisions based on reliable data for effective regulation, resource allocation, and promotional activities.

The **expected outcome** is: improved decision-making based on reliable and updated information.

The **expected impact** of initiatives, listed below, is an increased confidence of the New Zealand public and the government in the CAA; that plans, initiatives, policies, rules and other decisions are credible and relevant.

Following are initiatives the CAA will pursue for the next three financial years to achieve its strategic goal three:		Estimated completion date:
6.3.1	Develop, publish, and implement policies on the management and use of safety and security information for internal and public purposes.	December 2009
6.3.2	Align and build capacity and capability to gather, analyse, interpret, and disseminate safety and security information in a timely manner to effectively manage safety and security risks, and interventions.	June 2009
6.3.3	Review existing performance measures.	December 2008

6.4 STRATEGIC GOAL 4: ACTIVE INTERNATIONAL ENGAGEMENT AND ALIGNMENT

The CAA's **objective** is to ensure achievement of New Zealand's obligations to international civil aviation agreements.

The **expected outcome** is: New Zealand achieves its international civil aviation obligations.

The **expected impact** of initiatives, listed below, are: increased confidence of the New Zealand public and government in

1. the CAA, as delegated authority in respect of the ICAO, the Convention on International Civil Aviation, and other international civil aviation obligations assigned to it by the Crown; and
2. New Zealand's civil aviation safety and security rules and standards complying with international standards and best practice.

Following are initiatives the CAA will pursue for the next three financial years to achieve its strategic goal four:	Estimated completion date:
6.4.1 Build capacity and capability to maintain appropriate alignment with ICAO Standards.*	December 2009
6.4.2 Review and address backlog of differences to ICAO Standards (that are within the CAA's control).	December 2009
6.4.3 Establish, publish, and follow priority areas for the engagement with appropriate ICAO and related decision-making forums and study groups in the development of New Zealand standards and implementation of ICAO requirements.*	June 2009
6.4.4 Establish and publish a priority plan for the development and implementation of multi-lateral technical or policy arrangements with other countries.*	December 2009

**Note: Completion of these initiatives is dependent on availability of adequate funding for Output Class 1 (Policy Advice).*

6.5 STRATEGIC GOAL 5: CAPABLE AND EFFICIENT BUSINESS OPERATIONS AND SYSTEMS

The CAA's **objective** is to ensure that it is capable, responsive, forward-looking, trustworthy, consultative, evidence-based and a good employer.

The **expected outcome** is: a more effective and efficient organisation.

The **expected impact** of initiatives, listed below, are increased confidence of:

1. its staff on the CAA as an employer-of-choice, a well-managed Crown entity, and a "benchmark civil aviation authority"; and
2. the New Zealand public and government in the CAA as a trusted transport Crown entity that is managed and staffed by responsible, efficient, and effective professionals.

Following are initiatives the CAA will pursue for the next three financial years to achieve its strategic goal five:	Estimated completion date:
6.5.1 Align and build capacity and capability in organisational support functions.	December 2009
6.5.2 Implement enhanced business performance reporting measures and frameworks.	June 2009
6.5.3 Develop and implement respective components on a priority basis from strategies to be developed on: a) human resources, b) information technology, and c) knowledge management.	December 2008 (development) June 2011 (implementation)
6.5.4 Develop a corporate risk management system.	December 2008
6.5.5 Develop a long-term financial plan.	December 2008
6.5.6 Implement recommendations from Capability and Resources Review* Phase 1.	June 2010
6.5.7 Review the basis and objectives of levy, fees and charges (Phase 2 of the Capability and Resources Review).	June 2009

** Note: Refers to the Capability and Resources Review undertaken by Price Waterhouse Coopers. Phase 1 and an abridged Phase 2 of the review have been completed and recommendations from Phase 1 are being attended to.*

7. ORGANISATIONAL HEALTH AND CAPABILITY

7.1 CAPABILITY AND RESOURCES PROFILE

The CAA's staff come from diverse cultural backgrounds and age-groups, with male staff comprising approximately 70% of total staff. Due to the nature of its work, most have previous aviation industry experience either in New Zealand or overseas.

Recruitment, retention, and retirement are a constant challenge to the CAA. Because of increasing recruitment competition from overseas, the CAA often finds it difficult to attract and retain specialist aviation staff to best meet the organisation's requirements.

Nevertheless, the CAA's capability profile is commendable.

Phase 1 of the Capability and Resources Review concluded that:

- *the functions the CAA undertakes align with its statutory mandate;*
- *all necessary regulatory tools for assessing entry, monitoring compliance and managing exit operators from the civil aviation system are at its disposal;*
- *the CAA has supporting initiatives around human resource management, business risk management, information management and work processes;*
- *its people have a strong technical competency, recognised and valued internationally and within New Zealand; and*
- *its organisation is held in high regard by the aviation sector within New Zealand and internationally.*

Based on ICAO's USOAP the audit finding concluded that the CAA met ICAO's established minimum qualification and experience requirements for the recruitment and training of its technical staff.

7.2 RESOURCE REQUIREMENTS IN THE NEXT FIVE YEARS

The CAA has an established staff level of 193 FTE. Over the next five years the CAA expects to have an established FTE of 220 to fully meet its domestic and international obligations.

7.3 CAPABILITY ENHANCEMENTS

To continually meet civil aviation international obligations, the CAA will continue to train (overseas or within New Zealand) its staff to maintain and enhance their competence to at least meet international standards. The CAA is committed to implementing all corrective actions submitted to ICAO, as a result of the USOAP and USAP findings, that are within its statutory responsibility.

The CAA has started to implement the agreed recommendations of the Capability and Resources Review – Phase 1. Particularly it is addressing its:

- strategic management;
- leadership;
- culture;
- organisational structure;
- management practices;
- operational practices;
- systems and technology; and
- resources.

7.4 CODE OF CONDUCT AND CONFLICT OF INTEREST

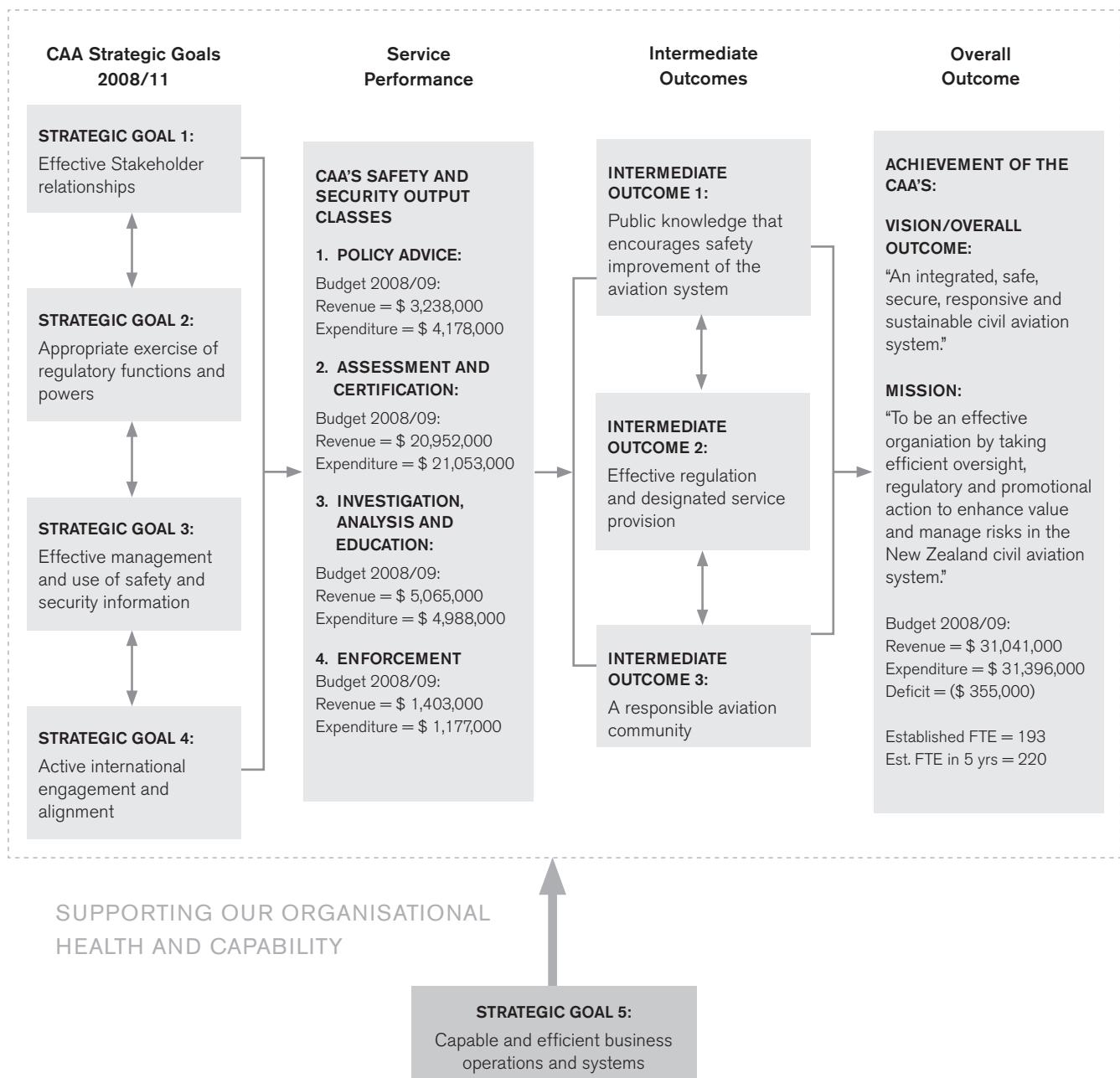
As a Crown entity, the CAA follows the three principles set out in the New Zealand Public Service Code of Conduct. It also maintains a Register of Interests and ensures that all staff are aware of their obligations to declare any conflicts of interest.

7.5 EQUAL EMPLOYMENT OPPORTUNITIES PROGRAMME

The CAA is an EEO employer and a member of the EEO Trust. Its current recruitment policy, and the pending HR Strategy, fully reflects its EEO status. The CAA regularly monitors its EEO Programme to ensure full compliance.

8. LINKING THE CAA'S STRATEGIC GOALS, OUTPUTS AND OUTCOMES

IMPLEMENTING OUR 2008/11 STRATEGIC OPERATIONAL GOALS



PART B

FORECAST SERVICE PERFORMANCE AND FINANCIAL STATEMENTS

9. STATEMENT OF RESPONSIBILITY

The following Statement of Forecast Service Performance and Forecast Financial Statements form part of the CAA's Statement of Intent for year ended 30 June 2009 and should be read in conjunction with Part A of this document

Pursuant to the Crown Entities Act 2004, the Civil Aviation Authority accepts responsibility for the preparation of the CAA's forecast financial statements and the judgements made in the process of producing these statements; and establishment and maintenance of a system of internal controls designed to provide reasonable assurance to the integrity and reliability of financial and non-financial reporting.

The forecast service performance and financial statements to be achieved by the CAA for the year ending 30 June 2009, specified in this Statement of Intent, is agreed with the Members of the Authority and the Director of Civil Aviation.

The CAA certifies that the information contained in this Statement of Intent reflect the operations and financial position of the CAA.

Signed:



RICK BETTLE
Chairman
Date: June 2008



ERROL MILLAR
Deputy Chairman, CAA
Date: June 2008



STEVE DOUGLAS
Director of Civil Aviation
Date: June 2008

10. FORECAST SERVICE PERFORMANCE

10.1 OUTPUT CLASS 1: POLICY ADVICE

Description

Output Class 1, covers the following outputs, and associated activities and services:

- coordination of New Zealand's response to ICAO regarding matters of a specifically technical or safety regulatory nature associated with or arising from the work of the ICAO Air Navigation Bureau and the Technical Assistance Bureau (excluding search and rescue);
- administration of aviation security matters arising from the work of the ICAO Aviation Security and Facilitation Branch;
- participation in appropriate ICAO international and regional fora;
- development and administration of bilateral agreements with the civil aviation safety regulatory authorities of other countries;
- working with Pacific Island States to develop safety and security objectives;
- provision of policy advice to Government;
- development and review of legislation;
- ministerial servicing, including ministerial correspondence, Parliamentary Questions, and reports to the Minister and Select Committees; and
- rules development services under contract to the MoT.

Impacts and consequences

The impacts and consequences of advice provided by the CAA to the government are to ensure that government policies and decisions are developed and implemented in an informed manner, and that reasons for these policies and decisions are clear.

The impacts and consequences to international obligations are to ensure that:

- the government's obligations in respect of international aviation safety and security agreements with other regulatory agencies are administered in a competent manner;
- international requirements relating to civil aviation safety and security are reflected in the New Zealand environment where applicable; and
- the potential for accidents or incidents is reduced by ensuring that a safer and more secure interface is achieved between international and domestic aviation operations.

The impacts and consequences of rules development are that the provision of rules development services to the MoT contributes to the achievement of the CAA's objectives as stipulated in the CA Act 1990.

Performance measures and standards

PERFORMANCE STANDARDS 2008/11				
OUTPUT CLASS 1: POLICY ADVICE OUTPUTS	FORECAST 2007/08	QUANTITY TARGET PER YEAR	QUALITY	TIMELINESS
1. REPORTS TO PARLIAMENT AND THE MINISTER				
Description:	Provided as required 100% of the time.	Demand-driven and provided as required 100% of the time.	All (100%) responses, reports, or briefings to Ministerial correspondence and Parliamentary Questions are accepted as robust by the Minister, including advisers. (07/08f = target met)	All responses, reports or briefings are responded to by the CAA within due dates as required (e.g. All replies to Ministerial correspondence are forwarded to the MoT within 10 working days of receipt by the CAA). (07/08f = target met)
a) Responses to Ministerial correspondence (demand driven number)	07/08f = 32 06/07 = 33 05/06 = 23	(20-50 estimated range)		
b) Reports and briefings to the Minister (demand-driven number)	07/08f = 32 06/07 = 33 05/06 = 23	(40-60 estimated range)		
c) Responses to Parliamentary Questions (demand-driven number)	07/08f = 54 06/07 = 59 05/06 = 65	(15-50 estimated range)		
d) Reports and responses to Select Committees (demand-driven number)	07/08f = 65	(4-8 estimated range)		
2. INTERNATIONAL RELATIONS AND OBLIGATIONS				
Description: Responses on behalf of New Zealand to ICAO State letters on aviation safety and security matters, including: a) review and comment on ICAO proposals for amendments to Annexes; b) file acceptances or differences as necessary; c) implement decisions arising from review of CAA's ICAO obligations; d) liaison with other international civil aviation authorities on matters of mutual interests; e) advice and representation in support on international agreements, projects and other fora; f) promote the development of technical arrangements and agreements with other aviation authorities where this will have demonstrable benefits for the New Zealand aviation system; and g) coordinate the implementation of the ICAO Corrective Action Plan.	NZ is represented or gave support as required 100% of the time.	Demand-driven and provided as required 100% of the time.	Advice and representation will be based on the priorities and goals of the government and CAA. (new standard)	Completed in a timely fashion or within an agreed or required timeframe. (07/08f = target met)
3. SOUTH PACIFIC OBLIGATIONS				
Description: a) New Zealand representation on the council of the Pacific Aviation Safety Office (PASO); and b) oversight of safety and security support agreements with Pacific island Countries.	NZ is represented or gave support as required 100% of the time.	Demand-driven and provided as required 100% of the time.	Advice and representation will be based on the priorities and goals of the government and CAA. (new standard)	Completed in a timely fashion or within an agreed or required timeframe. (07/08f = target met)

PERFORMANCE STANDARDS 2008/11				
OUTPUT CLASS 1: POLICY ADVICE OUTPUTS	QUANTITY		QUALITY	TIMELINESS
	FORECAST 2007/08	TARGET PER YEAR		
4. INTERNATIONAL SAFETY AND SECURITY AGREEMENTS WITH OTHER COUNTRIES				
Description: a) USA: Bilateral Aviation Safety Agreement (BASA) Maintenance Implementation Procedures (MIP); and b) Europe: Develop further opportunities for expansion of the Mutual Recognition Agreement/ Technical Arrangement (Design and Production approvals).	Provided as required 100% of the time.	Demand-driven and provided as required 100% of the time.	Advice and representation will be based on the priorities and goals of the government and CAA. (new standard)	Completed in a timely fashion or within an agreed or required timeframe. (07/08f = to be completed by 30 Dec 2008)
5. POLICY ACTIVITIES AND PROGRAMMES				
Description: a) Provision of advice and comment on government policy initiatives that impact on the aviation community and travelling public or any matter connected with aviation; b) provide support and advice to the development or amendment of civil aviation related legislation, such as Civil Aviation Act 1990, Civil Aviation Charges Regulations 1991, Civil Aviation (Aeronautical Information Service) Levies Order 2001 and the Civil Aviation Safety Levies Order 2002; c) policy input to rules programme; d) Transport Sector Strategic Directions (TSSD) collaborative planning projects such as: Integrated Approach to Planning, Research and Information, Cross-modal Approach to Safety, Influencing Demand for Transport, Managing Environmental and Public Health Impacts, and Monitoring and Evaluation; e) development on designation of airspace (dependent on additional resources); f) review of requirements for operator Security Management Systems; and g) review of New Zealand's State Safety Programme.	Provided as required 100% of the time.	Demand-driven and provided as required 100% of the time.	Advice provided will be based on: 1. comprehensive analysis of information from relevant sources; 2. relevant priorities and goals of the government and CAA; and 3. clear, accurate and well-presented consultation with interested parties. (new standard)	Completed in a timely fashion or within an agreed or required timeframe. (07/08f = target met for (a) / the rest to be completed from end of 2008 to 2010 as agreed)

PERFORMANCE STANDARDS 2008/11				
OUTPUT CLASS 1: POLICY ADVICE OUTPUTS	QUANTITY		QUALITY	TIMELINESS
	FORECAST 2007/08	TARGET PER YEAR		
6. RULES DEVELOPMENT				
The Authority undertakes Rules Development services under a separate contract to the MoT. Description: a) Review of international standards, aviation community petitions for rule amendment, and all existing legislation and rules relating to the regulation of New Zealand civil aviation safety and security including the evaluation of effectiveness and requirements. b) Research and development of appropriate safety and security standards. c) Publish notices of intention to make or amend ordinary rules. d) Give interested parties a reasonable time to make submissions on the proposed rules or amendments e) Consult with such persons as in each case is considered appropriate on the proposed rules or amendments. f) Draft and publish rules and rule amendments required by the Minister.	Provided as required 100% of the time as agreed in the 2007/08 Agreement for Rules Development Services.	Provided as required 100% of the time as agreed in the 2008/09 Agreement for Rules Development Services.	Rules Programme meets the quality requirements in the 2008/09 Agreement for Rules Development Services with MoT. (new standard)	Delivered in accordance with the timeliness requirements in the 2008/09 Agreement for Rules Development Services with MoT. (new standard)

Cost

Output Class 1 will be delivered within the following budgets exclusive of GST, to be funded by revenue: Crown.

STATEMENT OF PROJECTED FINANCIAL PERFORMANCE OUTPUT CLASS 1: POLICY ADVICE	2007/08		2008/09	
	Budget \$000	Forecast \$000	Budget \$000	Forecast \$000
Revenue				
Crown funding (Vote Transport: Policy advice)	1,320	1,320	1,820	1,820
Fees and Charges				
Ministry (Rules development contract with MoT)	1,418	1,418	1,418	1,418
Total Revenue	2,738	2,738	3,238	3,238
Expenses				
Personnel (Excluding overhead salaries)	1,634	1,481	2,120	2,120
Other Operating costs (Including overhead salaries)	1,104	1,807	2,058	2,058
Total Output Expenses	2,738	3,288	4,178	4,178
Net Surplus/(Deficit) for distribution		-550		-940

10.2 OUTPUT CLASS 2: SAFETY AND SECURITY ASSESSMENT AND CERTIFICATION

Description

Output Class 2 covers the following outputs and associated activities and services:

- exercise of control over entry into the New Zealand civil aviation system through the issuance or amendment of aviation documents and approvals to organisations, individuals and products (refer to section 7 of the CA Act 1990);
- 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 and security;
- monitoring of adherence to safety and security standards by participants in the civil aviation system including the carrying out of inspections and audits;
- 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;
- updating of entry, exit and monitoring information in our database, including maintenance of the New Zealand Register of Aircraft;
- provision of information and advice to applicants for aviation documents and approvals, plus support and advice to participants to assist them achieve compliance with the Civil Aviation Rules;
- maintenance of an effective Field Safety Advisor presence;
- assessment of overseas information such as airworthiness directives and manufacturer's service information, and adaption in New Zealand if applicable;
- development and review of New Zealand airworthiness directives;
- assessment and approval of alternative means of compliance with airworthiness directives;
- assessment of petitions for and the granting of exemptions from requirements prescribed in the Civil Aviation Rules pursuant to the CA Act 1990 and rule making procedures; and
- management of inspections and audits under the HSE 1992, including identification and follow-up of corrective actions that need to be taken by employers in the aviation sector to ensure adherence and compliance to HSE 1992 regulations.

Impacts and consequences

The impacts and consequences of activities under this output are to minimise the risk of accident and incidents, ensure compliance with civil aviation rules and standards, and improve overall performance within the context of the CAA's legislative responsibilities.

Performance measures and standards

OUTPUT 2: SAFETY AND SECURITY ASSESSMENT AND CERTIFICATION OUTPUTS	PERFORMANCE STANDARDS 2008/11				
	QUANTITY	FORECAST 2007/08	TARGET PER YEAR	QUALITY	TIMELINESS
AIRLINE SECTOR					
7. Routine audits and inspections (number of hours)	07/08f = 4,680 06/07 = 5,139 05/06 = 5,054	4,000-5,000 hours estimated range		Airlines' actual safety and security assessment and certification procedures meet the specified accuracy and completeness requirements as specified in the CAA internal safety assessment and certification procedures 100% of the time. (07/08f = target met)	80% of scheduled audit and inspection modules are completed by due date. 07/08f = 90% 06/07 = 91% 05/06 = 99%
FY 05/06 (6,577 hrs) and 06/07 (7,511 hrs) data were previously erroneously reported due to an incorrect programming link.					
8. Spot checks (number of hours, issue-driven)	07/08f = 400 06/07 = 155 05/06 = 35	200 hours			100% of programmes completed by due dates (07/08f = data not available yet)
9. Airworthiness directives to be developed and published (issue-driven number)	07/08f = 348 06/07 = 323 05/06 = 327	150-250 estimated range			No delays recorded (07/08f = target met)
10. Airline Certification work requests (demand-driven number)	07/08f = 676 06/07 = 904 05/06 = 663	200-500 estimated range			
11. Airline Certification work requests (demand-driven number)	07/08f = 898 06/07 = 1,053 05/06 = 925	800-1,000 estimated range			
12. Airline Registration work requests (demand-driven number)	07/08f = 1,956 06/07 = 1,740 05/06 = 1,782	1,000-2,000 estimated range			
GENERAL AVIATION SECTOR					
13. Routine audits and inspections (number of hours)	07/08f = 3,436 06/07 = 2,821 05/06 = 3,291	3,500-4,500 hours estimated range		General Aviation's actual safety and security assessment and certification procedures meet the specified accuracy and completeness requirements as specified in the CAA internal safety assessment and certification procedures 100% of the time. (07/08f = target met)	80% of scheduled audit and inspection modules are completed by due date. 07/08f = 80% 06/07 = 91% 05/06 = 63%
14. Spot checks (number of hours, issue-driven)	07/08f = 1,000 06/07 = 1,058 05/06 = 1,483	1,500-1,900 hours estimated range			100% of programmes completed by due dates (07/08f = data not available yet)
15. Operator Certification work requests (demand-driven number)	07/08f = 1,136 06/07 = 1,518 05/06 = 1,141	1,000-1,400 estimated range			No delays recorded (07/08f = target met)

Performance measures and standards

OUTPUT 2: SAFETY AND SECURITY ASSESSMENT AND CERTIFICATION OUTPUTS	PERFORMANCE STANDARDS 2008/11			
	FORECAST 2007/08	QUANTITY TARGET PER YEAR	QUALITY	TIMELINESS
PERSONNEL LICENSING AND AVIATION SERVICES				
16. Routine audits and inspections (number of hours)	07/08f = 1,590 06/07 = 1,123 05/06 = 1,367	1,050 - 1,350 hours estimated range	PLAS' actual safety and security assessment and certification procedures meet the specified accuracy and completeness requirements as specified in the CAA internal safety assessment and certification procedures 100% of the time. (07/08f = target met)	80% of scheduled audit and inspection modules are completed by due date. 07/08f = 90% 06/07 = 93% 05/06 = 91%
17. Spot checks (number of hours, issue driven)	07/08f = 280 06/07 = 160 05/06 = 128	50-170 hours estimated range		100% of programmes completed by due dates (07/08f = data not available yet)
18. Personnel licensing work requests (demand-driven number)	07/08f = 6,498 06/07 = 5,733 05/06 = 4,822	4,500-5,000 estimated range		No delays recorded (07/08f = target met)
19. Part 109 Regulated air cargo agent certification (security) – (demand-driven number)	07/08f = not applicable*	1 - 30 estimated range		No delays recorded (07/08f = not applicable*)
*new output in 08/09				
20. Release General Directions for consultation (demand-driven number)	07/08f = 0 06/07 = 2 05/06 = 4	2		100% of General Directions programmes completed by due dates (07/08f = data not available)
21. Petitions for rule exemptions processed - (demand-driven number)	07/08f = 84 06/07 = 124 05/06 = 104	100-200 estimated range		No delays in liaison with petitioner (07/08f = target met)
AVIATION COMMUNITY HEALTH AND SAFETY IN EMPLOYMENT				
22. HSE investigations carried-out (demand-driven number)	07/08f = 48	55 – 75 estimated range	Health and Safety's actual safety and security assessment and certification procedures meet the specified accuracy and completeness requirements as specified in the CAA internal safety assessment and certification procedures 100% of the time. (07/08f = target met)	70% of all investigations of occurrences completed within 6 months of registration; 90% completed within 12 months of registration; and 100% completed within 2 years of registration. (07/08f = data not available)
*new output in 07/08				
23. HSE audits/inspections of selected clients (number)	07/08f = 16 06/07 = 3 05/06 = 11	20		100% completed by due date (07/08f = target met)
23. Provision of information and education to clients and stakeholders (demand-driven number)	07/08f = 18 06/07 = 10 05/06 = 9	10		

Cost

Output Class 2 will be delivered within the following budgets exclusive of GST, to be funded by revenue: Crown, direct fees and charges and aviation safety levy.

STATEMENT OF PROJECTED FINANCIAL PERFORMANCE OUTPUT CLASS 2: SAFETY AND SECURITY ASSESSMENT AND CERTIFICATION	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Revenue			
Crown funding (Vote Labour, Health and safety in aviation)	440	440	440
Fees and Charges	3,436	3,390	4,041
Levies	15,190	15,764	16,471
Total Revenue	19,066	19,594	20,952
Expenses			
Personnel (Excluding overhead salaries)	9,275	8,788	9,608
Other Operating costs (Including overhead salaries)	9,834	9,124	10,841
Depreciation	-5	37	37
Capital Charge	506	506	567
Total Output Expenses	19,610	18,455	21,053
Net Surplus/(Deficit) for distribution	-544	1,139	-101

10.3 OUTPUT CLASS 3: SAFETY AND SECURITY INVESTIGATION, ANALYSIS AND EDUCATION

Description

Output Class 3 covers the following outputs and activities:

- investigation and identification of causes to a civil aviation safety and security occurrences, received by way of occurrence information and complaints;
- publishing of feedback information to the industry in the form of accident briefs, defect summaries, and accident and incident trends;
- investigation and review of civil aviation accidents and incidents in accordance with the Authority's capacity as the responsible aviation safety and security authority (subject to the limitations stipulated in section 14, paragraph 3 of the Transport Accident Investigation Commission Act);
- 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;
- responses to safety and security recommendations made by the Transport

Accident Investigation Commission and Coroner's inquests, and taking appropriate actions, tracking and reporting progress on a quarterly basis;

- advice and research on the safety and security performance of the civil aviation system;
- assessment and solution to any problems that may arise regarding overseas information, aircraft reliability data and flight operations information;
- monitoring and assessment of intelligence and information concerning short and long term security threats and risks to the New Zealand aviation system and developments in the international aviation security environment.
- establishment of safety and security planning to clearly describe the CAA's intended safety and security actions and priorities;
- promotion of safety and security by providing education information and advice, and fostering safety and security programmes, including public awareness on transport of dangerous goods by air;
- provision and maintenance of an Internet web site; and
- provision of information for the New Zealand Aeronautical Information Service.

Impacts and consequences

It is expected that work on investigations into accidents and incidents will ensure associated safety and security issues are quickly identified and remedied.

Work on the analysis of safety and security data and information and intelligence relating to the domestic and international aviation security environment intends

to minimise the future risk of accidents or incidents and maximise compliance with civil aviation rules.

The impacts and consequences of the information services and educational programmes to be provided under this output are to reduce risk of accidents and incidents and increase compliance with the Civil Aviation Rules.

Performance measures and standards

OUTPUT CLASS 3: SAFETY AND SECURITY INVESTIGATION, ANALYSIS AND EDUCATION OUTPUTS	PERFORMANCE STANDARDS 2008/11			
	QUANTITY FORECAST 2007/08	TARGET PER YEAR	QUALITY	TIMELINESS
SAFETY AND SECURITY INVESTIGATION				
25. Number of safety and security investigations carried out	07/08f = 2,752 06/07 = 2,200 05/06 = 2,296	1,700-2,200 estimated range	Actual safety and security investigations procedures meet the specified accuracy and completeness requirements as specified in the CAA internal safety and security investigation procedures 100% of the time. (07/08=target met)	70% of all investigations of occurrences completed within 6 months of registration (07/08f=93%); 90% completed within 12 months of registration (07/08f=99%); and 100% completed within 2 years of registration (07/08f=99%).
SAFETY AND SECURITY DATA ANALYSIS				
26. Aviation safety summary reports (number)	07/08f = 4 06/07 = 4 05/06 = 4	1 per quarter or 4 times a year	Meet the CAA quality standards policy for data analysis. (new standard)	Published within 40 working days at the end of the quarter to which the report relates to. (07/08f = target met)
SAFETY AND SECURITY EDUCATION AND INFORMATION				
27. Vector periodicals released (number)	07/08f = 6 06/07 = 6 05/06 = 6	6 per year	Meet the CAA quality standards policy. (new standard)	100% of safety education and information materials are published by due date. (07/08f = target met)
28. Safety seminars conducted (number)	07/08f = 27 06/07 = 28 05/06 = 25	Minimum of 10 seminars		
29. Aviation security risk context statement (number) <small>*new output in 07/08</small>	07/08f = 0 <i>(High work load of 2 staff due to CAA investigation and government directive to review domestic security.)</i>	1	100% of information provided is up-to-date.	Published within due dates (07/08f= not applicable)
30. Security special notices (number) <small>*new output in 07/08</small>	07/08f = 0	demand-driven and provided 100% of the time	100% of information provided is up-to-date. (07/08f = target met)	Published within due dates (07/08f = target met)
31. Security awareness presentations (number) <small>*new output in 07/08</small>	07/08f = 2	3-10 estimated range		100% of presentations requested within the financial year are delivered (07/08f = target met)

Cost

Output Class 3 will be delivered within the following budgets exclusive of GST, to be funded by revenue: aviation safety levy.

STATEMENT OF PROJECTED FINANCIAL PERFORMANCE OUTPUT CLASS 3: SAFETY AND SECURITY INVESTIGATION, ANALYSIS AND EDUCATION	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Revenue			
Fees and Charges		5	12
Levies	4,892	4,804	5,053
Total Revenue	4,892	4,809	5,065
Expenses			
Personnel (Excluding overhead salaries)	2,199	2,042	2,189
Other Operating costs (Including overhead salaries)	2,693	2,424	2,797
Depreciation		1	1
Capital Charge		1	1
Total Output Expenses	4,892	4,468	4,988
Net Surplus/(Deficit) for distribution		341	77

10.4 OUTPUT CLASS 4: ENFORCEMENT

Description

Output Class 4 covers the appropriate follow-ups of actions in the interest of the public, including:

- recording of complaints of alleged or suspected offences;
- investigation of allegations of breaches to the CA Act 1990; and
- taking an appropriate action such as providing education, the issue of a warning letter, the issue of an infringement notice, or commencing summary proceedings.

Impacts and consequences

The Authority's enforcement policy recognises that preventive action to minimise the risk of accidents and incidents plus voluntary compliance with civil

aviation rules and standards are better means of achieving aviation safety and security than retrospective punitive action.

The Authority's primary concern is not to secure prosecution but to promote a high standard of aviation safety. However, if voluntary compliance is not achieved the Authority will instigate enforcement action when required. The impacts and consequences of the Authority's enforcement activities are to:

- attempt to modify aviation participants' behaviour, and/or generate an improvement of safety management systems, and/or generate a greater understanding of the Civil Aviation Rules;
- ensure fair and consistent treatment of all participants in the civil aviation system; and
- deter future incidents of non-compliance.

Performance measures and standards

OUTPUT CLASS 4: ENFORCEMENT OUTPUTS	PERFORMANCE STANDARDS 2008/11			
	FORECAST 2007/08	QUANTITY TARGET PER YEAR	QUALITY	TIMELINESS
32. Number of occurrences reviewed by the Law Enforcement Unit (LEU) in order to consider enforcement action (demand-driven number)	07/08f = 236 06/07 = 335 05/06 = 231	260-300 estimated range	100% of Enforcement's investigations closed meet the specified accuracy and completeness requirements in CAA procedures. (07/08f = target met)	100% of detailed investigations completed within 12 months of commencement (07/08f = 100%); and 90% within 6 months of commencement (07/08f = 96%).
33. Detailed enforcement investigations undertaken (demand-driven number)	07/08f = 102 06/07 = 75 05/06 = 81	70-90 estimated range		

Cost

Output Class 4 will be delivered within the following budgets, exclusive of GST, to be funded by revenue: safety aviation levy.

STATEMENT OF PROJECTED FINANCIAL PERFORMANCE OUTPUT CLASS 4: ENFORCEMENT	2007/08		2008/09	
	Budget \$000	Forecast \$000	Budget \$000	
Revenue				
Fees and Charges		6		
Levies	808	1,177	1,403	
Total Revenue	808	1,183	1,403	
Expenses				
Personnel (Excluding overhead salaries)	362	373	405	
Other Operating costs (Including overhead salaries)	441	555	760	
Depreciation	5	10	10	
Capital Charge		2	2	
Total Output Expenses	808	940	1,177	
Net Surplus/(Deficit) for distribution		243	226	

11. FORECAST FINANCIAL STATEMENTS

11.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The following significant assumptions relating to the preparation of the forecast financial statements are:

Levy Revenue

Estimating domestic and international passenger volumes is inherently uncertain due to aviation market and economic factors. Domestic and international passenger volumes have been estimated based on growth of 3%.

Revenue arising from the Aeronautical Information Service Levy has been estimated on the basis that the current proposed Levies Order will be approved to take effect from 1 July 2008.

The 2008/09 financial projections have been set based on estimated international and domestic passenger volumes and applying the current regulated international and domestic passenger safety levy charges. The charges are \$0.89 and \$1.77 per sector travelled per international and domestic passengers respectively (GST exclusive).

Fees and Charges Revenue

The increase in revenue for fees and charges reflects expected industry growth and the income recoverable from regulatory interventions.

Personnel Costs

Expenditure on personnel assumes an increase in staff establishment numbers and a market price adjustment offset by expected vacancies of 5% due to the difficulty in attracting staff in the current labour market.

11.2 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The Civil Aviation Authority (CAA) is the provider and regulator of aviation safety services within the Civil Aviation Authority of New Zealand (the Authority).

The Authority was established under the Civil Aviation

Act 1990 (CAA Act 1990) as a Crown Entity on 10 August 1992. The Authority has a responsibility to work to the development and delivery of achieving an integrated, safe, responsive, and sustainable transport system in line with the *updated New Zealand Transport Strategy (uNZTS)*.

To fulfil these statutory responsibilities, the Authority comprises the aviation safety and regulatory services of the CAA and the separate aviation security services of the Aviation Security Service (Avsec).

This Statement of Intent 2008/11 is prepared for CAA's operational and regulatory services alone. The Statement of Intent 2008/11 for the aviation security services provided by Avsec is presented separately.

Although CAA will be preparing financial reporting statements for its operational and regulatory activities, they will be reported on within the Annual Report prepared by the Authority.

As the Authority's primary objective is to provide services for social benefit rather than for the purpose of making a financial return, the Authority (encompassing CAA and Avsec) has designated itself as a public benefit entity for financial reporting under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Statement of Compliance

These forecast financial statements comprise prospective information and have been prepared in accordance with New Zealand Financial Reporting Standard No 42: *Prospective Financial Statements* (FRS-42).

Basis of Preparation

These prospective financial statements have been prepared in accordance with legislation for inclusion in CAA's Statement of Intent 2008/11 to the Minister of Transport. They are not prepared for any other purpose and should not be relied upon for any other purpose.

The preparation of forecast financial statements in conformity with FRS-42 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual financial results achieved for the period in question are likely to vary from the information presented, and the variations may be material.

These forecast financial statements have been reviewed at a high level by the Authority's auditors, Audit New Zealand, but have not been the subject of either an audit engagement or a formal audit review engagement.

Measurement Base

The financial statements have been prepared on a historical cost basis.

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of CAA is New Zealand dollars.

11.3 SIGNIFICANT ACCOUNTING POLICIES

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

Budget Figures

The prospective (forecast) figures contained in this Statement of Intent 2008/11 are those approved by the Authority on 30 May 2008.

The prospective (forecast) financial statements in this Statement of Intent have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP).

CAA will be adopting NZ IFRS for the first time in its historical financial reporting for the year ending 30 June 2008. Accordingly, these prospective

financial statements have been prepared to be consistent with NZ IFRS and other applicable Financial Reporting Standards as appropriate for public benefit entities.

Forecast Figures

These forecast financial statements were authorised for issue by the Authority on 30 May 2008. The forecast figures are prepared in accordance with NZ GAAP and are consistent with the accounting policies adopted by CAA for the preparation of its NZ IFRS financial statements.

The Authority is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosures.

Some forecast amounts are based on actual financial results for the nine months to 31 March 2008. Significant assumptions based on these prior period actual results are disclosed in the assumptions to these forecast financial statements.

CAA does not intend to update the forecast financial statements subsequent to publication of these statements.

Revenue

CAA earns revenue from regulated charges on airlines based on outgoing international passenger numbers and domestic sectors travelled by passengers, regulated charges on domestic aerodromes, fees and charges for aviation security services, interest income and Crown funding. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest income is recognised using the effective interest method.

Provision of Services

Revenue derived from CAA's provision of safety and regulatory services is recognised in the Statement of

Projected Financial Performance in the period that the services have been rendered.

Capital Charge

The capital charge is recognised as an expense in the period to which the charge relates.

Goods and Services Tax

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

Net GST receivable or payable at balance date is included in receivables or payables in the statement of financial position as appropriate. Commitments and contingencies are disclosed exclusive of GST.

The net GST paid, or received, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Income Tax

The Authority (encompassing CAA and Avsec) is a public authority in terms of the Income Tax Act 2004 and consequently exempt from the payment of income tax. Accordingly no charge for income tax has been provided for.

Payment of any Surplus to the Crown

The Authority is specifically excluded from returning surpluses to the Crown under Section 165 of the Crown Entities Act 2004. Operating surpluses retained by the Authority (including those relating to Avsec) are utilised within each entity for ongoing services and projects.

Financial Instruments

CAA's financial instruments comprise receivables, cash, short-term deposits, and payables.

A financial instrument is recognised when CAA becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value and classified into one of the following categories:

Loans and receivables financial assets – comprising receivables and short-term deposits. After initial

recognition, receivables and short-term deposits are carried at amortised cost.

Available-for-sale financial assets – comprising cash.

After initial recognition, cash continues to be carried at its nominal fair value.

Other liabilities – comprising payables. After initial recognition, payables are carried at amortised cost.

Leases

Finance Leases

CAA has entered into finance leases for certain office equipment. Finance leases effectively transfer to CAA substantially all the risks and rewards of asset ownership, whether or not title is eventually transferred.

At the commencement of the lease term, CAA recognises finance leases as assets and liabilities in the Statement of Projected Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is expensed to the statement of financial performance over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If it is not certain that CAA will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating Leases

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

Cash and Cash Equivalents

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

Foreign Currency Transactions

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of foreign currency monetary assets and liabilities, are recognised in the Statement of Projected Financial Performance.

Property, Plant and Equipment

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

Additions

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

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the Statement of Projected Financial Performance.

Subsequent Costs

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

Depreciation

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

Building (including components)	10-14 years	10%-7%
Leasehold improvements	10 years	10%
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%

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

Intangible Assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs incurred by CAA for the development of software for internal use are recognised as an intangible asset where the asset meets the criteria for recognition. Costs recognised include the software development, employee costs and any other directly attributable costs.

Costs associated with maintaining computer software are expensed when incurred.

Costs associated with the development and maintenance of CAA's website are recognised as an expense when incurred.

Amortisation

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

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

Acquired computer software	3 years	33%
Developed computer software	3-4 years	33%-25%

Impairment of Non-Financial Assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment at each financial reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is based on depreciated replacement cost.

If an asset is impaired its carrying amount is written down to the recoverable amount. The total impairment loss and any reversals of impairment are recognised in the Statement of Projected Financial Performance.

Employee Entitlements

Short-Term Employee Entitlements

Employee entitlements that CAA expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

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

Long-Term Employee Entitlements

Entitlements that are payable beyond 12 months have been calculated on an actuarial basis by Melville Jessup Weaver consulting actuaries. The calculations are based on:

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

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

Post-Employment Entitlements

• Superannuation Schemes

Obligations for CAA contributions to KiwiSaver and the Government Superannuation Fund are accounted for as contributions to a defined contribution superannuation scheme and are recognised as an expense in the Statement of Projected Financial Performance.

Provisions

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

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

Output Costing

Criteria for Direct and Indirect Costs:

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

Cost Drivers for Allocation of Indirect Costs:

Indirect costs are charged on the basis of year-to-date costs attributable to an output. Depreciation and capital charges are charged on the basis of asset utilisation.

11.4 FINANCIAL STATEMENTS

Statement of Projected Output Costs and Revenue

For the year ending 30 June 2009

OUTPUT CLASS	FUNDING SOURCE/ EXPENDITURE	2007/08		2008/09
		Budget \$000	Forecast \$000	Budget \$000
1. POLICY ADVICE				
1.1 Policy Advice	Crown Funding (Vote Transport)	1,320	1,320	1,820
	Fees and Charges			
	Revenue Policy Advice	1,320	1,320	1,820
1.2 Rules Development	Fees and Charges (contract MoT)	1,418	1,418	1,418
	Levies			
	Revenue Rules Development	1,418	1,418	1,418
Total Revenue		2,738	2,738	3,238
1.1 Advice to Government (Policy Advice)	Total Operating Costs	1,320	1,320	1,820
1.2 Legislation and Standards Development (Rules Development)	Total Operating Costs	1,418	1,968	2,358
Total Expenditure		2,738	3,288	4,178
Surplus/(Deficit)			-550	-940
2. SAFETY AND SECURITY ASSESSMENT & CERTIFICATION				
2.1 Airlines	Fees and Charges	2,357	2,420	2,220
	Levies	5,527	6,383	6,996
	Revenue Airlines	7,884	8,803	9,216
2.2 General Aviation	Fees and Charges	628	474	1,145
	Levies	3,967	3,851	3,890
	Revenue General Aviation	4,595	4,325	5,035
2.3 Personnel Licensing and Aviation Services (PLAS)	Fees and Charges	451	496	676
	Levies	5,696	5,530	5,585
	Revenue P L A S	6,147	6,026	6,261
2.4 Health and Safety in Aviation (HSE)	Crown Funding (Vote Labour)	440	440	440
	Revenue HSE	440	440	440
Total Revenue		19,066	19,594	20,952
2.1 Airlines	Total Operating Costs	7,769	6,959	9,212
2.2 General Aviation	Total Operating Costs	4,969	4,824	4,969
2.3 Personnel Licensing and Aviation Services (PLAS) and Health and Safety in aviation	Total Operating Costs	6,872	6,672	6,872
Total Expenditure		19,610	18,455	21,053
Surplus/(Deficit)			-544	1,139
				-101

OUTPUT CLASS	FUNDING SOURCE/ EXPENDITURE	Budget \$000	Forecast \$000	2008/09 Budget \$000
3. SAFETY AND SECURITY ANALYSIS AND EDUCATION				
3.1 Safety and Security Investigation	Levies	2,574	2,929	2,543
3.2 Safety and Security Analysis	Levies	661	610	650
3.3 Safety and Security Education	Levies / Fees and Charges	1,657	1,270	1,872
Total Revenue		4,892	4,809	5,065
3.1 Safety and Security Investigation	Total Operating Costs	2,574	2,588	2,466
3.2 Safety and Security Analysis	Total Operating Costs	661	610	650
3.3 Safety and Security Education	Total Operating Costs	1,657	1,270	1,872
Total Expenditure		4,892	4,468	4,988
Surplus/(Deficit)			341	77
4. ENFORCEMENT				
4.1 Enforcement	Levies	808	1,183	1,403
4.1 Enforcement	Total Operating Costs	808	940	1,177
Surplus/(Deficit)			243	226
TOTAL OUTPUT CLASSES				
	Crown Funding (Vote Transport + Labour)	1,760	1,760	2,260
	Fees and Charges	4,854	4,808	5,472
	Levies	20,890	21,756	22,926
	Interest	330	420	383
TOTAL REVENUE		27,834	28,744	31,041
TOTAL EXPENDITURE		Total Operating Costs	28,048	27,151
SURPLUS/ (DEFICIT)			-214	1,593
				-355

Statement of Projected Financial Performance

For the year ending 30 June 2009

STATEMENT OF PROJECTED FINANCIAL PERFORMANCE	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Revenue			
Levies	20,506	21,745	22,926
Fees and Charges	4,854	4,819	5,472
Crown	1,760	1,760	2,260
Interest	330	420	383
Total Revenue	27,834	28,744	31,041
Expenses			
Personnel	16,236	16,159	19,121
Contractors	693	874	872
Training	1,225	965	1,344
Travel	2,418	2,239	2,341
Consultation & Professionals	846	985	881
Capability Projects	563		665
Safety Information Services	1,479	1,450	1,657
Other Operating	1,266	1,251	1,159
Information Technology	874	787	745
Rental & Leasing	1,052	1,052	1,155
Authority Member Fees	104	104	104
Audit	36	36	40
Depreciation	750	743	742
Capital Charge	506	506	570
Total Output Expenses	28,048	27,151	31,396
NET SURPLUS/(DEFICIT) FOR DISTRIBUTION	-214	1,593	-355

Statement of Projected Movement in Equity (taxpayer's funds)

For the year ending 30 June 2009

STATEMENT OF PROJECTED MOVEMENT IN EQUITY (TAXPAYER'S FUNDS)	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Net Operating Surplus/(Deficit)	-214	1,593	-355
Revaluation Reserve			
Total Recognised for the Year	-214	1,593	-355
Less: Provision to pay Surplus			
Movement for the Year	-214	1,593	-355
EQUITY AT START OF YEAR	6,744	6,453	8,046
EQUITY AT END OF YEAR	6,530	8,046	7,691

Statement of Projected Financial Position

For the year ending 30 June 2009

STATEMENT OF PROJECTED FINANCIAL POSITION	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
CLOSING EQUITY	6,530	8,046	7,691
ASSETS			
Current Assets			
Cash and Bank Balances	4,919	6,553	6,180
Debtors and Receivables and Advances	2,237	2,415	3,219
Prepayments	2	81	46
Work in Progress	400	326	434
Debtor - Crown			
Total Current Assets	7,558	9,375	9,879
Non-Current Assets			
Physical Assets	2,172	2,186	2,194
Total Assets	9,730	11,561	12,073
LIABILITIES			
Current Liabilities			
Creditors and Payables	1,600	1,608	2,378
Capital Charge Payable			
Provision to Repay Surplus			
Other Short Term Liabilities	1,000	1,431	1,504
Total Current Liabilities	2,600	3,039	3,882
Non-Current Liabilities			
Long Term Liabilities	600	476	500
Total Liabilities	3,200	3,515	4,382
NET ASSETS	6,530	8,046	7,691

Statement of Projected Net Cash Flows

For the year ending 30 June 2009

STATEMENT OF PROJECTED CASH FLOWS	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Cash Flow from Operating Activities			
Cash provided from:			
Supply of Outputs - to Crown	1,760	1,760	2,260
Third Party - to Ministry	1,418	1,418	1,418
Third Party - to Other	3,570	3,401	4,054
Levy	20,506	21,745	22,926
Interest	330	420	383
Cash disbursed to:			
Costs of Outputs - Employees	16,561	15,736	19,048
Costs of Outputs - Suppliers	10,569	10,166	11,036
Payment of Capital Charge to the Crown	506	506	570
Net Cash Flow from Operating Activities	-52	2,336	387
Cash Flow from Investing Activities			
Cash provided from:			
Sale of Fixed Assets			
Cash disbursed to:			
Purchase of Fixed Assets	750	630	750
Net Cash Flow from Investing Activities	-750	-630	-750
Cash Flow from Financing Activities			
Cash provided from:			
Capital Contribution from the Crown			
Cash disbursed to:			
Payment of Surplus to the Crown			
Repayment of Capital to the Crown			
Repayment of Interest on Finance Leases	72	72	10
Net Cash Flow from Financing Activities	-72	-72	-10
Net Increase (Decrease) in cash held	-874	1,634	-373
Opening Total Cash Balances	5,793	4,919	6,553
Closing Total Cash Balances	4,919	6,553	6,180

Reconciliation of surplus in the statement of projected financial performance to the prospective net cash flow from operating activities

For the year ending 30 June 2009

RECONCILIATION OF SURPLUS IN THE STATEMENT OF PROJECTED FINANCIAL PERFORMANCE TO THE PROSPECTIVE NET CASH FLOW FROM OPERATING ACTIVITIES	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Surplus/(deficit) from Operating Statement	-214	1,593	-355
Add/(deduct) non-cash items			
Depreciation	750	743	742
Loss/(Gain) in Disposal of Assets			
Movement in Fixed Assets Creditors			
Movement in Financial Liabilities	72	72	10
Movement in Working Capital			
(Increase)/Decrease in Prepayments	100	21	34
(Increase)/Decrease in Work in Progress	34	55	108
(Increase)/Decrease in Debtors and Receivables	-384	-178	-714
(Increase)/Decrease in Debtor - Crown			
Increase/(Decrease) in Creditors and Payable	-85	-393	489
Increase/(Decrease) in Capital Charge			
Increase/(Decrease) in Employee Entitlement	-325	423	73
Total Movements in Working Capital	-660	-72	-10
Net cash flows from Operating Activities	-52	2,336	387

Forecast output class operating statements

For the year ending 30 June 2009

ALL OUTPUT CLASSES	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Revenue			
Output class 1: policy advice	2,738	2,738	3,238
Output class 2: safety and security assessment and certification	19,066	19,594	20,952
Output class 3: safety and security investigation, analysis and education	4,892	4,809	5,065
Output class 4: enforcement	808	1,183	1,403
Interest	330	420	383
Total Revenue	27,834	28,744	31,041
Expenses			
Output class 1: policy advice	2,738	3,288	4,178
Output class 2: safety and security assessment and certification	19,610	18,455	21,053
Output class 3: safety and security investigation, analysis and education	4,892	4,468	4,988
Output class 4: enforcement	808	940	1,177
Total Output Expenses	28,048	27,151	31,396
Net Surplus/(Deficit) for distribution	-214	1,593	-355

ALL OUTPUT CLASSES	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Revenue			
Crown funding (Vote Transport + Labour)	1,760	1,760	2,260
Ministry (MoT, Rules development contract)	1,418	1,418	1,418
Fees and Charges	3,436	3,401	4,054
Levies	20,890	21,745	22,926
Interest	330	420	383
Total Revenue	27,834	28,744	31,041
Expenses			
Personnel (excluding overhead salaries)	13,470	12,684	14,322
Other operating costs (including overhead salaries)	14,072	13,218	15,762
Depreciation		743	742
Capital Charge	506	506	570
Total Output Expenses	28,048	27,151	31,396
Net Surplus/(Deficit) for distribution	-214	1,593	-355

12. APPENDIX – REPORTING OBLIGATIONS

The CAA is required to provide the Minister of Transport with information on activities set out in sections 72B, 72I of the CA Act 1990 and in supporting the rule making power of the Minister as set out in Part 3, sections 28 to 30 of the CA Act 1990.

OUTPUT AGREEMENTS

A CAA output agreement is prepared on the prerogative of the Minister in accordance with section 170 of the Crown Entities Act 2004 (CEA 2004). It states that the Minister may require (in reference to the Letter of Expectation for 2007/08 from the Minister and carried-over in 2008/09) a Crown entity to have in place an output agreement for any or all outputs that the Crown entity intends to provide that do not qualify for an exemption under section 143(1)(a) of CEA 2004.

QUARTERLY REPORTS

The Authority will provide CAA Quarterly Reports to the Minister within twenty five (25) working days at the end of each quarter (with the exemption of the fourth quarter report that will be provided within 40 working days at the end of the financial year).

The format of quarterly reports will reflect both financial and non-financial information. Non-financial information will contain the actual output and outcome performance measures against targets as

set out in the SOI. The report will be concise with a qualitative commentary about the overall issues and achievements during the quarter.

ANNUAL REPORT

The obligation to prepare, present, and publish an annual report is set out in section 150 of the CEA 2004. It states that a Crown entity must, at the end of each financial year, prepare a report on the affairs of the Crown entity; and provide the report to its responsible Minister no later than 15 working days after receiving the audit report provided under section 156.

The responsible Minister for the Crown entity must present the entity's annual report to the House of Representatives within 5 working days after receiving the annual report or, if Parliament is not in session, as soon as possible after the commencement of the next session of Parliament.

A Crown entity must publish its annual report as soon as practicable after it has been presented to the House of Representatives, but in any case not later than 10 working days after the annual report is received by the Minister, in a manner consistent with any instructions given under section 174 of the CEA 2004.



STATEMENT OF INTENT

FY 2008/2011



Aviation Security Service
Kaiwhakamaru Rererangi

newzealand.govt.nz

This Statement of Intent 2008/11 has been prepared in accordance with section 139 of the Crown Entities Act 2004.

www.avsec.govt.nz
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FOREWORD FROM THE AUTHORITY

The Civil Aviation Authority is New Zealand's primary agency for the establishment and monitoring of civil aviation safety and security standards, investigation of accidents and incidents, the promotion of safety and security, and provision of aviation security services for international and domestic air operations, including airport security, passenger and baggage screening.

These economically and socially important tasks of regulation and service delivery are achieved by the Authority through the work of its two operating arms, the Civil Aviation Authority of New Zealand (CAA) and the Aviation Security Service (Avsec).

The Authority operates in very challenging international and domestic environments, with significant demands that must be met if New Zealand is to maintain a viable aviation sector. These challenges will continue to be met in an informed, professional, and progressive manner to serve the New Zealand public.

The consolidated 2008/09 revenue is \$122.851 million and an operating expenditure of \$111.829 million. The CAA is expected to register a deficit of \$355,000 and Avsec a surplus of \$11.377 million for 2008/09. Grouped financial indicators are reflected in the following table.

The strategic directions and operating intentions for the next three financial years are set out in this Statement of Intent.

The first part of this Statement of Intent documents the context in which we operate, the outcomes we contribute to, and our intended strategic initiatives for 2008/09. The second part sets out our Forecast Service Performance and Financial Statements.

GROUPED KEY FINANCIAL INDICATORS	FORECAST 2007/08 (\$million)	BUDGET 2008/09 (\$million)
Revenue	107.088	122.851
Output expenses	93.404	111.829
Net deficit	13.684	11.022
Working Capital		
Net working capital	34.715	47.698
Resource Utilisation		
Cash and bank balances	33.600	45.125
Physical assets at year end (NBV)	13.266	16.659
Capital expenditure	2.623	10.590
Capital expenditure as % of physical assets	20%	64%
Physical assets as % of total assets	23%	22%
Taxpayers' Equity		
Taxpayers' equity at year-end	38.208	55.192
Taxpayers' equity as % of total assets	65%	74%

RICK BETTLE
Chairman

SUSAN HUGHES
Member

ERROL MILLAR
Deputy Chairman, CAA

ROSS CRAWFORD
Member

DARRYLL PARK
Deputy Chairman, Avsec

PART A

STATEMENT OF INTENT 2008/11

1. INTRODUCTION FROM THE GENERAL MANAGER AVSEC

Introduction

Avsec's prime focus is on making aviation transport more secure so that travellers and markets can be confident of getting to destinations and that New Zealand remains an attractive destination.

The security environment is becoming increasingly sophisticated – more standards (e.g. cargo) from the International Civil Aviation Organisation (ICAO) and increasing requirements from other countries of which Avsec has to be mindful. There is a clear ongoing expectation by government for a whole-of-government approach to issues which means Avsec has to work even more closely with its colleagues in understanding threats and implementing mitigations.

The continuing speed of change will also be a challenge. Relatively fast introductions of new regimes such as liquids, aerosols and gels (LAGs) will probably become the norm. Avsec has to be able to respond swiftly and effectively.

The aviation environment is also changing and developing at a rapid rate. The move to larger aircraft (e.g. A380s which carry some 600 passengers) and the huge increase in the low-cost airlines mean that Avsec has to be very proactive and responsive. In addition, the rapid growth of developing nations, such as China and India, is also expected to have a very significant impact on global aviation, with greater numbers of people flying.

Avsec's growing activity in the Pacific (e.g. training, planning, equipment and coordination) contributes to improved aviation security for Pacific countries and for New Zealand. Avsec has a special relationship with the Pacific which is based on our shared Polynesian populations and cultural acceptance. Avsec also will continue to have a close relationship with its Australian government colleagues.

Capability Enhancement

Over the coming three years Avsec will be placing significant emphasis on continuing capability development to meet the changing aviation environment. Specific areas of focus include:

- Research and development into new technologies that will enhance aviation security;
- Programmed replacement of security equipment to ensure Avsec is meeting global best practice;
- Ongoing capacity building assistance in the Pacific, principally in the form of quality systems development, training, equipment provision and maintenance, and assistance with planning;
- Ongoing review and development of training programmes to ensure the Pacific countries meet the rapidly changing aviation security environment;
- Further development of intelligence-gathering and dissemination to provide an ongoing filter of information that provides quality information to key business units;
- Review and update of policies and procedures to streamline processes and enhance the organisation's quality management philosophy; and
- Planning for the implementation of an integrated information management system, in line with the Public Records Act.

Financial

The budgeted annual operating surplus positions for Avsec for each of the financial periods and the equity and net working capital positions at each year-end are:

FINANCIAL PERIOD	ANNUAL OPERATING SURPLUS (DEFICIT) \$000	2008/09	
		Equity \$000	Net Working Capital \$000
2007/08 (Forecast out-turn)	12,091	30,162	22,936
2008/09	11,377	47,501	35,785
2009/10	5,867	60,423	47,018
2010/11	2,521	63,226	53,695
Total	\$31,856		

Aviation Security Work Programmes

In Section 6.2 Avsec has identified key work programme initiatives, commencing 2008/09, that are focused principally on enhancing the organisation's current capabilities and meeting the demands of major airport companies as they progress the implementation of their long term development programmes.

These work initiatives are provided for in the 2008/11 financial budgets. In addition, in Section 6.3 Avsec has identified specific aviation security activity that is on the horizon but, due to uncertainties and timing, cannot currently be quantified or substantiated.

This potential activity has been highlighted as it may necessitate support funding or a further review of the passenger security charges as and when it arises.

Avsec works closely with the government to ensure that the government's aviation security objectives are met. The alleged domestic hijacking incident in early 2008 highlighted the need to identify and manage aviation security risks on an ongoing basis. Avsec is working with the government to consider how these issues may be addressed.

Risk

The aviation industry continues to remain a target for terrorists. The threat target is continually changing and includes both aircraft and airport infrastructure.

The identification and management of risk forms an essential part of Avsec's day to day activities and a key component of the organisation's strategic and business planning processes. The identified risk and risk mitigating strategies are incorporated in Avsec's comprehensive risk management plan, modelled on Risk Management Standard AS/NZS 4360:2004.

In Section 4.2 Avsec has summarised its high level risk exposure and the specific work programmes that will be developed during the next three years to mitigate this risk.

In addition, ICAO continues to develop and recommend new international standards and when adopted by member States they are reflected in enhanced global aviation security practices. In addition individual countries and airlines are introducing additional security requirements that they deem necessary.

Conclusion

Avsec remains firmly committed to working proactively with key stakeholders and security partners in providing security in the international and domestic air transportation system.



MARK EVERITT
General Manager

2. OVERVIEW OF AVSEC

2.1 WHO WE ARE

Avsec is a separate Crown Entity service of the Civil Aviation Authority (the Authority). It provides specialised aviation security services at eight security designated airports, including international and domestic operations.

Avsec's primary responsibility is to enhance the security of the travelling public by preventing the unlawful interference with an aircraft and ensuring that threat items are not carried onto the aircraft.

Avsec has 878 employees at 30 June 2008.

Avsec's principal source of revenue is from the regulated passenger security charges levied on airlines for departing international and domestic passengers.

2.2 AVIATION SECURITY MANDATE

In order to fulfil our regulatory mandate, Avsec's aviation security activities consist of five principal programmes:

i. Screening passengers and their carry-on baggage

Avsec is responsible for pre-board screening at eight security designated airports¹. In the screening process, passengers and their carry-on baggage are inspected to ensure that prohibited items such as knives, firearms, incendiary devices, weapons, dangerous goods, explosives, or any other threat items, are not carried onto the aircraft. The screening process in the international environment also ensures passengers do not take more than the allowed quantity of liquids, aerosols and gels (LAGs) into the cabin of the aircraft.

ii. Screening checked baggage

Utilising sophisticated explosive detection equipment, Avsec screens all checked passenger baggage at international airports for threat items.

iii. Airport access controls

Avsec undertakes perimeter patrols at security designated aerodromes, together with guarding of aircraft and aircraft searches, to ensure the prompt interception of persons unlawfully in security areas and increase safety for the flying public.

iv. Non passenger screening

Screening of airport workers with access to, and within, enhanced security areas².

v. Managing and enhancing the Airport Identity Card system for restricted areas

By approval from the Director of Civil Aviation, Avsec issues airport identity cards.

2.3 ENABLING LEGISLATION

Avsec's enabling legislation is the Civil Aviation Act 1990.

2.4 QUALITY MANAGEMENT PHILOSOPHY

Quality management is a significant driver of Avsec's business. It is a culture and principle that is embedded in the way we conduct our business, our approach to aviation security, staff training and our operational policies and procedures. Reflecting its commitment to quality management, Avsec has:

- Certification to ISO 9001:2000 (the first aviation security organisation to achieve this standard);
- Full internal audit capability within the organisation, both at national and regional level;
- Developed an exposition document (Policy and procedures manual), which meets CAR140 requirements and is approved by the CAA;
- Established systems for reviewing and amending procedures; and
- An established Quality Council, which consists of Avsec's Executive Management team and Senior Operations Managers.

¹ All departing international passengers and their carry-on baggage are screened. All departing domestic passengers and their carry-on baggage are screened where the passenger is travelling on aircraft with seats for 90 or more regular air passengers.

² Screening of airport workers commenced 31 March 2008.

Avsec's quality management policies and procedures are under constant review and are tested on a continuous basis against well-defined and measurable performance measures.

The organisation's quality management is also subject to an intensive annual recurrent audit regime, both internal and externally. Each airport location that Avsec operates from is subject to two quality audits and each National management function is subject to one annual internal audit. These audits are also supplemented by the monthly audits undertaken by Regional Quality Officers at each airport location. External audits of airport locations and key aviation security processes are also undertaken on a recurrent basis by the CAA.

Avsec is also subject to an annual surveillance audit against the International Standards Organisation (ISO) specifications and regularly participates on teams undertaking ICAO Universal Audits of other countries aviation regimes. In addition Avsec continues to provide assistance in the development of quality systems and training in the South Pacific to ensure those nations can enhance their quality management and audit capability.

2.5 VISION

Avsec's vision is to be a recognised leader in the provision of aviation security expertise, with the capability to provide other specialist security services as required by government.

OUTPUT CLASS	OUTPUTS	SOURCE OF FUNDING
Aviation Security Services	Prevention of in-flight security incidents (including dangerous goods screening); and Prevention of airside security incidents.	Regulated aviation passenger security charges on airlines based on passenger numbers; and charges for additional aviation security activities that are outside the core function.
Maritime Security Services	Maritime security.	Crown appropriation – Vote Transport (Non-departmental Output Class "Maritime Security").

2.6 MISSION

Avsec's mission is to improve the safety of aviation by the application of specific security measures.

2.7 STAKEHOLDERS

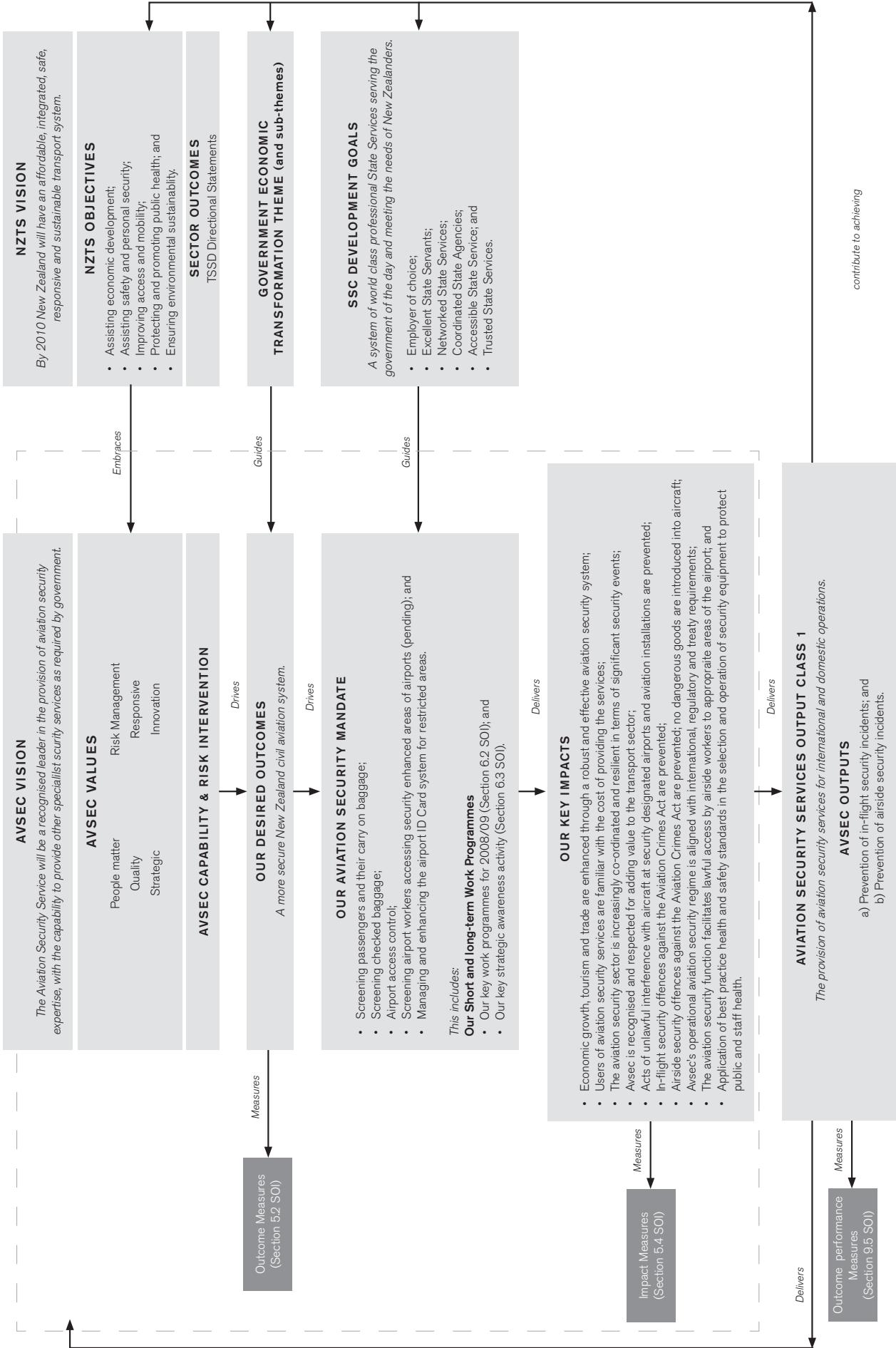
Our stakeholders include:

- The Minister and Government who require good advice, value for money, our support and contribution to achieving the objectives of Government;
- The flying public who want safe and secure air transport;
- The public at large who want to have confidence in New Zealand civil aviation;
- Approximately 878 employees who want meaningful employment;
- Commercial enterprises that depend on reliable, secure and efficient air transport;
- The civil aviation community, which wants appropriate and equitable security services; and
- International organisations and State aviation authorities (especially those in the Pacific) who want responsible technical interaction and, in the case of some South Pacific countries, assistance with coordination and capability building.

2.8 FUNDING

Avsec's source of funding by output class:

2.9 OUR PLANNING FRAMEWORK



3. OPERATING ENVIRONMENT

3.1 CONTRIBUTION TO THE NEW ZEALAND TRANSPORT STRATEGY

Avsec's strategic planning actively embraces the government's 2002 NZTS Strategy and its five key objectives, and the forthcoming Updated NZTS 2008 (uNZTS). It is also aligned to the established transport sector outcomes. Avsec is committed to the uNZTS strategy which says that, by 2010, New Zealand will have "an affordable, integrated, safe, responsive and sustainable transport system".

Avsec is also fully committed to the uNZTS high level security targets which state that aviation (and other transport security) will be improved by:

- Compliance with international standards;
- Consistency with international best practice;
- Implementation of recent legislative changes; and
- Addressing security risks in a way that is consistent with New Zealand's circumstances.

3.2 STATUTORY ENVIRONMENT

Under the Crown Entities Act 2004, the Civil Aviation Authority (the Authority) is designated a Crown Entity and is required to give effect to government policy when directed by the responsible Minister. The functions and duties of Avsec are set out in Section 80 of the Civil Aviation Act 1990 (CA Act 1990). In addition the Maritime Security Act 2004 provides the Minister with the power to designate Avsec as a Maritime Security Organisation.

Other Key legislation and regulations that Avsec works to include the Civil Aviation Rules, Aviation Crimes Act 1972, Crimes Act 1961 and the Bill of Rights Act 1990.

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

Avsec carries out the Authority's obligations to provide an aviation security service pursuant to the CA Act 1990. Avsec is required to perform its functions separate from the CAA organisation, through its

own General Manager, including the maintenance of separate accounts, records and reports.

3.3 GLOBAL AVIATION SECURITY OPERATING ENVIRONMENT

The aviation sector continues to remain a potential target for terrorists. The threat target is continually changing and includes both aircraft and airport infrastructure.

The aviation security industry must continue to enhance its capability of not only detecting and deterring threats to aviation, but also responding effectively and efficiently to an event and recovering quickly afterwards.

ICAO continues to develop and recommend new international standards and when adopted by member States they are reflected in enhanced global aviation security practices. In addition individual countries and airlines are introducing addition security requirements that they deem necessary.

The global aviation industry remains firmly committed to working proactively with key stakeholders and security partners in fulfilling their important mandated and critical roles of providing security in the international air transportation system.

3.4 AVSEC'S OPERATING ENVIRONMENT

Avsec activities include the screening of international passengers and their hand and hold baggage for prohibited items, screening of domestic passengers and their hand baggage on aircraft of 90 seats or more, aerodrome access control, non-passenger screening at international airports, aircraft searches and the patrolling of the security areas of security designated airports.

The National Aviation Security Programme, the Civil Aviation Act and Rule Part 140 of the Rules form key domestic regulatory guidance for Avsec activities.

Avsec's key stakeholders are airlines, airports, the flying public, trade enterprises and the government of the day.

3.5 PACIFIC ACTIVITY

An element of Avsec's approach to the management of New Zealand's aviation security risks involves aviation security assistance to the South Pacific. Such activity is generally funded through the Ministry of Foreign Affairs and Trade (MFAT) Pacific Security Fund.

Any under-performance or failure of aviation security agencies and airlines in the South Pacific region represents a very real threat to the management of New Zealand's aviation security risk given the proximity of Pacific Island countries to New Zealand and direct flight links to New Zealand's three main airports.

Avsec's key activity with Pacific aviation security providers consist of quality systems development, training, equipment provision and maintenance, and assistance with planning.

3.6 MARITIME SECURITY

In 2002 the International Maritime Organisation, of which New Zealand is a member State, mandated a new international maritime security regime, with effect from 1 July 2004. The impact on New Zealand has been significant, given the number of ports and the country's reliance on shipping trade and the cruise ship industry.

The Maritime Security Act (MSA 2004) was introduced in 2004. This resulted in the Minister of Transport designating Avsec one of three Maritime Security Organisations (MSOs), along with NZ Customs and Ministry of Agriculture and Forestry (MAF). MSOs would only be deployed in a high threat situation. Day-to-day security is conducted by the ports and ships.

3.7 ENERGY EFFICIENCY AND CONSERVATION STRATEGY

Avsec is committed to reducing its greenhouse gas emissions where possible and in a graduated fashion. In particular, we have made or are making changes in practices in our workplaces including

improving our waste and paper recycling and management, purchasing energy efficient vehicles, educating our staff on sustainable practices, encouraging energy-efficient travel practices, maximising fuel efficiency and sustainable fleet management practices, investigating the use of more 'green' office products and reducing our office and workplace energy consumption.

In addition, Avsec is ensuring that all new Avsec accommodation is built to government environmental sustainability standards.

We have also commenced a process for working towards ISO 14001 (Environment Management Systems) certification.

3.8 RESPONDING TO ISSUES IN OUR ENVIRONMENT

In our strategic and business planning for the next three years Avsec has addressed the ongoing changes in the aviation environment. In particular Avsec's strategic area of focus will be:

- ongoing research and development into new and emerging technologies;
- undertaking regular efficiency reviews to ensure Avsec is operating in an efficient, productive and cost effective manner;
- planning for the phased replacement of earlier generation security equipment with new generation equipment;
- planning for and implementation of any aviation security initiatives required by future legislation, international requirements and airlines;
- planning for future aviation security requirements at airports (both existing and new locations) to ensure they are phased into the substantial airport development activity that is programmed for the next two decades;
- continual adaptation of our expanding organisation and enhancement of our capability to meet future requirements; and
- deployment of interventions around key issues and risk.

4. MANAGING OUR CHANGEABLE OPERATING ENVIRONMENT: RISKS AND MITIGATIONS

4.1 ENTERPRISE RISK MANAGEMENT

The identification and management of risk forms both an essential part of Avsec's day to day activities and a key component of the organisation's strategic and business planning processes. The mitigation of the identified risks is also integrated in specific work programmes during the next three years.

Avsec has a comprehensive formal risk management plan, modelled on Risk Management Standard AS/NZS 4360:2004. The risk management plan focuses on both external (operations and regulatory) and internal (predominantly personnel-related) risks.

4.2 HIGH SEVERITY RISK EXPOSURE AND RISK MITIGATION

Avsec's business is principally related to risk and proactive risk management. Risk is identified and initiatives are put in place with impacts and outcomes concentrated on risk mitigation. Avsec's risk mitigation strategy is evidenced in the key awareness activity, the key work initiatives for 2008/09 and the key performance indicators and target measures outlined in this SOI.

High level internal and external risk areas to which Avsec is exposed, with specific mitigation initiatives that are in place, are shown in the table below.

No.	HIGH RISK EXPOSURE	SPECIAL MITIGATION INITIATIVES
1.	Ongoing international terrorist threat against the aviation industry and other modes of transportation.	Planning for the implementation of new and enhanced security measures (including proportional screening of airport workers, rule change for ID cards and the introduction of air cargo security); capability development; intelligence gathering and dissemination of quality information to key business units; research, development and procurement of new and emerging aviation security technology and equipment, including the phased replacement of Avsec's x-ray baggage systems.
2.	Non-airside security incident or damage to airport infrastructure, at an overseas or NZ airport, could impact on airport operations and cause disruption to air travel.	Airport Company awareness; scenario planning; intelligence gathering.
3.	Decline in passenger numbers caused by natural disaster, recession, pandemic, changes in preferred passenger destination or disinclination to travel due to terrorist activity or environmental policies.	Established contingency planning; ongoing monitoring; reserve funds policy; scenario and business continuity planning.
4.	Instability and under-resourcing in the South Pacific increases the aviation security risk in the South Pacific.	Multiple South Pacific project activities that will contribute to New Zealand's aviation security and assist aviation security development in these countries. The support is principally in the form of capability development, training and advice to the South Pacific.
5.	Legislative changes, major redevelopments at airports and new international aviation security requirements significantly increase the role and security activities to be undertaken by Avsec.	Strategic awareness planning and scenario planning during lead-up process; capability development, especially involving capital equipment, staff recruitment, training and development of appropriate policies and procedures; strategic risk identification through enhancement of Avsec's formal risk management plan (modelled on Risk Management Standard AS/NZS 4360:2004).

No.	HIGH RISK EXPOSURE	SPECIAL MITIGATION INITIATIVES
6.	Security risk associated with airport workers.	Proportional screening of airport workers.
7.	Loss of key staff, staff recruitment and retention issues.	Capability development, in particular the development of an "organisation of choice" brand; implementation of recommendations from the training review; implementation of an employee recognition and reward programme; implementation of enhanced communication strategies.
8.	Failure of contingency or business continuity plans.	Continual review and update of the plans as part of Avsec's quality management philosophy, which also involves extensive internal audit regimes.
9.	Financial and operational impact of Avsec's annual leave entitlement and its effect on the organisation's annual leave liability.	Review of Avsec's roster system including consideration of an electronic solution and implementation of solutions arising from efficiency reviews.
10.	Essential equipment failure.	Dedicated research, development and procurement function that considers new and emerging aviation security technology and equipment; phased replacement of Avsec's major capital equipment.
11.	Impact on Avsec's capability to respond to an incident if called on to assist in an incident involving maritime security.	Contingency plans in place to mobilise existing resources; standby equipment available; ongoing scenario planning takes place with other agencies.

5. STRATEGIC DIRECTIONS 2008/11: OUTCOME AND IMPACTS

5.1 DESIRED OUTCOME

Avsec's desired outcome is, "A more secure New Zealand civil aviation system".

This desired outcome links to the updated NZTS objective of, "Assisting safety and personal security" and its associated outcome, "New Zealand's transport system is increasingly safe and secure".

It also links to the NZTS objective of, "Assisting economic development" as a secure New Zealand aviation system provides confidence and certainty for tourists, business travellers and air freight services.

It should be noted that, in addition to its role of providing New Zealand's aviation security service, Avsec could potentially be called on by the Minister to respond to maritime security issues. Avsec is not, however, actively involved in day-to-day maritime security but is in a state of preparedness to respond if required.

5.2 OUTCOME MEASURES

Over the period of this SOI Avsec's performance will be assessed through:

- Avsec successfully meeting and implementing all international and other regulatory obligations that enhance aviation security within the required time frames;
- consistently achieving our key output performance measures set out in section 9.5; and
- consistently achieving a high standard of verification from internal and external security audits and the subsequent urgent attention and rectification of any audit shortcomings.

5.3 IMPACTS

To contribute to achieving our desired outcome, Avsec will seek to directly create the following impacts, which are aligned to the respective goals of the uNZTS:

AVSEC IMPACTS	UNZTS GOALS
<ul style="list-style-type: none"> • Economic growth, tourism and trade is enhanced through a robust and effective aviation security system; • Users of aviation security services are familiar with the cost of providing the services; • Avsec ensures that its services are phased into significant new airport developments in the most cost effective manner; • The aviation security sector is increasingly co-ordinated and resilient in terms of significant security events; and • Avsec is recognised and respected for adding value to the transport sector. 	Assisting economic development
<ul style="list-style-type: none"> • Acts of unlawful interference within aircraft at security designated airports and aviation installations are prevented; • In-flight security offences against the Aviation Crimes Act are prevented; • Airside security offences against the Aviation Crimes Act are prevented; • Introduction of dangerous goods into aircraft is prevented; • Avsec has a recognised highly rated international reputation of providing New Zealand's aviation security system; and • Avsec's operational aviation security regime is aligned with international, regulatory and treaty requirements. 	Assisting safety and personal security
<ul style="list-style-type: none"> • Avsec's focus on on-time performance ensures that it does not impede flight departures. • The aviation security function facilitates lawful access by airport workers to appropriate areas of the airport. 	Improving access and mobility

AVSEC IMPACTS	UNZTS GOALS
<ul style="list-style-type: none"> Application of best practice health and safety standards in the research, selection and operation of security equipment to protect public and staff health; and Avsec is actively involved with other agencies in preparedness for a pandemic response. 	Protecting and promoting public health
<ul style="list-style-type: none"> Avsec activities contribute to reducing negative impacts on the human and natural environments; and Avsec's planned accommodation requirements will meet the environmentally sustainable building standards. 	Ensuring environmental sustainability

5.4 HIGH-LEVEL SECURITY IMPACTS AND MEASURES

From the impacts outlined in Section 5.3 Avsec focuses on three high-level aviation security impacts which are aligned to the “NZTS goal of, Assisting safety and personal security”:

- No in-flight security incidents;
- No airside security incidents; and
- No dangerous goods introduced into aircraft.

HIGH LEVEL SECURITY IMPACTS		
SECURITY IMPACT	TARGET	IMPACT MEASURE
No in-flight security incidents	To achieve a nil rate of in-flight security incidents involving offences against the Aviation Crimes Act 1972 for aircraft which have been screened by the Aviation Security Service.	Number of in-flight security incidents.
No airside security incidents	To achieve a nil rate of airside incidents involving offences against the Aviation Crimes Act 1972 at security designated aerodromes where Aviation Security Service operates.	Number of airside security incidents.
No dangerous goods	To achieve a nil rate of incidents involving the introduction of dangerous goods into aircraft that has been screened by the Aviation Security Service.	Number of dangerous goods introduced into aircraft.

Avsec has also achieved a 100% success rate in meeting the targets over the previous three financial years.

6. OPERATING INTENTIONS 2008/11: INITIATIVES AND ACTIVITIES

6.1 REVIEW

Avsec's strategic planning has identified specific short and longer-term initiatives and project activity that has been programmed into our business and project planning cycles. The catalyst for these initiatives arises principally from:

- the introduction and implementation of new aviation security measures, either through legislation or rules, usually mandated by international regulatory requirements, or at the request of airlines;
- responding to the significant developments and growth at New Zealand airports, in particular Auckland and Christchurch, and the potential requirement to service new airports and airline entrants; and
- the need to ensure that Avsec can maintain and enhance its current capability to service the rapid growth in the organisation and the demand for new and improved aviation security requirements.

In many instances future activity is specific and certain and is incorporated in the organisation's key work programmes and financial budgets for 2008/09 (refer

section 6.2 below). The costs of these initiatives will be recovered by Avsec in the normal course of business through the aviation passenger security charges process.

In other instances the future activity is on the horizon but, due to uncertainties and timing, cannot be clearly quantified or substantiated, and has not been incorporated in the current aviation passenger security charges (refer section 6.3 below).

Avsec adopts a proactive and strategic monitoring brief for this activity with scenario and contingency plans as required

6.2 KEY WORK INITIATIVES FOR 2008/09

The following is a summary of the proposed key work initiatives that have been identified, commencing the 2008/09 financial year. Some of this activity will roll-out into subsequent financial years and is in addition to the ongoing "business as usual" activity that Avsec embraces in the normal course of business. Such activity has been provided for in the short-term budgets and passenger security charges review process that was undertaken in 2007.

6.2: KEY WORK INITIATIVES FOR 2008/09

- Phased rollout and deployment of new generation x-ray baggage inspection system to replace Avsec's existing equipment;
- Review of Avsec's additional screening point measures, embracing a review of methods, efficiencies and productivity in station staffing and consideration of an electronic rostering solution;
- Provision of new or extended operations and administration base at Auckland Airport (due to increase in staff) and modifications to existing facilities at Christchurch Airport;
- Activity specific to Auckland Airport's major development plan involves both the planning and rollout of significant capital expenditure and staffing requirements;
- Planning for the possible introduction of international and domestic jet operations from new airport locations;
- Planning for the impact of Airbus A380 flights operating out of New Zealand; and
- Multiple South Pacific project activities that will contribute to New Zealand's aviation security and assist aviation security development in these countries.

6.3 KEY STRATEGIC AWARENESS ACTIVITY

Due to the significant impact that these potential "strategic awareness activities" would have on the organisation, Avsec will update current contingency plans for the implementation of each activity listed

in the table below. Where the catalyst for an activity eventuates and where the implementation of that activity requires special funding or a further review of the passenger security charges we will engage with the Ministry of Transport and the Minister on the appropriate approach to implementing and funding the activity.

ACTIVITY – IMPACT – AVSEC PREPAREDNESS	CATALYST FOR ACTIVITY
<p>Full domestic Hold Baggage Screening (HBS) and passenger screening</p> <p>The requirement to undertake full domestic HBS and passenger screening would embrace at least an additional 17 airport locations.</p> <p>Impact: Significant increase in staffing and capital equipment. Capital expenditure may require initial funding. Greater impact if the current screening threshold is further reduced.</p> <p>Avsec preparedness: Monitoring brief and further development of scenario plans for this contingency.</p>	Requirement of overseas regulator on individual airlines insisting on increased security on flights with the capability to reach an off-shore destination; ICAO mandate; Increased threat within New Zealand; Government or regulator or via legislation or rules.
<p>Lowering of aircraft seating threshold for domestic screening:</p> <p>Avsec currently screens passengers on domestic flights on aircraft that have more than 90 seats. If the current threshold is reduced Avsec would be required to undertake aviation security services at a greater number of airport locations (e.g. threshold lowered to 60-90 passengers - extra 10 locations; 40-59 passengers - extra 5 locations; 15-40 passengers – extra 10 locations). The reduced threshold would also have a significant impact on all other locations at which Avsec currently operates.</p> <p>Impact: Significant increase in staffing and capital equipment. Capital expenditure may require initial funding.</p> <p>Avsec preparedness: Monitoring brief and further development of scenario plans for this contingency.</p>	ICAO mandate; Increased threat within New Zealand; Government or regulator via legislation or rules.
<p>Research, development and procurement of new and emerging aviation security technology and equipment:</p> <p>Significant international research and development is taking place into new aviation security technology and equipment. Avsec continually monitors the emerging technology to ensure that its aviation security equipment is at the leading edge in proficiency, efficiency and cost-effectiveness. Avsec provides for the cyclical replacement of equipment in the normal course of business but not for the substantive replacement of equipment and technology that may result from emerging research and development.</p> <p>Impact: Substantial capital costs would require Crown funding. Potential for a more efficient operation through technology / human resources balance.</p> <p>Avsec preparedness: Avsec has a dedicated development and research function that is committed to planning and research into emerging technologies, including testing, trial and evaluation.</p>	Ongoing strategic research and planning which will identify Avsec's future equipment requirements.
<p>Regional airport security may be required on a 24 hour / 7 days per week basis:</p> <p>Increased security requirements at five existing (and potentially at new airport locations). This may result from increased airport usage or greater domestic aviation security requirements.</p> <p>Impact: Increase in staffing, rostering and capital expenditure. Substantial capital costs may require initial funding. Increase in passenger security charges may be required to meet the incremental costs.</p> <p>Avsec preparedness: Monitoring brief and further development of scenario plans for this contingency.</p>	Increased airport usage at a specific location or general increase in security risk, if mandated by the CAA.
<p>Impact on airport locations of major national or localised events:</p> <p>Awareness and scenario planning on the impact that a major national or local event may have on airport operations and aviation security requirements. Events include activities such as the Rugby World Cup 2011 and Presidential / Heads of Government visits.</p> <p>Impact: Increase in staffing, rostering and heightened level of security which may also extend to ports, other transport areas or airport locations.</p> <p>Avsec preparedness: Monitoring brief. Early involvement in the event planning.</p>	Confirmation of the occurrence of a major national or local event.

7. ORGANISATIONAL HEALTH AND CAPABILITY

7.1 CAPABILITY PROFILE

Capability is the mix of resources, leadership, skills, systems, technologies and structures that Avsec needs to efficiently and effectively deliver the outputs that contribute to the achievement of key outcomes for the travelling public, and other key stakeholders with reference to government policy, statute and other regulatory requirements.

Since 2001 Avsec has experienced three significant growth phases (September 11 incident, hold baggage screening and the new requirements for liquids, aerosols and gels), each arising principally from Avsec's response to international aviation security events or threats.

Each of these responses has added to the organisation's knowledge base and the development of a culture of responsiveness, professionalism and innovation. As a result Avsec is now an established and mature aviation security organisation with well-developed capabilities including:

- disciplined culture with a high standard of integrity and credibility that is respected by stakeholders and the international aviation industry;
- established organisation with a proven ability and expertise to respond to new, urgent or phased, security demands;
- highly rated quality systems and procedures that are subject to robust external and internal audits by different agencies and internal management;
- well-developed risk management system that identifies risk, assesses the likelihood and severity of the risk, and implements processes to mitigate the risk occurrence;
- well-developed research and development capability embracing new and emerging technology;
- highly-rated staff training facilities and programmes; and
- continued policy engagement with government agencies and other Crown organisations.

7.2 FOCUS ON THE STATE SECTOR DEVELOPMENT GOALS

Avsec's capability enhancements embrace the State Services Commission's Development Goals for the State Services.

In particular Avsec's focus on the development goals aims to attract, retain and foster high achievers; develop a strong knowledge culture; use technology to improve outcomes; encourage co-ordination and shared accountabilities with other agencies; enhance responsiveness and effectiveness and to strengthen the public trust in the State Sector.

7.3 MEASURING OUR CAPABILITY

Avsec has developed an extensive framework to measure its capability. The framework is under constant review and considers:

- qualitative and quantitative analysis of the size and distribution (function and gender) of our staff resources;
- trends in our ability to attract, develop, and retain suitably qualified staff;
- staff participation and feedback in the review of the organisation's training needs to ensure training is meeting the needs of our people and is in line with our key business objectives;
- regular management review of staff performance against defined performance goals;
- feedback from passenger surveys; key stakeholders; other international aviation security organisations; audit reviews of our quality systems, procedures, policies; and external financial audits;
- performance and efficiency reviews organised by Avsec on relevant parts of the business; and
- bench-marking operational activity and performance against other organisations to assess our performance.

7.4 CAPABILITY INVESTMENT IN CAPITAL ASSETS

A significant component of Avsec's capability development is its research and development into new technologies which results in the investment in new generation capital assets.

The aviation security industry is changing rapidly and new technologies are evolving which will enhance the screening and detection processes. The proposed capital expenditure ensures the continuous upgrade of aviation security screening equipment, routine replacements of computer software and hardware including the acquisition of new items as staff numbers increase, and the provision of additional infrastructure (Auckland operational base and national office accommodation) and routine replacement of assets.

Avsec's proposed capital expenditure budget for the financial period 2008/11 is \$31.42 million.

Approval is held from the Minister of Finance to enter into finance leases for the purchase of specialised screening equipment for which the aggregate is not to exceed \$30 million by 2010.

PART B

FORECAST SERVICE PERFORMANCE AND FINANCIAL STATEMENTS

8. STATEMENT OF RESPONSIBILITY

The following Statement of Forecast Service Performance and Forecast Financial Statements form part of Avsec's Statement of Intent for 2008/11 and should be read in conjunction with Part A of this document.

Pursuant to the Crown Entities Act 2004, the Authority accepts responsibility for the preparation of Aviation Security Services forecast financial statements and the judgements made in the process of producing these statements; and establishment and maintenance of a system of internal controls designed to provide reasonable assurance to the integrity and reliability of financial and non-financial reporting.

The forecast service performance and financial statements to be achieved by Avsec for the year ending 30 June 2009, specified in this Statement of Intent, is agreed with the Members of the Authority and the General Manager, Aviation Security Service.

We certify that the information contained in this Statement of Intent reflect the operations and financial position of Aviation Security Service.

Signed:



RICK BETTLE
Chairman
Date: 30 June 2008



DARRYLL PARK
Deputy Chairman, Aviation Security Service
Date: 30 June 2008



MARK EVERITT
General Manager, Aviation Security Service
Date: 30 June 2008

9. FORECAST SERVICE PERFORMANCE

9.1 OUTPUT CLASSES

Avsec has two output classes:

Output Class 1: Aviation Security Services

- The provision of aviation security services for international and domestic operations; and

Output Class 2: Maritime Security Services

- The provision of maritime security services following the declaration of a high level threat situation at the Port of Auckland, affecting cruise ships or their passengers³.

9.2 OUTPUT CLASS BUDGETS

Avsec's two Output Classes will be delivered within budget for the 2008/11 financial years (\$000 GST exclusive):

FINANCIAL YEARS	OUTPUT CLASS 1: AVIATION SECURITY SERVICES \$000			OUTPUT CLASS 2: MARITIME SECURITY SERVICES \$000		
	REVENUE	COSTS	SURPLUS (DEFICIT)	REVENUE	COSTS	SURPLUS (DEFICIT)
2008/09	89,432	78,055	11,377	145	145	-
2009/10	91,658	85,791	5,867	145	145	-
2010/11	94,215	91,694	2,521	145	145	-

Note: Profit on sale of assets and interest income is netted off against expenditure for output class budgets.

9.3 OUTPUTS

Avsec has three outputs:

Output Class 1: Aviation Security Services

- Output (a): Prevention of in-flight security incidents (including dangerous goods screening);
- Output (b): Prevention of airside security incidents; and

Output Class 2: Maritime Security Service

- Output (c): Maritime security.

³ Avsec has a standby and readiness role in case of a high threat situation in the maritime arena, particularly the Port of Auckland where staff are well-trained to respond where cruise ships or their passengers might be affected. Avsec's current role in maritime security is not significant on a day to day basis and accordingly has not been given prominence in this SOI.

9.4 OUTPUT BUDGETS

Avsec's three outputs will be delivered within the following budgets for the 2008/09 financial year (\$'000 GST exclusive):

BUDGET 2008-2009 \$'000	OUTPUT (A): PREVENTION OF IN-FLIGHT SECURITY INCIDENTS	OUTPUT (B): PREVENTION OF AIRSIDE SECURITY INCIDENTS	OUTPUT (C): MARITIME SECURITY	TOTAL
Output Revenue				
Crown Revenue	-	-	145	145
Contracted Services	810	2,134	-	2,944
Passenger Security Charges	86,488	-	-	86,488
Total Revenue	87,298	2,134	145	98,577
Output Expenses	64,002	14,053	145	78,200
OUTPUT SURPLUS/(DEFICIT)	\$23,296	(11,919)	-	11,377

* Output (b) expenses are recouped from international and domestic passenger security revenue in Output (a).

9.5 OUTPUT PERFORMANCE MEASURES

Performance measures and targets selected for each output for the 2008/09 financial year are:

9.5.1 Output (a): Prevention of in-flight security incidents (including dangerous goods screening)

PERFORMANCE MEASURE 2008/09	TARGET MEASURES
General performance measures	
These performance measures reflect Avsec's capability to process a significant number of passengers and their baggage passengers, detect prohibited items and ensure Avsec is not responsible for delays to aircraft departures.	
1. Forecast numbers of screened international passengers.	4,561,038 (+/-3%)
2. Forecast numbers of screened domestic passengers on aircraft of 90+ seats.	6,205,208 (+/-3%)
3. Percentage of international hold baggage screened.	100%
4. Number of verified unauthorised or prohibited items discovered post screening points (due to an Avsec system failure).	Nil
5. Number of flight delays attributable to screening activities (due to an Avsec system failure).	Nil
6. Number of flight delays attributable to aircraft search activities.	Nil
7. Number of verified unauthorised dangerous goods discovered post screening points (due to an Avsec system failure).	Nil
Waiting time performance measures	
These performance measures are a test of Avsec's capability and efficiency in processing passengers at international and domestic screening points within prescribed international standards.	
8. Average passenger wait times at international departure screening points (tested six-monthly at Auckland & Christchurch international airports; also note that airport infrastructure can have a direct impact on wait times).	No more than five minutes.
9. Average passenger wait times at domestic departure screening points (tested 6 monthly at Auckland & Christchurch international airports; also note that airport infrastructure can have a direct impact on wait times).	No more than five minutes
International bench-marking against CATSA will also be undertaken.	

PERFORMANCE MEASURE 2008/09	TARGET MEASURES
Training and testing performance measures	
These performance measures reflect the very high standard of proficiency that is expected of all Aviation Security Officers in screening activities and detecting prohibited items.	
10. Percentage of Aviation Security Officers involved in the screening function trained in key aviation security functions (searching, wanding, and x-ray proficiency).	100%
11. Percentage of all Aviation Security Officers involved in the screening function covertly tested every 150 working days against key aviation security functions (includes searching, wanding, x-ray proficiency).	100%
12. Percentage of practicing Aviation Security Officers who pass recurrent testing for proficiency in screening functions.	100%
13. Percentage of practicing Aviation Security Officers who pass recurrent testing for proficiency in the aircraft search function.	100%
Complaints and audit performance measures	
These performance measures reflect the very high standard of proficiency that is expected of all Aviation Security Officers in screening activities and detecting prohibited items.	
14. Number of complaints against Aviation Security Officers involved in the screening function (includes 'free riders'). ⁴	No more than one formal complaint per 250,000 passengers.
15. Number of airline complaints against Aviation Security Officers pertaining to aircraft search.	No more than five airline complaints per annum.
16. Number of corrective action requests issued pertaining to the aircraft search function issued by external auditors during any programmed audit.	Nil
17. Number of corrective requests issued pertaining to screening functions issued by external auditors during any programmed audit.	Nil

9.5.2 Output (b): Prevention of airside security incidents

PERFORMANCE MEASURE 2008/09	TARGET MEASURES
Access control management and response to security related emergencies	
These performance measures are a reflection on Avsec's management of access control at a security designated airport and ability to respond with urgency to a security related emergency.	
1. Number of corrective action requests pertaining to access control issued by external auditors.	Nil
2. Percentage of responses to any security-related emergency within five minutes of being requested.	100%
Management of Airport Identity Card process	
These performance measures reflect Avsec's capability to manage a significant number of Airport Identity Cards in accordance with the standards and requirements set out in Civil Aviation Rules.	
3. Forecast number of Airport Identity Cards issued:	
Permanent: 7,500	7,500 (+/- 5%)
Temporary: 42,000	50,000 (+/- 5%)
4. Percentage compliance by Aviation Identity Cardholders per Civil Aviation Rule 19.357 ⁵ .	100%

4 "Free riders" refers to some screened domestic passengers for which no charge is recovered from airlines. The situation arises due to infrastructural configurations at certain airports.

5 Civil Aviation Rule 19.357 sets out the security requirements for the issuance of Airport Identity Cards, areas of security designated airports that they must be worn and the vetting processes that are provided for.

9.5.3 Output (c): Maritime security

PERFORMANCE MEASURE 2008/09	TARGET MEASURES
1. Percentage of Avsec responses within four hours to any request from the Minister of Transport or the Director of Maritime New Zealand to a high level threat situation at the Port of Auckland affecting cruise ships or their passengers. ⁶	100%

⁶ Avsec is not actively involved in day-to-day maritime security. Avsec acts in a standby role only and has resources available that can be deployed as and when required to respond to a high level threat situation at the Port of Auckland affecting cruise ships or their passengers.

10. FORECAST FINANCIAL STATEMENTS

10.1 FINANCIAL NOTES

10.1.1 Statement of Accounting Policies

Reporting Entity, Statutory Base

The Aviation Security Service (Avsec) is the provider of aviation security services within the Civil Aviation Authority of New Zealand (the Authority).

The Authority was established under the Civil Aviation Act 1990 as a Crown Entity on 10 August 1992.

The Authority has a responsibility to work to the development and delivery of achieving an integrated, safe, responsive, and sustainable transport system in line with the New Zealand Transport Strategy (NZTS).

To fulfil these statutory responsibilities, the Authority comprises the aviation safety and regulatory services of the Civil Aviation Authority (CAA) and the separate aviation security services of Avsec.

This Statement of Intent 2008/11 is prepared for Avsec's operational services only. The Statement of Intent 2008/11 for the aviation safety and regulatory services provided by CAA is presented separately.

Although Avsec will be preparing separate financial reporting statements for its operational activities, they will be reported on within the Annual Report prepared by the Authority.

As the Authority's primary objective is to provide services for social benefit rather than for the purpose of making a financial return, the Authority (encompassing CAA and Avsec) has designated itself as a public benefit entity for financial reporting under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Statement of Compliance

These forecast financial statements comprise prospective information and have been prepared in accordance with New Zealand Financial Reporting Standard No 42: Prospective Financial Statements (FRS-42).

Basis of Preparation

These prospective financial statements have been prepared in accordance with legislation for inclusion in Avsec's Statement of Intent 2008/11 to the Minister of Transport. They are not prepared for any other purpose and should not be relied upon for any other purpose.

The preparation of forecast financial statements in conformity with FRS-42 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual financial results achieved for the period in question are likely to vary from the information presented, and the variations may be material.

These forecast financial statements have been reviewed at a high level by the Authority's auditors, Audit New Zealand, but have not been the subject of either an audit engagement or a formal audit review engagement.

Measurement Base

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

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of Avsec is New Zealand dollars.

Significant Accounting Policies

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

- *Budget Figures*

The prospective (forecast) figures contained in this Statement of Intent 2008/2011 are those approved by the Authority on 2 May 2008.

The prospective (forecast) financial statements in this Statement of Intent have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP).

Avsec will be adopting NZ IFRS for the first time in its historical financial reporting for the year ending 30 June 2008. Accordingly, these prospective financial statements have been prepared to be consistent with NZ IFRS and other applicable Financial Reporting Standards as appropriate for public benefit entities.

- *Forecast Figures*

These forecast financial statements were authorised for issue by the Authority on 2 May 2008. The forecast figures are prepared in accordance with NZ GAAP and are consistent with the accounting policies adopted by Avsec for the preparation of its NZ IFRS financial statements.

The Authority is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosures.

Some forecast amounts are based on actual financial results for the nine months to 31 March 2008. Significant assumptions based on these prior period actual results are disclosed in the assumptions to these forecast financial statements.

Avsec does not intend to update the forecast financial statements subsequent to publication of these statements.

- *Revenue*

Avsec earns revenue from regulated charges on airlines based on outgoing international passenger numbers and domestic sectors travelled by passengers, charges for additional aviation security activities that are outside its core function, interest income and Crown funding. Revenue is measured at the fair value of the consideration received or receivable.

- *Interest*

Interest income is recognised using the effective interest method.

- *Provision of Services*

Revenue derived from Avsec's provision of security services is recognised in the Statement of Financial Performance in the period that the services have been rendered.

- *Capital Charge*

The capital charge is recognised as an expense in the period to which the charge relates.

- *Goods and Services Tax*

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

Net GST receivable or payable at balance date is included in receivables or payables in the Statement of Financial Position as appropriate. Commitments and contingencies are disclosed exclusive of GST.

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

- *Income Tax*

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

- *Payment of Any Surplus to the Crown*

The Authority is specifically excluded from returning surpluses to the Crown under Section 165 of the Crown Entities Act 2004. Avsec holds approval from the Minister of Finance in terms of Section 72CA of the Civil Aviation Act 1990 to retain all operating surpluses. Operating surpluses retained by the Authority (including those relating to Avsec) are utilised within each entity for ongoing services and projects.

- ***Financial Instruments***

Avsec's non-derivative financial instruments comprise receivables, cash, short-term deposits, payables and certain advances from the Crown. Avsec also enters into foreign currency forward exchange contract derivatives for operational requirements principally relating to insurance.

A financial instrument is recognised when Avsec becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value and classified into one of the following categories:

Financial instruments at fair value through Statement of Financial Performance – comprising forward exchange contract derivatives. After initial recognition, forward exchange contract derivatives are carried at fair value with changes in fair value recognised in the Statement of Financial Performance. Financial instrument transactions entered into are recognised on the trade-date basis.

Loans and receivables financial assets

– comprising receivables and short-term deposits. After initial recognition, receivables and short-term deposits are carried at amortised cost.

Available-for-sale financial assets – comprising cash. After initial recognition, cash continues to be carried at its nominal fair value.

Other liabilities – comprising payables and certain advances from the Crown. After initial recognition, payables and certain advances from the Crown are carried at amortised cost.

Financial instruments are regularly reviewed for objective evidence of impairment by assessing the credibility and credit rating of the counter party.

- ***Leases***

Finance Leases

Avsec has entered into finance leases for certain security screening equipment. Finance leases effectively transfer to Avsec substantially all the risks and rewards of asset ownership, whether or not title is eventually transferred.

At the commencement of the lease term, Avsec recognises finance leases as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is expensed to the Statement of Financial Performance over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The asset recognised is depreciated over its useful life. If it is not certain that Avsec will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating Leases

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

- ***Cash and Cash Equivalents***

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

- ***Inventories***

Avsec holds stocks of security cards. These items are carried at the lower of cost (calculated using the weighted average cost method) and net realisable value.

Any write-down from cost to net realisable value is recognised in the Statement of Financial Performance when the write-down occurs.

- ***Foreign Currency Transactions***

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of

foreign currency monetary assets and liabilities, are recognised in the Statement of Financial Performance.

- *Property, Plant and Equipment*

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

Revaluations

A building (Avsec Operational Base) at Auckland International Airport is stated at fair value as determined by an Independent Registered Valuer, Seagar & Partners, as at 30 June 2006. The building is re-valued at least every three years to ensure that the carrying amount does not differ materially from fair value. All other asset classes are carried at depreciated historical cost.

Accounting for Revaluations

Avsec accounts for the revaluation of property, plant and equipment on a class of assets basis. The results of revaluation are recorded in the appropriate asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the Statement of Financial Performance. Any subsequent increase in revaluation that off-sets a previous decrease in value recognised in the Statement of Financial Performance will be recognised first in the Statement of Financial Performance up to the amount previously expensed, and then credited to the revaluation reserve for the asset class.

Additions

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

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the statement of financial performance. When re-valued assets are sold, the amounts included in revaluation reserves in respect of these assets are transferred to general funds.

Subsequent Costs

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

Depreciation

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

ASSET CLASS	ESTIMATED LIFE	DEPRECIATION RATE
Buildings (including components)	Up to 24 years	10% - 4%
Relocatable Building	5 years	20%
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%

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

- *Intangible Assets*

Software Acquisition and Development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs incurred by Avsec for the development of software for internal use are recognised as an intangible asset where the asset meets the criteria for recognition. Costs recognised include the software development, employee costs and any other directly attributable costs.

Costs associated with maintaining computer software are expensed when incurred.

Costs associated with the development and maintenance of Avsec's website is recognised as an expense when incurred.

Amortisation

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

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

Acquired computer software: 3 years 33%

Developed computer software: 3-4 years
33 – 25%

- *Impairment of Non-Financial Assets*

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment at each financial reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is based on depreciated replacement cost.

If an asset is impaired its carrying amount is written down to the recoverable amount.

For non-financial assets carried at historical cost the total impairment loss and any subsequent reversals of impairment are recognised in the Statement of Financial Performance.

For re-valued non-financial assets, any impairment loss is recognised the associated asset revaluation reserve to the extent of any credit balance carried in that reserve. Any excess impairment loss is recognised in the Statement of Financial Performance. Subsequent reversals of impairment losses are recognised firstly in the Statement of Financial Performance to the extent the impairment loss was originally recognised there and then in the associated revaluation reserve.

- *Employee Entitlements*

Short-Term Employee Entitlements

Employee entitlements that Avsec expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

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

Long-Term Employee Entitlements

Entitlements that are payable beyond 12 months have been calculated on an actuarial basis by Melville Jessup Weaver consulting actuaries. The calculations are based on:

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

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

- *Post-Employment Entitlements*

Superannuation Schemes

Obligations for Avsec contributions to KiwiSaver, Government Superannuation Fund and Mutual Provident Fund are accounted for as contributions to defined contribution superannuation schemes and are recognised as an expense in the Statement of Financial Performance.

Retiring Leave

Obligations for retiring leave entitlements are accounted for as a defined benefit scheme and are calculated on an actuarial basis by Melville Jessup Weaver consulting actuaries based on:

- likely future entitlements accruing to staff, based on years of service, years to

entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and

- the present value of the estimated future cash flows.

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

- *Provisions*

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money, and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

- *Output Costing*

Criteria for Direct and Indirect Costs:

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

Cost Drivers for Allocation of Indirect Costs:

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

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

Critical Accounting Estimates and Assumptions

The following significant assumptions (or specific financial comments) relating to the preparation of the forecast financial statements are:

Passenger Security Charges

Domestic and international passenger security charges were increased effective from the 15 December 2007. The international charge was increased by \$2.44 to \$15.00 (GST inclusive) per passenger and the domestic passenger charge was increased \$1.09 to \$4.66 (GST inclusive).

No further review of these passenger security charges has been incorporated in the financial projections contained in this SOI.

Contracted Services Revenue

The increase in revenue for the 2008/09 prospective accounts reflects an increase in the hourly rates and an increase in the contracted services provided to airlines and third parties.

Personnel Costs

An allowance has been made in 2008/09 personnel costs for the expected increases in staff numbers and expected remuneration increases (resulting substantially from the forthcoming collective contract negotiations).

Employer KiwiSaver contributions have been incorporated at 2% from 1 April 2008 increasing to 4% from 1 April 2011.

Operating Surpluses / Deficits

The 2008/09 and out-year budgets have been set using the current regulated international and domestic passenger security charges (\$15.00 and \$4.66 respectively, GST inclusive), Operating surpluses are reflected in the International, Domestic and Contracted Services Memorandum Accounts, and will be taken into account when setting future passenger security charges and recovery rates.

Capital Repayment

A capital repayment to the Crown of \$1.386 million is budgeted (\$0.462 million in October 2008 and \$0.924 million in June 2009). This repayment relates to a repayable capital injection of \$1.848 million (required for the implementation of the liquids, aerosols and gels aviation security measures and the funding of electronic trace detection equipment) approved by Cabinet in February 2007.

Capital Injection

A capital injection of \$7.348 million to fund Avsec's capital expenditure requirements has been sought for 2008/2009 and included within the prospective financial statements.

10.2 OUTPUT COSTS AND REVENUE

10.2.1 Class: Aviation Security Services

OUTPUT CLASS STATEMENT (GST exclusive)	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Revenue			
Passenger Security Charges	64,301	74,163	86,488
Contracted Services	2,973	2,629	2,944
Total Revenue	67,274	76,792	89,432
Expenses	73,652	64,701	78,055
SURPLUS/(DEFICIT)	(6,378)	12,091	11,377

10.2.2 Class: Maritime Security Services

OUTPUT CLASS STATEMENT (GST exclusive)	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Revenue			
Crown	145	145	145
Total Revenue	145	145	145
Expenses	145	145	145
SURPLUS/(DEFICIT)	-	-	-

10.3 STATEMENT OF PROJECTED FINANCIAL PERFORMANCE

(GST exclusive)	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Revenue			
Passenger Security Charges	64,301	74,163	86,488
Contracted Services	2,973	2,629	2,944
Crown	145	145	145
Interest	900	1,352	2,178
Gain/(Loss) on Assets	50	55	55
Total Revenue	68,369	78,344	91,810
Expenditure			
Personnel Costs	58,331	52,103	61,740
Other Operating Costs	6,562	5,318	7,750
Audit Fee	40	32	40
Finance Costs	457	457	248
Depreciation	5,972	5,223	6,456
Capital Charge	1,236	1,390	2,262
Rental Property & Equipment	2,090	1,676	1,879
Authority Members' Costs	59	54	58
Total Expenditure	74,747	66,253	80,433
NET SURPLUS/(DEFICIT)	(6,378)	12,091	11,377

10.4 STATEMENT OF PROJECTED MOVEMENT IN EQUITY

(GST exclusive)	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Net Operating Surplus/(Deficit)	(6,378)	12,091	11,377
Revaluation Reserve	—	—	—
Total Recognised for the Year	(6,378)	(12,091)	11,377
Capital Injection/(Repayment)	(462)	(462)	5,962
Provision for Payment of Surplus	—	—	—
Total Movement for the Year	(6,840)	11,629	17,339
Equity at Start of Year	16,481	18,533	30,162
EQUITY AT END OF YEAR	9,641	30,162	47,501

REPRESENTED BY	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Retained Surpluses	(5,680)	13,057	21,121
Capital Injection from Crown	14,697	14,697	20,659
Asset Revaluation Reserve	624	624	624
International Passenger Security Reserve	—	1,004	2,828
Domestic Passenger Security Reserve	—	780	2,269
EQUITY AT END OF YEAR	9,641	30,162	47,501

10.5 STATEMENT OF PROJECTED FINANCIAL POSITION

(GST exclusive)	2007/08		2008/09
	Budget	Forecast	Budget
	\$000	\$000	\$000
EQUITY	9,641	30,162	47,501
Represented By:			
ASSETS			
Current Assets			
Cash and Cash Equivalents	6,541	27,047	38,945
Receivables	4,974	8,689	8,968
Inventory	40	40	40
Prepayments	150	150	150
Total Current Assets	11,705	35,926	48,103
Non-Current Assets			
Physical Assets	13,919	11,080	14,465
Total Assets	25,624	47,006	62,568
LIABILITIES			
Current Liabilities			
Payables	3,493	4,724	4,985
Current Portion of Term Liabilities	2,823	2,823	1,417
Total Current Liabilities	6,316	7,547	6,402
Provisions			
Employee Entitlements	6,210	5,443	5,917
Total Current Liabilities	12,526	12,990	12,319
Non-Current Liabilities			
Term Liabilities	1,417	1,417	—
Employee Entitlements	2,040	2,437	2,748
Total Non-Current Liabilities	3,457	3,854	2,748
Total Liabilities	15,983	16,844	15,067
NET ASSETS	9,641	30,162	47,501

10.6 STATEMENT OF PROJECTED NET CASH FLOWS

(GST exclusive)	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Cash Flow from Operating Activities			
Cash was provided from:			
Passenger Security Charges	64,301	72,612	86,304
Contracted Services	2,778	2,453	2,559
Crown Funding	185	385	545
Interest	890	1,347	2,105
Net Goods and Services Tax	72	100	(49)
Total	68,226	76,897	91,464
Cash was applied to:			
Payment to Employees	52,469	49,361	57,631
Payment to Suppliers	9,841	8,284	12,779
Interest Paid	457	457	248
Payment of Capital Charge to Crown	1,236	1,390	2,262
Total	64,003	59,492	72,920
Net Cash Flow from Operating Activities	4,223	17,405	18,544
Cash Flow from Investing Activities			
Cash was provided from:			
Sale of Fixed Assets	50	55	55
Cash was applied to:			
Purchase of Fixed Assets	4,175	2,273	9,840
Net Cash Flow from Investing Activities	(4,125)	(2,218)	(9,785)
Cash Flow from Financing Activities			
Cash was provided from:			
Capital Contribution from the Crown	—	—	7,348
Total	—	—	7,348
Cash was applied to:			
Repayment of Capital to the Crown	462	462	1,386
Repayment of Borrowing	2,614	2,614	2,823
Total	3,076	3,076	4,209

(GST exclusive)	2007/08		2008/09
	Budget	Forecast	Budget
	\$000	\$000	\$000
Total (carried from previous page)	3,076	3,076	4,209
Net Cash Flow from Financing Activities	(3,076)	(3,076)	3,139
Increase/(Decrease) in Cash	(2,978)	12,111	11,898
Opening Cash and Cash Equivalents	9,519	14,936	27,047
CLOSING CASH AND CASH EQUIVALENTS	6,541	27,047	38,945

10.7 FINANCIAL PERFORMANCE INDICATORS

	UNIT	2007/08 Budget \$000	2008/09 Forecast \$000	2008/09 Budget \$000
Working Capital				
Net Working Capital	\$000	(821)	22,936	35,785
Current Ratio	Ratio: 1	(0.07)	0.64	0.74
Average Age of Debtors	Days	30	32	31
Average Age of Creditors	Days	40	43	41
Resource Utilisation				
Physical Assets at Year End	\$000	13,919	11,080	14,465
Capital Expenditure	\$000	4,175	2,273	9,840
Capital Expenditure as % NBV	%	43%	8%	21%
Physical Assets as % Total Assets	%	54%	24%	23%
Taxpayers' Funds				
Taxpayers' Funds at Year End	\$000	9,641	30,162	47,501
Taxpayers' Funds as % Total Assets	%	38%	64%	76%

10.8 FORECAST STATEMENTS OF MEMORANDUM ACCOUNTS

10.8.1 International Passenger Security Charge

MEMORANDUM ACCOUNT (GST exclusive)	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Revenue	48,466	53,518	60,798
Expenses	52,819	45,210	55,033
Surplus/(Deficit)	(4,353)	8,308	5,765
Opening Balance	(1,657)	1,324	9,632
CLOSING BALANCE	(6,010)	9,632	15,397

10.8.2 Domestic Passenger Security Charge

MEMORANDUM ACCOUNT (GST exclusive)	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Revenue	15,836	20,645	25,690
Expenses	17,727	16,752	20,676
Surplus/(Deficit)	(1,891)	3,893	5,014
Opening Balance	287	(560)	3,333
CLOSING BALANCE	(1,604)	3,333	8,347

10.8.3 Contracted Services

MEMORANDUM ACCOUNT (GST exclusive)	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Revenue	2,972	2,629	2,944
Expenses	3,106	2,739	2,346
Surplus/(Deficit)	(134)	(110)	598
Opening Balance	(679)	(761)	(871)
CLOSING BALANCE	(813)	(871)	(273)

10.8.4 Crown

MEMORANDUM ACCOUNT (GST exclusive)	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Revenue	145	145	145
Expenses	145	145	145
Surplus/(Deficit)	—	—	—
Opening Balance	—	—	—
CLOSING BALANCE	—	—	—

TOTAL MEMORANDUM ACCOUNTS (GST exclusive)	2007/08		2008/09
	Budget \$000	Forecast \$000	Budget \$000
Revenue	67,419	76,937	89,577
Expenses	73,797	64,846	78,200
Surplus/(Deficit)	(6,378)	12,091	11,377
Opening Balance	(2,049)	3	12,094
CLOSING BALANCE	(8,427)	12,094	23,471

APPENDICES

REPORTING OBLIGATIONS

Output agreements

Avsec's Output Agreement is prepared on the prerogative of the Minister in accordance with section 170 of the Crown Entities Act 2004 (CEA 2004), wherein the Minister may require (in reference to the Letter of Expectation for 2008/09 from the Minister) a Crown Entity to have in place an Output Agreement for any or all outputs that the Crown Entity intends to provide that do not qualify for an exemption under section 143(1) (a) of CEA 2004.

Quarterly reports

The Authority will provide Avsec Quarterly Reports to the Minister within twenty five (25) working days at the end of each quarter (with the exception of the fourth quarter report which will be provided within 40 working days at the end of the financial year).

The format of Quarterly Reports will reflect both financial and non-financial information. Non-financial information will contain the actual output and outcome performance measures against targets as set out in the SOI. The report will be concise with a qualitative commentary about the overall issues and achievements during the quarter.

Annual report

The obligation to prepare, present and publish an Annual Report is set out in section 150 of the Crown Entities Act 2004 (CEA 2004), wherein a Crown Entity must, at the end of each financial year, prepare a report on the affairs of the Crown Entity; and provide the report to its responsible Minister no later than 15 working days after receiving the audit report provided under section 156.

The responsible Minister for the Crown Entity must present the entity's Annual Report to the House of Representatives within 5 working days after receiving the Annual Report or, if Parliament is not in session, as soon as possible after the commencement of the next session of Parliament.

A Crown Entity must publish its Annual Report as soon as practicable after it has been presented to the House of Representatives, but in any case not later than 10 working days after the Annual Report is received by the Minister, in a manner consistent with any instructions given under section 174 of the CEA 2004.

AVSEC GLOSSARY

Authority	Five Member Board of the Civil Aviation Authority (the Crown Entity)
Avsec	Aviation Security Service
BARNZ	Board of Airline Representatives in New Zealand (Inc)
CAA	Civil Aviation Authority of New Zealand (the organisation)
CATSA	Canadian Air Transport Security Authority
CA Act 1990	Civil Aviation Act 1990
CEA 2004	Crown Entities Act 2004
Director	Director of Civil Aviation Authority of New Zealand
ETD	Explosive Trace Detection
HBS	Hold Baggage Screening
ICAO	International Civil Aviation Organization
LAGs	Liquids, Aerosols & Gels
MoT	Ministry of Transport
Minister	Minister of Transport, Minister for Transport Safety
NZTS	New Zealand Transport Strategy
SSDG	State Sector Development Goals
SOI	Statement of Intent
TSSD	Transport Sector Strategic Directions
uNZTS	Updated NZTS 2008