Civil Aviation Authority of New Zealand

including the Aviation Security Service

Aviation Security Service
Kaiwhakamaru Rererangi

CAA

CIVIL AVIATION AUTHORITY
OF NEW ZEALAND

Contents

AUTHORITY'S FOREWORD

In 2004 the Government's New Zealand Transport Strategy (NZTS) and the outcome of the Transport Sector Review brought significant changes to the Civil Aviation Act 1990 (CA Act 1990). Similarly, new obligations for Crown entities were recommended by a Government review resulting in the creation of the Crown Entities Act 2004 (CEA 2004). The Civil Aviation Authority has endeavoured to reflect these new directions and requirements in its planning and is already undertaking and reporting on its wider multi-dimensional role.

The Civil Aviation Authority has primary functions under the CA Act 1990 to regulate and promote safety and security in civil aviation and, at the same time, it has authority delegated to it by the Minister of Transport to ensure certain international civil aviation practices are met and infrastructure provided. While this is achieved through the work of both the Aviation Security Service (Avsec) and the Civil Aviation Authority of New Zealand (CAA), it is a complicated management environment overseeing both regulatory and service provision activities. Overall the Civil Aviation Authority establishes and monitors civil aviation safety and security standards, investigates accidents and incidents, promotes safety and personal security, and provides aviation security services for international and domestic air operations including airport security passenger and baggage screening.

However, and until such time as the Minister or Government may decide to do otherwise, the Authority will continue to meet significant challenges that such a complex mix of roles poses. With this in mind, we are pleased to present the Civil Aviation Authority's Statement of Intent for 2006/2007 to 2008/2009.

New Zealand transport strategy and collaborative work

The CAA and Avsec senior staff and those from other Government transport agencies developed the Government's Transport Sector Strategic Directions document (TSSD) to support the objectives of the New Zealand Transport Strategy (NZTS).

The CAA and Avsec will continue to play important roles, along with other transport sector agencies, in projects set out in the TSSD and reflected in this Statement of Intent (SOI). The Authority will also continue its active role as a participant in the Board Representative Group that oversees the work of the Planning Task Force (PTF).

We believe the work being done by these teams is important to the sustainable future of transport in New Zealand, including civil aviation. As such, and in recognition of the whole of government approach, the initiative will continue to have the Authority's explicit support.

Aviation Security Service (AVSEC)

Of some significance Avsec has expanded to some 700 employees, making it one of the largest Crown entities in Government. A significant amount of this growth has occurred in the last two years, as Avsec responded to international regulatory requirements to introduce Hold Baggage Screening (HBS) on all international flight departures by 1 January 2006. It is anticipated that Avsec will continue to grow to meet further international regulatory requirements, the likely provision of aviation security services at new international airports and increased levels of screening of airport employees.

The rapid growth of the organisation has required the board and management to place major strategic focus on the organisation's quality systems, risk management, people development, staff training, the organisational structure, equipment upgrades, long term planning and communication strategies.

In meeting the challenging growth of the organisation Avsec is mindful that most of the cost of running the organisation is born by the airline industry, which in turn generally on-charges these costs to fare-paying passengers. Avsec will continue to operate a very cost efficient organisation without comprising a highly effective international aviation security service, in close collaboration with its regulator, the CAA.

Civil Aviation Authority (CAA)

The CAA will face many challenges this year in both its regulatory and service provision roles. These challenges will span the range from technical issues through to policy and oversight issues. However, we are confident that the organisation is developing a more robust capability that will be able to address these issues in a results oriented manner.

It is the intention of the CAA to ensure New Zealand continues to have one of the best performing aviation safety systems in the world.

The CAA leads in the implementation of safety and security oversight systems. The introduction of new aviation safety targets, in terms of social cost to the nation for 2010, is nearing completion. To meet these targets the CAA will continue with a steady level of core work right across the aviation community. However, specific resources will be allocated to those sectors of the aviation community that are not meeting their respective safety outcome targets. The new outcome oriented planning regime being implemented by the CAA, largely set out in this SOI, shows how it is intended to focus efforts on those lesser performing parts of the aviation community. This includes agricultural aeroplane operations, and private aeroplane, helicopter, and sport aircraft operations.

The CAA will work progressively with all sectors of the aviation community to ensure participants consistently meet or exceed regulatory requirements. This will be achieved by ensuring the aviation community is well informed on what is required of them, working with sector groups to identify where improvements can be made, and knowing what to expect from the CAA.

From a financial perspective the CAA is currently projecting an operating deficit over the next year while in recent years it has produced surpluses. These surpluses were primarily due to an increase in passenger numbers. For some time the CAA has maintained a level of reserves to be able to flexibly meet aviation technology changes, and natural, security and public health threats. During the 2006/2007 period, the CAA intends to use part of these reserves to complete a number of important capability development projects listed in this document. The use of some of these reserves will return equity and cash balances to the agreed CAA Reserve Policy levels.

The CAA recognises that continuing deficits are clearly not acceptable and that it may continue to be caught between decreasing revenue and increasing costs generated by the need to remain effective. In this regard the CAA is tasked to complete a Funding Review in conjunction with the Ministry of Transport, Treasury and other stakeholders in the 2006/2007 year. The objective is to assist in identifying and implementing the most viable and enduring means of accessing the funding CAA needs and the application of those funds to its functions and responsibilities. In so doing we expect the associated remedial financial action to ensure at least a fiscally neutral performance from 2007/2008.
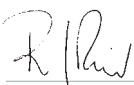
Recently, the CAA has been subject to a number of reviews, audits and inquiries, from both international and national perspectives. These processes have resulted in a range of recommendations that the CAA has and will weave appropriately into its management and operations. This is an important input into the CAA's commitment to improving its capability and effectiveness, and thereby achieving its vision of *New Zealand Aviation: free from safety and security failure and contributing to an integrated, safe, responsive, and sustainable transport system.*

Ron Tannock
Chairman

Hazel Armstrong
Deputy Chair

Robyn Reid
Member

Darryll Park
Member

Susan Hughes
Member

THE NEW ZEALAND TRANSPORT SECTOR

The New Zealand government transport sector comprises the Minister of Transport, the Minister for Transport Safety, the Associate M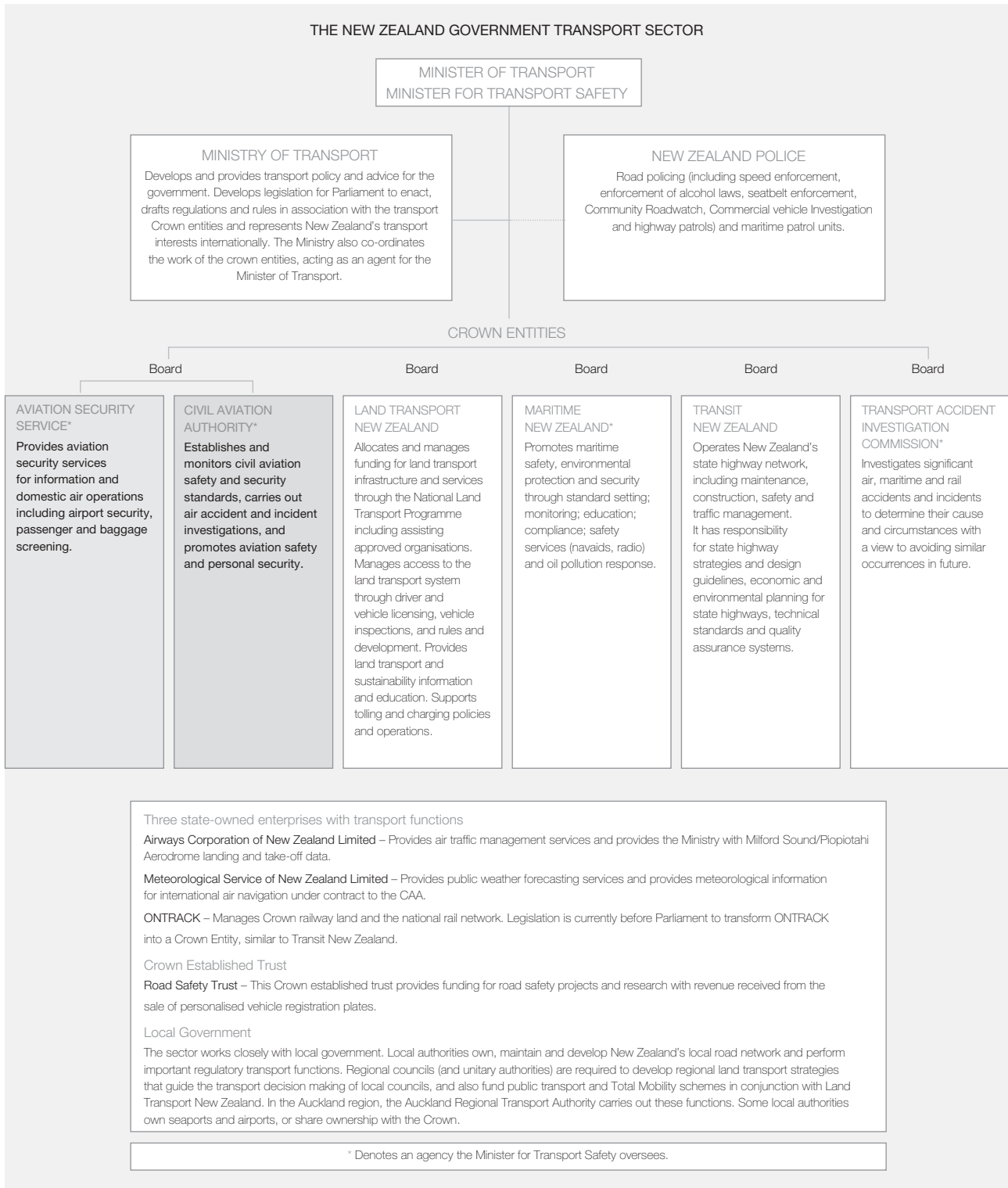inister of Transport, the Ministry of Transport, six Crown entities, three state-owned enterprises and one Crown established trust. These agencies and their functions are explained in the succeeding organisational chart.

THE NEW ZEALAND GOVERNMENT TRANSPORT SECTOR

MINISTER OF TRANSPORT
MINISTER FOR TRANSPORT SAFETY

MINISTRY OF TRANSPORT
Develops and provides transport policy and advice for the government. Develops legislation for Parliament to enact, drafts regulations and rules in association with the transport Crown entities and represents New Zealand's transport interests internationally. The Ministry also co-ordinates the work of the crown entities, acting as an agent for the Minister of Transport.

NEW ZEALAND POLICE
Road policing (including speed enforcement, enforcement of alcohol laws, seatbelt enforcement, Community Roadwatch, Commercial vehicle Investigation and highway patrols) and maritime patrol units.

CROWN ENTITIES

Board · Board · Board · Board · Board

AVIATION SECURITY SERVICE*
Provides aviation security services for information and domestic air operations including airport security, passenger and baggage screening.

CIVIL AVIATION AUTHORITY*
Establishes and monitors civil aviation safety and security standards, carries out air accident and incident investigations, and promotes aviation safety and personal security.

LAND TRANSPORT NEW ZEALAND
Allocates and manages funding for land transport infrastructure and services through the National Land Transport Programme including assisting approved organisations. Manages access to the land transport system through driver and vehicle licensing, vehicle inspections, and rules and development. Provides land transport and sustainability information and education. Supports tolling and charging policies and operations.

MARITIME NEW ZEALAND*
Promotes maritime safety, environmental protection and security through standard setting; monitoring; education; compliance; safety services (navaids, radio) and oil pollution response.

TRANSIT NEW ZEALAND
Operates New Zealand's state highway network, including maintenance, construction, safety and traffic management. It has responsibility for state highway strategies and design guidelines, economic and environmental planning for state highways, technical standards and quality assurance systems.

TRANSPORT ACCIDENT INVESTIGATION COMMISSION*
Investigates significant air, maritime and rail accidents and incidents to determine their cause and circumstances with a view to avoiding similar occurrences in future.

Three state-owned enterprises with transport functions

Airways Corporation of New Zealand Limited – Provides air traffic management services and provides the Ministry with Milford Sound/Piopiotahi Aerodrome landing and take-off data.

Meteorological Service of New Zealand Limited – Provides public weather forecasting services and provides meteorological information for international air navigation under contract to the CAA.

ONTRACK – Manages Crown railway land and the national rail network. Legislation is currently before Parliament to transform ONTRACK into a Crown Entity, similar to Transit New Zealand.

Crown Established Trust

Road Safety Trust – This Crown established trust provides funding for road safety projects and research with revenue received from the sale of personalised vehicle registration plates.

Local Government

The sector works closely with local government. Local authorities own, maintain and develop New Zealand's local road network and perform important regulatory transport functions. Regional councils (and unitary authorities) are required to develop regional land transport strategies that guide the transport decision making of local councils, and also fund public transport and Total Mobility schemes in conjunction with Land Transport New Zealand. In the Auckland region, the Auckland Regional Transport Authority carries out these functions. Some local authorities own seaports and airports, or share ownership with the Crown.

* Denotes an agency the Minister for Transport Safety oversees.

TRANSPORT SECTOR COLLABORATIVE PLANNING

Following the Transport Sector Review in 2004 the Ministry of Transport (MOT) has a focus on strategic transport leadership, providing overall direction and leadership for the transport Crown entities and other relevant agencies. To this end, it is working collaboratively with the Crown entities to develop and deliver an integrated programme of action to achieve the New Zealand Transport Strategy's (NZTS) objectives. While this collaboration covers a wide range of policy and administrative issues, the major formal structure is the Board Reference Group (BRG), made up of board members from each Crown entity and ONTRACK. The BRG is supported by the Planning Task Force (PTF), made up of officials from these agencies and the Ministry. Local government has also been involved in this process.

In 2005, the Ministry and Crown entities oversaw three major initiatives across the whole Government transport sector:

A) Transport Sector Strategic Directions Document (TSSD)

The TSSD document was released in December 2005. This is the first joint planning exercise undertaken by the government transport sector agencies and identifies nationally important transport priorities to be addressed collectively by these agencies. A major work programme has been established for the next three years, with work commencing on three of the priorities in 2006-2007.

The TSSD document was developed to support the NZTS and serves as a basis for aligning the collaborative aspects of the government transport sector agencies' work programmes. It is intended to complement the existing work programmes of these agencies and not impinge on their statutory roles. Crown entities and the Ministry will continue to deliver the NZTS objectives as they are stipulated in legislation and in their individual work programmes where sector-wide action is not required.

B) Sector Monitoring & Indicators Framework

The Ministry and Crown entities are collaborating on the development of an integrated monitoring framework. The framework will contain a hierarchy of measurable indicators to monitor the sector's progress towards delivering the NZTS.

C) Integrated Strategic Documents

The Ministry and Crown entities are working towards a common format for our respective SOI's to create an aligned set of documents that portray an integrated sector progressing the NZTS objectives and TSSD priorities in a collaborative manner.

THE AUTHORITY

The Civil Aviation Authority of New Zealand was established under the Civil Aviation Act 1990 (CA Act 1990) as a Crown entity on 10th August 1992 with the prime function of undertaking activities which promote civil aviation safety at reasonable cost. This function was superseded by legislative changes to the CA Act 1990 in December 2004 which now gives the Civil Aviation Authority an objective statement to:

> *"undertake its safety, security and other functions in a way that contributes to the aim of achieving an integrated, safe, responsive, and sustainable transport system."*

The Authority is a five member board appointed for terms of up to three years by the Governor-General on the recommendation of the Minister of Transport. They are persons that the Minister considers will represent the public interest in civil aviation. This board is known as "the Authority" and reports to the Minister of Transport. The current five Civil Aviation Authority Members are:

Chairman	*Ron Tannock*
Deputy Chair (CAA)	*Hazel Armstrong*
Deputy Chair (Avsec)	*Darryll Park*
Authority Member	*Robyn Reid*
Authority Member	*Susan Hughes*

The office of the Director of Civil Aviation and the office of General Manager of Aviation Security are established by the CA Act 1990. Under these two persons, two organisations are established to carry-out the respective functions; the CAA organisation and Avsec.

Director of Civil Aviation	*John Jones*
General Manager of Aviation Security Service	*Mark Everitt*

The CAA Statement of Intent is a combined document of CAA and Avsec. The CAA part of the SOI sets out the organisation's plans to accomplish its priorities in establishing and monitoring civil aviation safety and security standards, accident and incident investigations, and promotion of safety and personal security. Avsec's part of the SOI sets out the organisations plans to provide aviation security services for international and domestic air operations including airport security, passenger and baggage screening.

ORGANISATIONAL STRUCTURE

CAA
CIVIL AVIATION AUTHORITY
OF NEW ZEALAND

Aviation Security Service
Kaiwhakamaru Rererangi

PARLIAMENT

MINISTER OF TRANSPORT
MINISTER FOR TRANSPORT SAFETY

MINISTRY OF TRANSPORT

MEMBERS OF THE AUTHORITY
Ron Tannock – Chairperson
Hazel Armstrong – Deputy Chair CAA
Darryl Park – Deputy Chair AvSEc
Robyn Reid
Susan Hughes

Director of
Civil Aviation
John Jones
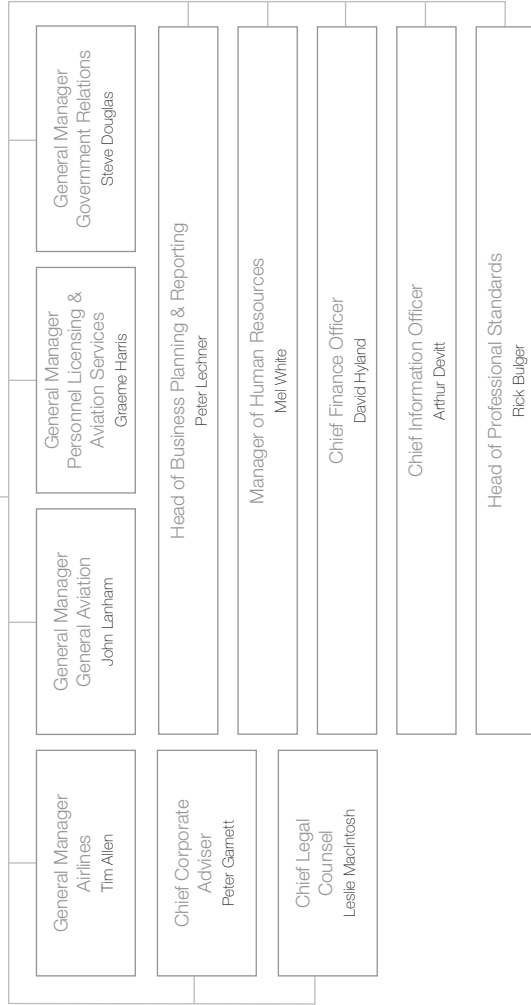
General Manager
Aviation Security Service
Mark Everitt

General Manager
General Aviation
John Lanham

General Manager
Personnel Licensing &
Aviation Services
Graeme Harris

General Manager
Government Relations
Steve Douglas

General Manager
Airlines
Tim Allen

Chief Corporate
Adviser
Peter Garnett

Chief Legal
Counsel
Leslie MacIntosh

Head of Business Planning & Reporting
Peter Lechner

Manager of Human Resources
Mel White

Chief Finance Officer
David Hyland

Chief Information Officer
Arthur Devitt

Head of Professional Standards
Rick Bulger

National Operations
Manager
Chris Tosswill

National Manager
Government Relations
Helen Hanify

Manager
People
Lisa Ternent

Chief Finance
& Information Officer
Jeffery Bull

Regional Manager Northern
Vacant

Regional Manager Central
Mike Small

Regional Manager Southern
Chris Watkins

OUR REPORTING OBLIGATIONS

Requirements on the Civil Aviation Authority

The CAA and Avsec are required to provide the Minister of Transport with information on their respective activities that are 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.

The provisions of the CA Act 1990 also require the Authority to provide the Minister with information and advice as the Minister may require from time to time. The cost of retrieving, consolidating and supplying such information, or advice, is treated as part of the services and functions covered by Crown funding.

Output agreements

Output Agreements, for Avsec and CAA, are prepared because the Minister has required this in accordance with section 170 of the Crown Entities Act 2004 (CEA 2004), wherein the Minister may require 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 and CAA Quarterly Reports to the Minister within twenty (25) working days of the end of each quarter (with the exemption 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 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.

GROUP PROJECTED FINANCIAL INDICATORS

GROUPED KEY FINANCIAL INDICATORS	BUDGET ($000, GST exclusive)			
	2005/06 (FORECAST)	2006/07	2007/08	2008/09
FINANCIAL PERFORMANCE				
Revenue	72,573	78,029	78,886	79,936
Output expenses	75,954	79,416	81,033	82,434
Net deficit	-3,381	-1,387	-2,147	-2,498
WORKING CAPITAL				
Net current assets	9,747	8,733	6,710	5,100
RESOURCE UTILISATION				
Cash and bank balances	13,041	11,767	9,709	6,792
Physical assets at year-end (NBV)	20,762	18,075	16,795	13,998
Capital expenditure	14,367	3,200	4,800	3,200
Taxpayers' funds at year-end	21,555	20,168	18,021	15,523

The CAA

The operating budget for the CAA is characterised by a drop in domestic levy income. In 2005/06 this drop was offset by an unexpected increase in demand from aviation document holders. However, the CAA does not expect this to continue in 2006/07. In addition to funding core functions the CAA has budgeted for an increase in costs to

1. commission a Funding Review of its operational expenditure and income with the intent to ensure funding mechanisms are such that they allow the organisation to better fulfil its functions and responsibilities; and

2. complete enhancements to certification, surveillance and risk assessment intervention processes, International Civil Aviation Organization (ICAO) audit follow-up and IT architecture replacement (these projects inter-alia cover recommendations from external audits, reviews and judicial inquiry).

The roll-on effect (year-on-year) of current operations is that future revenue growth may be insufficient to cover modest changes in personnel and other costs. The CAA is therefore committed to the Funding Review. Once this is complete it is expected that the CAA will be funded at a level that will allow the CAA to meet its statutory objectives and functions, including its international obligations, effectively and efficiently.

AVSEC

The budget for Avsec is characterised by an increase in international levy income. In 2006/07 the increase in revenue reflects the

1. cessation of credit for airline tickets prepaid prior to 16 June 2005;

2. change in emphasis of Pacific Island activity between 2005/06 and 2006/07; and

3. reduced gate screening that will be required at Auckland International airport during 2006/07, as a result of the recent segregation of arriving and departing passengers.

Forecast operating surpluses are minimal and will continue to be utilised in on-going aviation security services and projects.

GLOSSARY

Abbreviations / Acronyms

A320	Airbus 320 aircraft
AL	Airlines group of CAA
ALAR	Approach and Landing Accident Reduction
ANSP	Air Navigation Service Providers
ANZA	Australia-New Zealand Aviation
APEC	Asia Pacific Economic Community
API	Advance passenger information
ARI	Aviation Risk Intitiative
ASA	Air Services Agreements
ATM	Air Traffic Management
Authority	Civil Aviation Authority of New Zealand's 5-member Board
Avsec	Aviation Security Service
B777	Boeing 777 aircraft
Board	Board of Directors of CAA
BRG	Board Reference Group
CAA	Civil Aviation Authority of New Zealand (the organisation)
CA Act 1990	Civil Aviation Act 1990
CASA	Civil Aviation Safety Authority of Australia
CEA 2004	Crown Entities Act 2004
Director	Director of Civil Aviation, of New Zealand
EPMU	NZ Amalgamated Engineering, Printing and Manufacturing Union
FRS	Financial Reporting System
GPS	Global positioning system
HASNO 1996	Hazardous Substances and New Organisms Act 1996
HBS	Hold baggage screening
HSE 1992	Health and Safety in Employment Act 1992
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
IOSA	IATA Operational Safety Audit
MAF	Ministry of Agriculture and Fisheries
MOT	Ministry of Transport
Minister	Minister of Transport, Minister for Transport Safety
MSA 2004	Maritime Security Act 2004
MRB	Material Review Board
NUPE	National Union of Public Employees
NZ GAAP	New Zealand Generally Accepted Accounting Principles
NZ IFRS	New Zealand Equivalents to International Financial Reporting Standards
NZTS	New Zealand Transport Strategy
PDA	Performance development agreements (staff)
PLAS	Personnel Licensing and Aviation Services group of CAA
PNR	Passenger name record
PSA	The New Zealand Public Service Association (Inc.)
PTF	Planning Task Force
Q300	Bombardier 300 aircraft
RQO	Regional Quality Officer
SARS	Severe Acute Respiratory Syndrome
SESAR	Single European Skies (formerly known as SESAME)
SMS	Safety Management Systems of ICAO
SOI	Statement of Intent
States	ICAO member countries
TAWS	Terrain Avoidance Warning Systems
TSA	United States Transport Security Administration
TSSD	Transport System Strategic Directions
UAV	Unmanned aerial vehicle
USOAP	Universal Safety Oversight Audit Programme (ICAO)
VOSL	Value of statistical life
WHSS	Work Health and Safety Strategy

Definition of Aviation Terms Used

Aviation document   means any licence, permit, certificate, or other document issued under the CA Act 1990 to or in respect of any person, aircraft, aerodrome, aeronautical procedure, aeronautical product, or aviation related service

Aviation security officer   means a person for the time being employed as such in the Aviation Security Service

ICAO Annexes   (1) personnel licensing; (2) rules of the air, (3) meteorological service for international air navigation, (4) aeronautical charts, (5) units of measurement to be used in air and ground operations, (6) operation of aircraft, (7) aircraft nationality and registration marks, (8) airworthiness of aircraft, (9) facilitation, (10) aeronautical telecommunication, (11) air traffic services, (12) search and rescue, (13) aircraft accident and incident investigation, (14) aerodromes, (15) aeronautical information services, (16) environmental protection, (17) security: safeguarding international civil aviation against acts of unlawful interference, and (18) the safe transport of dangerous goods by air

Just culture[1]   In aviation organisations, this includes air traffic controllers, pilots, flight crews, maintenance personnel and others who can provide key information about aviation safety problems and potential solutions. In order for these workers to come forward and report errors or mistakes, an organisational climate conducive to such reporting must exist – just culture.

Social cost of aviation accident per unit of passenger exposure   Is an economic measure of the cost of accidents to the nation. It assigns a value of statistical life to any deaths, it assigns rehabilitation costs from injuries, and it includes the cost of property damaged or lost in the accident and any other specific external cost. The gross social costs generated from accidents are pro-rated over the amount of aviation activity in any specified sector of the aviation community. The unit used is per seat hour. For target groups that are not predominantly passenger carrying, a surrogate of 500 kg of aircraft weight is used instead of passenger exposure.

[1] Flight Safety Foundation, Flight Safety Digest, "A Roadmap to a Just Culture: Enhancing the Safety Environment", March 2005

Civil Aviation Authority of New Zealand

Te Mana Rererangi Tumatanui o Aotearoa

CIVIL AVIATION AUTHORITY
OF NEW ZEALAND

CONTENTS

1: Our work, its nature and scope

1.1 OUR STAKEHOLDERS

The CAA acknowledges that there are particular and important stakeholders who have
an interest in civil aviation safety and security. They include:

- civil aviation participants – who want appropriate and equitable regulation;

- flying public – who want safe and secure air transport;

- businesses – who depend on air transport;

- international organisations and State aviation authorities (especially those in the Pacific)
  – who want responsible technical and regulatory interaction and assistance;

- MOT and Government – who require good advice and value for money, support
  and contribution to achieving the objectives of NZTS;

- public at large – who want confidence in New Zealand civil aviation; and

- staff of CAA – who want meaningful employment and also a safe and secure
  civil aviation system.
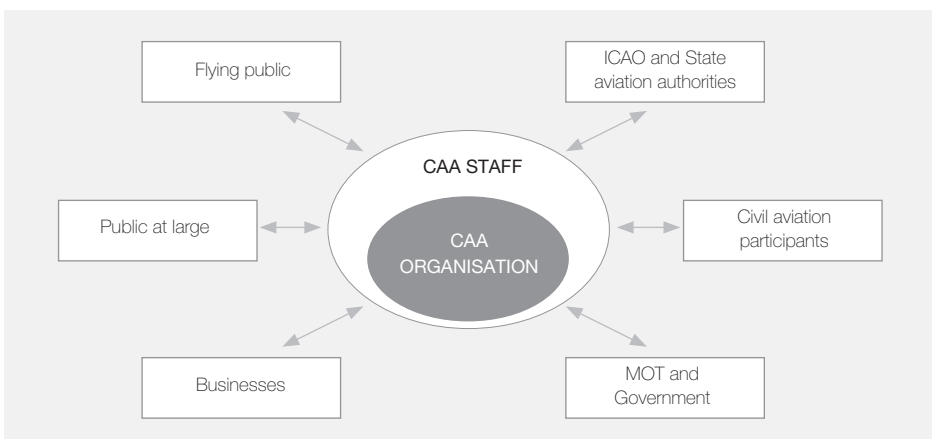
1.2 OUR REGULATORY OBJECTIVES AND FUNCTIONS

1.2.1 Our Regulatory Objectives

The 2004 amendment of the CA Act 1990 broadened the responsibilities of the Authority and the Director of Civil Aviation to support the achievement of the NZTS vision and objectives and to facilitate a more collaborative approach with other transport agencies.

As stipulated in the amended CA Act 1990 (refer to Part 6A section 72AA)

> *"The objective of the Authority is to undertake its safety, security and other functions in a way that contributes to the aim of achieving **an integrated, safe, responsive, and sustainable transport system."***

1.2.2 Our application of the Health And Safety In Employment Act 1992

In 2002, the Health and Safety in Employment Act 1992 (HSE 1992) was amended to include crew in operating aircraft and in 2003 the CAA was designated to administer the HSE 1992 for the aviation sector. The designation covered work on-board aircraft and aircraft as places of work while in operation. The scope of the designation incorporates the period when the aircraft is taxiing, taking-off, in-flight and landing.

1.2.3 Our application of the Hazardous Substances & New Organisms Act 1996

Section 97(e) of the HASNO 1996 makes the Director of Civil Aviation responsible for the enforcement of the Act with respect to hazardous substances only "in, on or at aircraft and aerodromes".

1.2.4 Our summarised functions

- Policy advice and rules development;
- certification and licensing of aviation participants;
- enforcement of civil aviation regulatory system;
- surveillance and monitoring of compliance to aviation regulatory system rules;
- education and promotion of aviation rules, advisory circulars and other safety-related information;
- investigation and analysis of aviation accidents and incidents;
- publication of aeronautical information; and
- HSE 1992 and HASNO 1996 administrator for the aviation sector.

1.3 OUR VISION

New Zealand aviation: free from safety and security failure and contributing to an integrated, safe, responsive, and sustainable transport system.

1.4 OUR MISSION

To be an effective organisation, by taking regulatory and promotional actions to minimise any threat or harm to people and property from New Zealand civil aviation operations.

1.5 OUR ENABLING LEGISLATION (OPERATIONS)

- Civil Aviation Act 1990
- Civil Aviation Rules
- Crown Entities Act 2004 (management of Crown entities)
- Health and Safety in Employment Act 1992 (limited to aviation)
- Hazardous Substances and New Organisms Act 1996 (dangerous goods)

1.6 OUR STRATEGIC SAFETY AND SECURITY OBJECTIVES

To ensure that:

- 2010 social cost of aviation accidents per unit of passenger exposure targets are achieved;

- civil aviation participants consistently meet or exceed regulatory requirements;

- the CAA has all the relevant information it needs to support and focus its operations and decisions;

- all regulatory tools are applied by the CAA in a consistent manner;

- New Zealand's international civil aviation obligations are met; and

- the public and government are well informed about New Zealand civil aviation safety and security.

Links to NZTS objective, "Assisting safety and personal security"

1.7 OUR STRATEGIC NON-SAFETY OBJECTIVE

To ensure that the CAA contributes (within its legislated framework) to the objectives and outcomes of the non-safety (and security) related objectives (assisting economic development, improving access and mobility, protecting and promoting public health and ensuring environmental sustainability) of the NZTS.

1.8 OUR ORGANISATION

To be effective as an organisation, the CAA ensures that it is:

- capable – we have the right expertise to meet our obligations;

- responsive – we meet the changing international and national environment;

- forward-looking – we have the ability to have effective solutions that will improve civil aviation outcomes in the future;

- trustworthy – we have the credibility needed to earn the respect of civil aviation participants;

- consultative – we undertake dialogue and consultation with aviation participants and other concerned parties;

- evidence-based – we consider results of research, information gathered and consultation required to make effective decisions; and

- a good employer – we ensure that extra effort and performance of staff are recognised and rewarded appropriately.

1.9 OUR PEOPLE

For our people to be effective, the CAA expects and encourages

- Collaboration and cooperation – Fostering energetic and innovative teamwork through a common ethos and mutual support within and outside the CAA.

- Responsibility and accountability – Understanding, meeting and exceeding our obligations. Responsible for our actions.

- Integrity – Respectful, open, honest, straightforward and reliable.

- Fairness and consistency – Treating everyone in a timely, fair and reasonable manner.

- Enjoyment at work – Taking satisfaction from the work and celebrating success.

1.10 OUR EXPECTATIONS OF CIVIL AVIATION SYSTEM PARTICIPANTS

The CAA expects to continue its collaborative work with the civil aviation community to enhance aviation safety and security in New Zealand.

However, the CAA expects all participants in the civil aviation system to conduct their activities safely and in accordance with prescribed safety standards and practices. Participants are expected to:

• fully understand the roles and responsibilities attached to their aviation document(s);

• comply with the CA Act 1990 and civil aviation rules;

• establish and follow documented safety standards and procedures;

• demonstrate a commitment to safe and secure practices within their organisation so as to maintain compliance with the relevant safety standards and conditions attached to their aviation document(s);

• report all safety and security occurrences to the CAA; and

• implement all corrective actions required by the CAA in the time set.

Participants should expect the Director of Civil Aviation to exercise his powers, when necessary, to:

• carry out safety and security inspections and monitoring;

• investigate holders of aviation documents;

• require corrective actions to be implemented by aviation document holders;

• impose conditions or suspend aviation documents;

• partially revoke, revoke or impose permanent conditions to aviation documents; and

• detain aircraft, seize aeronautical products, and impose prohibitions and conditions.

1.11 OUR FUNDING

OUTPUT CLASS	OUTPUT	SOURCE OF FUNDING
POLICY ADVICE	Advice to Government, Legislation Development, and Maintenance of International Aviation Safety Related Agreements	Crown funded (through the Ministry of Transport)
	Rules Development	Contract services (MOT)
SAFETY ASSESSMENT & CERTIFICATION	Airlines sector safety risk management	Direct fees and charges and levy funding
	General Aviation sector safety risk management	Direct fees and charges and levy funding
	Personnel Licensing and Aviation Services sector safety risk management	Direct fees and charges and levy funding
	Health and Safety in Employment aviation community safety and health risk management	Crown funded (through the Department of Labour)
SAFETY ANALYSIS AND EDUCATION	Safety investigation	Levy funded
	Safety analysis	Levy funded
	Safety information and education	Levy funded
ENFORCEMENT	Responses to regulatory breaches	Levy funded

2: Our operating environment

2.1 THE GLOBAL AVIATION INDUSTRY

New Zealand is one of the 189 Member States of ICAO. Global aviation changes (e.g: aircraft technology, travel behavior, air services agreements, commercial agreements, terrorism, pandemics, environment, etc.) are reflected in ICAO standards and recommended practices. These standards and practices support the promotion of uniformity in the regulation of international civil aviation and are set out in the Annexes to the Chicago Convention and subsequently reflected in the New Zealand civil aviation rules and the CAA advisory circulars. The CAA keeps track of the global aviation industry to ensure that New Zealand civil aviation system meets international expectations and makes pro-active decisions. Changes to the global aviation industry will also have an impact on NZTS outcomes for the aviation sector.

1. In 2005 the aviation sector was responsible for 8% of global GNP, 29 million jobs and nearly US$3 trillion in economic activity. However, the last few years were commercially the worst in aviation history with cumulative losses of US$42 billion for 2001 to 2005.

2. Total number of passengers on the scheduled airlines of the 189 Member States of ICAO reached a record 2 billion in 2005, a 7% increase compared to 2004.

3. An estimated US$42 billion are paid each year by airlines (and their customers) to airports and Air Navigation Service Providers (ANSP) and their charges continue to increase thus further burdening the airline industry.

4. The global aircraft fleet continues to increase. This includes large (narrow and wide-bodied) passenger aircraft and the small business jet sector which is expected to grow markedly over the next 2 decades.

5. Global air transport is fundamentally safe but systemic deficiencies need to be eliminated in many States. ICAO and the International Air Transport Association (IATA) collaborate to have safety as top of their agenda. Through the IATA Operational Safety Audit (IOSA) program, IATA members are required to be safety audited for continuance of their IATA membership by end of 2007. ICAO initiated parallel safety mitigation measures in 2005 are:

- expansion of the ICAO Universal Safety Oversight Audit Programme (USOAP), under a comprehensive systems approach, to help States better respond to safety threats;

- new policies promoting greater transparency and sharing of safety-related information;

- increased regional cooperation among States and stakeholders in correcting safety deficiencies; and

- a worldwide safety conference of Directors General of Civil Aviation on 20-22 March 2006 assessed the current status of aviation safety, identified ways to achieve significant improvements and developed a global strategy for aviation safety.

6. More airlines are restructuring themselves due to the volatility of the market brought about by a competitive environment, increasing fuel prices, and threats of terrorism.

7. Highly subsidised Middle East carriers continue to increase their cargo and seat capacities by operating scheduled services to new destinations.

8. Increasing flights to and from China with countries and airlines negotiating for air traffic rights or increased cargo and seat capacities due to China's double-digit economic growth.

9. Expansion of aircraft maintenance and engineering work in China (e.g. Airbus branching-out in Beijing to cater to Airbus clients in Asia and Pacific countries, Lufthansa Technik's joint venture with Air China in Beijing, and Hong Kong Aircraft Engineering Company).

10. Next to China, India is another emerging growth market for airlines. As such, countries and airlines are re-visiting their Air Services Agreements (ASA) and commercial agreements with India and Indian carriers respectively.

11. The industry is still susceptible to widespread public health episodes, such as the 2003 Severe Acute Respiratory Syndrome (SARS) epidemic, the threat of avian influenza virus and other communicable diseases with the potential of becoming global pandemics.

12. Impact of changes in technology (e.g. Hold Baggage Screening (HBS) equipment was implemented in 2006, automation and a paperless environment such as e-tickets and e-freights, bar coded boarding passes in 2010, kiosks for self-service check-in and radio frequency identification for baggage management).

13. Stricter border security due to terrorism threats. While international standards are led by ICAO, some States, such as the United States (U.S.) and Australia, set more restrictive levels of security on airlines entering their airspace. Some border security measures of these States include:

- advance passenger information (API);

- advance passenger name records (PNR);

- changes to passports for citizens of US-visa waiver countries entering the U.S.;

- proposed advance electronic submissions of cargo manifests; and

- proposals for air marshals to be on-board flights entering the U.S. air space.

14. Policies of Single European Skies (SESAR), formerly known as SESAME, will affect operating policies of airspace users, Air Navigation Service Providers and supply industries.

15. Aircraft manufacturers, like Boeing and Airbus, are manufacturing aircraft with higher capacities, longer ranges and increasing fuel efficiency and environmental safety.

2.2 THE NEW ZEALAND AVIATION INDUSTRY

The CAA's funding is directly dependent on passenger safety levies and fees and charges collected from aviation document holders, certificates and licenses issued. If the volume of air travellers, aviation document holders and certificates increase, CAA funding also increases. The CAA monitors aviation-related factors that affect the CAA's funding, and subsequently its revenue and expenditure budgets, capability requirements and operational decisions.

1. Currently there are 8,998 licensed pilots and 3,872 registered aircraft in New Zealand.

2. Although New Zealand has a small population of 4.2 million, there are four New Zealand-based international airlines (Air New Zealand, Freedom Air International Jet Connect and Pacific Blue Airlines), twenty foreign airlines operating aircraft to New Zealand and ten international airlines operating on a code-share basis to New Zealand.

3. There are 25 certificated aerodromes, 7 operate as international with Auckland, Christchurch and Wellington as major hubs to New Zealand domestic points and international destinations. Auckland, Christchurch and Wellington are the designated international aerodromes under the ICAO Technical Annexes.

4. Recent introduction of Boeing 777, Airbus 320 and Bombardier 300 aircraft to the New Zealand fleet.

5. Air New Zealand is the dominant domestic carrier operating to 25 domestic destinations in New Zealand.

6. Pending commercial agreements (e.g. code share between trans-Tasman carriers) have the potential to reduce the number of scheduled services in New Zealand.

7. The Aviation Industry Association (AIA) has been given a $100,000 government grant to develop an export-led growth strategy for the sector. The AIA will consider how to approach export development activity, particularly regarding the export of training, engineering and other services.

8. The Tourism Research Council New Zealand forecasts that:

   • Over the next seven years, 2005-2011, NZ tourism will continue to grow with international tourism growing faster than domestic tourism.

   • International visitor arrivals to New Zealand are forecast to increase from 2.3 million in 2004 to 3.2 million in 2011, up by 875,000 or 37.5%, averaging 4.7% growth per annum.

   • Domestic trips (land, air and sea) are forecast to increase from 54 million in 2004 to 59 million in 2011, up by 4.9 million or 8.9%, averaging 1.2% per annum.

   • Outbound travel by New Zealand residents is forecast to increase from 1.7 million in 2004 to 2.1 million in 2011, an increase of 359,000 or 20.7%, averaging 2.7% per annum.

2.3 OUR ALIGNMENT WITH THE NEW ZEALAND TRANSPORT STRATEGY

2.3.1 NZTS Vision

"By 2010 New Zealand will have an affordable, integrated, safe, responsive, and sustainable transport system."

2.3.2 NZTS objectives and directional statements

NZTS OBJECTIVES / GOALS	TSSD DIRECTIONAL STATEMENTS
Assisting economic development	1. Growth and development are increasingly integrated with transport.
	2. Aviation transport users increasingly understand and meet the costs they create.
	3. New Zealand's transport system is improving its international and domestic linkages including inter-modal transfers.
	4. The effectiveness of the transport system is being maintained or improved.
	5. The efficiency of the transport system is continuing to improve.
	6. The negative impacts of land-use developments on the transport system are reducing.
Improving access and mobility	7. The transport system is increasingly providing affordable and reliable community access.
Assisting safety and personal security	8. New Zealand's transport system is increasingly safe and secure.
	9. The transport system is improving its ability to recover quickly and effectively from adverse events.
Protecting and promoting public health	10. Negative impacts of transport are reducing in terms of fatalities, injuries and harm to health.
Ensuring environmental sustainability	11. The transport system is actively moving towards reducing the use of non-renewable resources and their replacement with renewable resources.
	12. Negative impacts of transport system are reducing in terms of the human and natural environments.

2.3.3 Application of the NZTS in the CAA

The CAA's role in the New Zealand transport sector is legislated in the CA Act 1990. Section 72AA states that the Objective of the Authority *"is to undertake its safety, security and other functions in a way that contributes to the aim of achieving an integrated, safe, responsive, and sustainable transport system"* which is the core of the NZTS.

The CAA will consider, while undertaking the rules contract, section 33, paragraphs (2) (e) and (f) of the CA Act 1990, the NZTS objectives in the Matters to be taken into account in making rules. It also anticipates providing advice on NZTS objectives to the Minister and other government or local government agencies under the CA Act 1990 section 72B paragraphs (2) (h) and (i).

It is important to note that CAA is primarily funded by levy-funding under the provisions of the CA Act 1990, Civil Aviation (Aeronautical Information Service) Levies Order 2001, Civil Aviation Charges Regulations 1991 and the Civil Aviation (Safety) Levies Order 2002. The purpose set for these funding streams do place limits on the ability of the CAA to fund NZTS-related projects. However, the Crown funding for policy advice has enabled it to actively participate and contribute to the collaborative planning work being undertaken by the transport agencies. Additional Crown funding may be required in the future to enable it to contribute more actively towards the NZTS, the TSSD Directional Statements, and to carry-out any new operational non-safety related responsibilities.

3: Our outcomes

3.1 OUR STRATEGIC SAFETY AND SECURITY OUTCOMES

Section 3.1 describes the CAA's thrust in achieving the overall aviation sector outcome by facilitating the achievement of the six (6) contributing outcomes.

OVERALL AVIATION SECTOR OUTCOME: *Safer and more secure New Zealand civil aviation system.*					
(Links to NZTS objective: "Assisting safety and personal security")					
CONTRIBUTING CAA STRATEGIC OUTCOMES					
1 Aviation safety outcome target groups achieve their safety targets	**2** Clients meet or exceed regulatory requirements	**3** Available, accessible, and efficient usage of aviation data and information	**4** Consistent application of regulatory tools	**5** NZ obligations to international civil aviation agreements are met	**6** Well-informed stakeholders

3.1.1 OUTCOME 1: AVIATION SAFETY OUTCOME TARGET GROUPS ACHIEVE THEIR SAFETY TARGETS

Based on historical (a period of 10 years from 1996 to 2006) aviation social cost of accidents data,

- agricultural operations – aeroplane;
- private operations – aeroplane;
- private operations – helicopter; and
- private operations – sport aircraft

consistently have not met their respective safety outcome targets. These groups are the current critical aviation safety target groups and they are highlighted in the table below.

The remaining 9 safety target groups are currently delivering social cost performance within the targets set for 2010. Some of these groups could remain within target with a 'business as usual' stance by the CAA, however the CAA understands that to maintain this performance it will have to remain vigilant in its oversight of these areas and implement remedial action should they show any sign of a negative trend.

MEASURE: SOCIAL COST OF AVIATION ACCIDENTS PER UNIT OF PASSENGER EXPOSURE	
AVIATION SAFETY OUTCOME TARGET GROUPS	FY 2006/07 - 2010 Targets (Less than or equal to)
PUBLIC AIR TRANSPORT	
1. Airline operations – large aeroplanes	$0.10
2. Airline operations – medium aeroplanes	
3. Airline operations – small aeroplanes	$6.50
4. Airline operations – helicopters	
5. Sport aviation transport operations	$13.0
OTHER COMMERCIAL OPERATIONS	
6. Other commercial operations – aeroplane	$6.50
7. Other commercial operations – helicopter	
8. *Agricultural operations – aeroplane*	$14.0
9. Agricultural operations – helicopter	
10. Agricultural operations – sport aircraft	$28.0
NON-COMMERCIAL OPERATIONS	
11. *Private operations – aeroplane*	$10.0
12. *Private operations – helicopter*	
13. *Private operations – sport aircraft*	$20.0

The main components of the social cost of accidents are the values of fatalities, serious injuries and aircraft destroyed in fatal or serious injury accidents. The value to the nation of fatalities is the value of statistical life (VOSL). Aircraft destroyed are valued using estimates of aircraft values on the basis of market prices in a number of comparable aviation nations.

The CAA has identified two key benefits of setting Safety Outcome Targets using social cost per unit of passenger exposure. First, it monitors the aviation sector outcome of a "safer and more secure civil aviation system" and secondly, it monitors the success of the aviation community in influencing safety outcomes. The safety outcome targets enable the government, the public, and the aviation community to measure safety performance against an appropriate and common NZTS yardstick for "assisting safety and personal security" objective.

The following is our strategic thrust to achieve aviation safety targets:

OUTCOME 1	Aviation safety outcome target groups achieve their safety targets.
STRATEGIC OBJECTIVE 1	To ensure that 2010 social cost of aviation accidents per unit of passenger exposure targets are achieved.
IMPACT ON NEW ZEALAND	Safer and more secure New Zealand civil aviation system.
INITIATIVES / WORK PLANS *Notes: Some aviation risk initiatives for the critical aviation safety target groups will also impact on the non-critical safety target groups.*	A. Critical aviation safety outcome target groups Specific aviation risk initiatives (ARI) to assist bring about a reduction in the social costs of the critical aviation safety outcome target groups are: 1. Increase level of surveillance oversight based on operator risk assessment-focus on training, competency and currency of crews. 2. Raise standards through the review of Part 135 (Air Operations – helicopters and small aeroplanes) Rules regime and type rating. 3. Maintain stringent entry control (certification). 4. Require Terrain Avoidance Warning System (TAWS) or equivalent to be appropriately implemented. 5. Introduce documented operational procedures. 6. Review and improve the training syllabus. 7. Increase cultural safety education.

INITIATIVES / WORK PLANS (continued)	8. Tighten aircraft certification and overload policies.
	9. Complete and formalise industry best practice guidelines.
	10. Provide standardisation of operations by way of a generic agricultural operations manual or advisory circular material.
	11. Review maintenance oversight policy, environment, and standards in commercial aircraft operations.
	B. Non-critical aviation safety outcome target groups
	For all aviation safety outcome target groups the CAA will continue with a steady level of core work comprising (and as set out in section 5.):
	1. certification and licensing of aviation documents;
	2. enforcement of aviation rules;
	3. surveillance and monitoring of compliance to aviation rules;
	4. education and promotion of aviation rules, circulars and other safety-related information;
	5. investigation and analysis of aviation accidents and incidents; and
	6. publication of aeronautical information.

3.1.2 OUTCOME 2: CLIENTS MEET OR EXCEED REGULATORY REQUIREMENTS

STRATEGIC OBJECTIVE 2	To ensure that civil aviation community participants consistently meet regulatory requirements.	
IMPACT ON NEW ZEALAND	Safer and more secure civil aviation system.	
INITIATIVES / WORK PLANS	1. Enforcing compliance to requirements of the CA Act 1990, the Civil Aviation Rules and the Health and Safety policies of the Employment Act.	
	2. Performing entry control – organisations and individuals.	
	3. Setting and maintaining standards through the development and maintenance of legislation and exercising discretion in applying legislative powers.	
	4. Monitoring industry safety and security performance through surveillance and remedial action, both pro-active and re-active.	
	5. Encouraging improved safety and security performance through all forms of education and promotion.	
	6. Carrying out exit control on non-performance through suspension and revocation of aviation documents.	
	7. Making appropriate and consistent regulatory decisions in accordance with legal requirements set out in legislation and common law.	
	8. Carrying out New Zealand's obligations and responsibilities to international civil aviation and other international bodies to which New Zealand is a signatory (as delegated by the Minister of Transport).	
	9. Working with the Minister of Transport, other sectors of the Government and aviation community to ensure that legislation and rules prevailing on civil aviation are appropriate and current.	
	10. Monitoring the development of new technology in aviation and to ensure that there are timely and appropriate regulations and responses on safety and security and other relevant risks.	
	11. Ensuring that legal and legislative compliance risks for the short and long term are appropriately managed.	
MEASURES AND TARGETS	MEASURES	TARGETS (2006/07 – 2008/09)
	Number of aircraft accidents and incidents per 100,000 flight hours	Zero accidents and decreasing (downward trend over time) number of incidents across all document holders
	Non-compliance rate detected during entry, audit and safety investigation	Decreasing (downward trend over time) non-compliance rate
	Level of risk assessment	Positive level of risk assessment
	Rate of implementation of corrective actions identified in CAA audit reports	100% of corrective actions identified in CAA audit reports are implemented by their due dates

3.1.3 OUTCOME 3: AVAILABLE, ACCESSIBLE AND EFFICIENT USAGE OF AVIATION DATA AND INFORMATION

STRATEGIC OBJECTIVE 3	To ensure that CAA has all the relevant information it needs to support and focus its operations and decisions.
IMPACT ON NEW ZEALAND	Civil aviation rules, regulations and interventions reflect New Zealand's civil aviation needs (e.g. usage of information and data will improve client knowledge and corresponding amendment to the surveillance plan, identify areas of weakness and reduce activity on areas of reduced risk).
INITIATIVES / WORK PLANS	Significant problems identified from data generated by CAA operations and participants will be addressed through this initiative. These problems may relate to the wider aviation community or internally to the CAA. Regardless of origin they will be dealt with by: 1. Identifying factual and traceable aviation problem areas that are not identified in regulatory oversight activities. 2. Identifying measures for improvement wherein valid data measures can be identified and monitored during the evaluation of a problem. 3. Focusing on implementing specific and targeted cost effective solutions. The CAA will work to achieve a reduction in adverse aviation events and the effect these have on the community as a whole. This includes the achievement of the 2010 safety outcome targets, and as one important course of action, the CAA intends to continue to promote effective and efficient safety risk management. To ensure that Rules are current, applicable and provide demonstrable impact on aviation safety risk.
MEASURE	Percent compliance to prescribed information criteria or checklists used in regulatory and business processes detected during internal audit.
TARGET	100% of sampled regulatory and business processes comply with the prescribed information criteria or checklist.

The CA Act 1990 mandates the Authority to maintain and preserve records and documents relating to activities within the civil aviation system, the New Zealand Register of Aircraft and the Civil Aviation Registry. Part 12 (Accidents, Incidents and Statistics) of the Civil Aviation Rules mandates the Authority to record any accidents, incidents that occurred and other aviation data.

These aviation data collected, consolidated and analysed are translated into information and are vital in the CAA's decision making process. The trends and profiles that are established from these statistics enable the CAA to make realistic policies or recommended rules governing the New Zealand civil aviation system and to take specific measured initiatives (or interventions) aimed at defined parts of the aviation community.

3.1.4 OUTCOME 4: CONSISTENT APPLICATION OF REGULATORY TOOLS

STRATEGIC OBJECTIVE 4	To ensure that all regulatory tools are applied by the CAA in a consistent manner.
IMPACT ON NEW ZEALAND	Safety decisions are upheld; not vulnerable to challenge.
INITIATIVE / WORK PLAN	1. Training on natural justice and administration. 2. Training on regulatory and oversight procedures.
MEASURE	Percent compliance and consistency with application of regulatory tools detected during an internal audit process.
TARGET	100% of sampled regulatory processes conducted during an internal audit are consistent with the prescribed regulatory tools processes.

3.1.5 OUTCOME 5: NEW ZEALAND'S OBLIGATIONS TO INTERNATIONAL CIVIL AVIATION AGREEMENTS ARE MET

STRATEGIC OBJECTIVE 5	To ensure that New Zealand's obligations to international civil aviation agreements are met.
IMPACT ON NEW ZEALAND	Positive international reputation of New Zealand's civil aviation system.
INITIATIVES / WORK PLANS	1. Carrying out New Zealand's obligations and responsibilities to international civil aviation and international bodies to which New Zealand is a signatory – as delegated by the Minister of Transport. 2. Determining the nature and extent of the CAA's preferred future role in relationship with foreign regulatory authorities and developing policy in this regard for the Minister's approval.
MEASURE	Compliance with New Zealand's obligations to international civil aviation agreements; and all necessary differences, within the control of the CAA, are filed with ICAO. Progress on the total number of deficiencies identified by ICAO international safety oversight audit that are within the control of the CAA. (both qualitative)
TARGET	Full (100% of the time) compliance of New Zealand's obligations to international civil aviation agreements that are within the control of the CAA. Increasing (trend over time) progress on the total number of deficiencies identified by ICAO safety audit by 31 December 2009 that are within the control of the CAA.

3.1.6 OUTCOME 6: WELL-INFORMED STAKEHOLDERS

STRATEGIC OBJECTIVE 6	To ensure that the public and government are well-informed about New Zealand's aviation safety and security measures.
IMPACT ON NEW ZEALAND	Safer and more secure civil aviation system.
INITIATIVES/ WORK PLANS	1. The CAA will work to ensure that all promotional and educational materials prepared by the CAA are delivered in a timely and relevant manner. 2. The CAA intends to continue to be progressive and successful with the manner in which it engages both with the aviation community, with the public and other stakeholders. 3. Promote new policies and rules to external stakeholders and CAA staff.
MEASURE	Overall value ratings of CAA's safety education / promotion products. Usage ratings of CAA's safety education products.
TARGET	Overall value and usage ratings should be better (increasing trend over time) than the results of CAA's November 2005 Safety Education Products Survey. (Follow-up survey will be conducted towards end of 2009.)

3.2 OUR STRATEGIC NON-SAFETY OUTCOME

STRATEGIC OBJECTIVE	To ensure that the CAA contributes (within its legislative framework) to the objectives and outcomes of the non-safety (and security) objectives (assisting economic development, improving access and mobility, protecting and promoting public health and ensuring environmental sustainability) of the NZTS.
OUTCOME	CAA is a contributor to the achievement of non-safety NZTS outcomes.
IMPACT ON NEW ZEALAND	Integrated, responsive and sustainable New Zealand civil aviation system.
INITIATIVES / WORK PLANS	The CAA will continue to focus on safety and security as its prime function and responsibility and, in particular, the CAA will: 1. give priority to actions that arise from the basis of safety or security issues; 2. when proposing safety or security initiatives, consider the potential impacts of these initiatives on the levels of integration, responsiveness and sustainability of the transport system, where appropriate; 3. bring to the attention of the MOT (or other government department as appropriate) issues that appear to warrant policy and/or rulemaking action in the non-safety area; 4. cooperate with and provide advice and assistance to government departments or local government agencies in accordance with statutory obligations; and 5. work collaboratively with the MOT and transport entities in the planning and development of TSSD work programmes (refer to section 5.1.4 – Policy and International Work Programme).
MEASURE	Integration of the NZTS objectives in the New Zealand civil aviation system that are within the legislative framework of the CAA. (qualitative)
TARGET	Progressive (increasing trend over time) integration of the NZTS in the New Zealand civil aviation system that are within the legislative framework of the CAA, beginning next fiscal year.

Formulation of detailed non-safety and security related monitoring and enforcement outcomes will be undertaken in FY 2008/09, on completion of policy formulation and rules development for this area as set out in the following table.

NON-SAFETY AND SECURITY RELATED NZTS OBJECTIVES	STAGE 1	STAGE 2	STAGE 3
	RESEARCH AND POLICY FORMULATON	RULES DEVELOPMENT (IF CONTRACTED TO CAA)	COMPLIANCE MONITORING AND ENFORCEMENT
Assisting economic development	MOT	MOT	MOT
Improving access and mobility	MOT	CAA	CAA
Protecting and promoting public health	MOT	CAA	CAA
Ensuring environmental sustainability	MOT	CAA	CAA
TARGET COMPLETION DATE	FY 2006/07	FY 2007/08	FY 2008/09

4: Our organisational risks and mitigations

The following is a list of key external and internal risks and mitigations. These are closely monitored because they affect the delivery of our outputs and outcomes we intend to pursue.

4.1 OUR KEY EXTERNAL RISKS AND MITIGATIONS

4.1.1 General Aviation Sector

General aviation is defined as small airlines with capacity of nine seats or less, all helicopter, agricultural and balloon operations and all sport and recreation aviation, commercial and private. There are issues in the general aviation sector such as non-compliance attitudes, aging aircraft and the increasing use of technologically-advanced sport and recreation aircraft. These issues will require a change in the focus and amount of regulatory oversight.

Risk:	Social cost of accidents per unit of passenger exposure for some of the general aviation sector is critical, that is well above the safety target set for 2010. This is of concern to both the public and the general aviation community.
Mitigation:	Processes are being implemented to assist the general aviation community to define the issues, and seek solutions. The main thrust of CAA's strategic initiatives is to change the focus of general aviation sector people to one of informed risk and safety management and the CAA's application of regulatory interventions.

Links to outcome 1: Aviation safety outcome target groups achieve their safety targets
Links to NZTS objective: "Assisting safety and personal security"

4.1.2 Entrants to the New Zealand fleet

International airline alliances and emergence of low-cost carriers are expected to continue in the long-term and will eventually be visible in the New Zealand commercial aviation. As such, the profile of New Zealand domestic and international aviation is expected to change with a medium term increase in operations by airlines primarily certificated off-shore, increased passenger volumes due to lower airfares, and increased airfreight as airlines compete for New Zealand perishable and time-sensitive exports.

Risk: This will put pressure on existing aerodromes, airspace and traffic flow management. Currently there are issues regarding the cost of aerodrome infrastructure improvement, air navigation facilities, runway replacement and upgrading.

Mitigation: The CAA will continue consultations with stakeholders, especially MOT, on how to better address the above issues so that the NZTS is better implemented in the aviation sector. Also, the CAA will continue to update the skills of its technical staff on new aircraft and aerospace technology.

Links to outcome 3: Available, accessible and efficient usage of aviation data and information

4.1.3 Terrorism

The international nature of the terrorist threat 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 on other countries. Threat levels can change significantly at very short notice and at any time.

Risk: The consequence of serious acts of terrorism anywhere can have severe adverse effects on aviation and associated aviation interests globally. It must be recognised that the threat of terrorist attack must be considered unpredictable and that attacks are likely to be both indiscriminate and devastating in nature.

While government agencies work to prevent terrorist activity and may uncover information suggesting pending attacks, they cannot identify and resolve all possible threats.

Mitigation: In an environment where there is no absolute certainty of timely or correct terrorist threat information and no guarantee of prior warning of an attack, the pro-active development and consistent application of security measures required of all ICAO Contracting States, including New Zealand, remains necessary. In addition, robust detection and identification of potential system vulnerabilities by all personnel involved in aviation security remains essential, along with the need to maintain appropriate levels of vigilance.

Links to outcome 3: Available, accessible and efficient usage of aviation data and information.
Links to NZTS objective: "Assisting safety and personal security"

4.1.4 Technology

Aviation is expected to continue to implement advances in technology driven by economic and environmental factors. It is expected that the New Zealand civil aviation system will see:

1. Increased dependence on satellite based navigation (including GPS) and centralised air traffic management. As a result, existing ground based navigation aids are expected to decline in number with a short term adverse impact on the general aviation sector.
2. Introduction of wide-bodied (e.g. Airbus A380 and Boeing's 787 Dreamliner) and fuel-efficient aircraft in the New Zealand fleet.
3. Changes in the way airspace is managed such as the implementation of commercial free-flight areas and an increase in environmentally based restricted low level airspace will also change the risk profile of the aviation community.

Risk: Technology changes are expected to increase pressure on the aviation infrastructure. Passenger number increases, aircraft size increases and the increase in traffic densities will all require greater attention by aerodrome and air traffic management (ATM) operators as well as the CAA.

Mitigation: The CAA will continue its collaborative planning with aviation participants and other external stakeholders to better address issues that affect technological changes. The CAA will also encourage training of its technical staff to update their knowledge on new aircraft and aerospace technology that will be introduced in the New Zealand civil aviation system.

Links to outcome 3: Available, accessible and efficient usage of aviation data and information

4.1.5 Public Health

Pandemics, such as the 2003 Severe Acute Respiratory Syndrome (SARS) and the current Avian Influenza threat have proven to have significant effects on airline operations, particularly in those areas of the world where the threat is seen to be acute.

Risk: The other side of such public concern is (as was the case during the SARS episode) the diversion of air travel to countries where the threat is seen to be the least. If New Zealand is perceived as an unsafe destination due to laxity in monitoring or mitigating pandemics, tourist arrivals will drop and this will adversely affect the CAA's revenues and New Zealand's economy.

Mitigation: The CAA will continue to coordinate with ICAO, other States, Ministry of Health and other New Zealand government departments to update and align its pandemic management policies.

Links to outcome 5: NZ obligations to international civil aviation agreements are met
Links to NZTS objective: "Protecting and promoting public health"

4.1.6 Aviation Skills

The nature of the workforce in aviation is changing. In New Zealand, the overall workforce is aging, skills are being depleted, and costs are escalating. Core capability is being lost with the outsourcing of aircraft maintenance and other support activities offshore.

Risk   Shortage of aviation skills will impact on the future availability of capable and professional aircrew and ground staff which will subsequently downgrade the quality of New Zealand civil aviation system. This will also make it difficult for the CAA to find capable technical staff in New Zealand.

Mitigation: The CAA will monitor the technical capacity of aviation workforce in New Zealand. In case of a critical (continuously declining) status, the CAA will consult with the government and other organisations (e.g. Dept. of Labour, Tertiary Education Commission, Aviation Tourism and Travel Training Organisation) for alternatives in the recruitment of skilled aviation workforce overseas.

Links to outcome 3: Available, accessible and efficient usage of aviation data and information

4.1.7 Public Expectation

The New Zealand public has a high aviation safety and security expectation. They expect that their flights leave on-time and that they arrive at their destination safely.

Risk: In cases of an aviation accident, aviation safety and security performance deteriorates.

Mitigation: The public requires the CAA to continue with its best efforts to uphold high standards of safety and security. The CAA has a public accountability to strictly monitor adherence to aviation rules.

Links to outcome 6: Well-informed stakeholders
Links to NZTS objective: "Assisting safety and personal security"

4.1.8 Environment

Aviation is not an industry where there is potential for alternative energy sources. How and who will oversee the regulation of emissions (CO_2, NO_x, noise and particulates) and other environmentally detrimental impacts of aviation in New Zealand or emitted by New Zealand registered operators are yet to be planned.

Risk: Airlines come under pressure to reduce emissions but there are no clear formulated policies to handle the aviation related environmental issues.

Mitigation: The CAA will continue to work with TSSD planning groups to identify equitable mitigations to address aviation environmental risks.

Links to NZTS objective: "Ensuring environmental sustainability"

4.2 OUR KEY INTERNAL RISKS AND MITIGATIONS

4.2.1 Financial

Over the last few 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. The CAA is heavily dependent on the revenue it receives through passenger safety levy imposed on domestic and international operators through the Civil Aviation (Safety) Levies Order 2002.

Risk: In recent years this income has been at risk due to fluctuations in air travel movements internationally and domestically.

Mitigation: A full Funding Review needs to be completed with, in part, the objective of identifying reliable alternative sources of funding for the CAA. This review will involve consultation with stakeholders and collaboration with MOT and other government agencies.

Links to CAA's organisational health and capability and financial outcome

4.2.2 Office location and size

In late 2003 the CAA shifted its offices to rented premises on the Petone foreshore. The location was a reasonable compromise between cost and accessibility for both staff and CAA visitors. The lease for the current premises expires in 2009. The rental has recently increased by almost 20%.

Risk: The location itself is perceived to be isolated, especially in the recruitment of potential staff and its lack of proximity to other government offices. The current office size is limited and cramped.

Mitigation: Assess advantages and disadvantages to leave or retain the current office location and plan for future accommodation for 2010 to 2030.

Links to CAA's organisational health and capability

4.2.3 Personnel capability

Due to the nature of the CAA's operations, its people have been traditionally drawn from the more experienced and older part of the aviation community.

Risk: Retirement and succession are risks that CAA encounters. A significant issue is the CAA's inability to attract specialist aviation staff with international experience because of stiff recruitment competition overseas. As a result, there have been, and will continue to be times when the CAA does not have either the number or skill sets of experienced staff it needs. The CAA will continue to reflect the state of the aviation community with its own recruitment and retention problems, difficulty in coping with demanded changes in work practices, lack of resources and high workloads, and the impact of these on organisational commitment and effectiveness.

Mitigation: Personnel capability will be a top priority indicator in the CAA's Funding Review to better assess the current and future capability (including training requirements) that the CAA requires to meet its various obligations.

Links to CAA's organisational health and capability

4.2.4 International obligations

The effect of the current ICAO programme of universal safety oversight audit is expected to impact on the CAA in terms of the cost of support of the programme and in the cost of implementation of remedial actions. Changes to the CA Act 1990 reflect the Government's objective for the Authority to ensure that it engages fully and beneficially with international aviation responsibilities.

Risk: Recommendations of the ICAO universal safety oversight audit might require additional workload, workforce and expenditure which in the CAA are limited at the moment. If New Zealand civil aviation system and rules do not meet ICAO requirements, New Zealand will face limits (e.g. suspension of landing rights) on its aircraft operating into other States.

Mitigation: The CAA's Funding Review will evaluate the current and future status of the CAA, including the capability required in meeting the recommendations of the ICAO universal safety oversight audit.

Links to outcome 5: NZ obligations to international civil aviation agreements are met
Links to NZTS objective: "Assisting economic development"

5: Our Outputs
(Forecast Service Performance)

5.1 OUTPUT CLASS 1: POLICY ADVICE

5.1.1 Description

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

1. The administration of New Zealand's participation in ICAO and of New Zealand's compliance with the Chicago Convention and related protocols, annexes and standards relating to aviation safety and security which have been ratified by New Zealand.

2. The development and administration of bilateral aviation safety and security related agreements with the civil aviation safety regulatory authorities of other countries.

3. The provision of advice to Government on all aspects of civil aviation safety and security.

4. The development and review of civil aviation safety and security legislation.

5. Ministerial servicing, including ministerial correspondence, Parliamentary Questions, and reports to the Minister.

6. The CAA undertakes Rules Development services under contract to the MOT.

5.1.2 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 by:

1. keeping the Minister fully informed of the present state of the aviation participants in terms of safety and security levels and overall levels of operation, including developments within the aviation sector and the actual or potential impacts of these developments;

2. providing the Minister and other government agencies, particularly the MOT, with advice to allow government policies affecting aviation safety and security to be developed within the transport sector in a collaborative and informed manner;

3. keeping the Minister fully advised on the operation of the CAA and progress on the achievement of its statutory functions, including matters affecting or likely to affect operations or achievement of these functions; and

4. enabling the Minister to answer correspondence and queries, including Parliamentary Questions, on matters relating to aviation safety and the operation of the CAA.

The impacts and consequences of these policies is a CAA that is adequately funded and resourced to carry out its functions and provide value for money at charging levels that do not adversely affect the CAA's role in aviation safety and security.

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

•   the government's obligations in respect of international aviation safety and personal security agreements and protocols assigned to the CAA are developed and 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 the Rules Development services is to ensure that the provision of rules development services to the MOT contributes to the achievement of the CAA objectives as stipulated in the CA Act 1990 and to align the civil aviation system with the transport sector as set out in the NZTS.

5.1.3 Policy advice output class cost

The output class will be delivered within the following budgets (GST exclusive)

FISCAL YEAR	REVENUE	EXPENDITURE	SURPLUS / (DEFICIT)
2006/2007	$ 2,738,000	$ 2,738,000	$ 0.0

5.1.4 Policy advice outputs

OUTPUT 1.1: POLICY ADVICE				
MEASURES	DESCRIPTION		FORECAST FY 2005/06	STANDARD/ TARGET FY 2006/07
Quantity	1.	Draft responses to Ministerial correspondence (number)	20	20-50 estimated range
	2.	Provide reports and briefings to the Minister (number)	61	30-50 estimated range
	3.	Provide responses to Parliamentary Questions (number)	4	15-50 estimated range
	4.	Provide reports and responses to Select Committees (number)	4	4-8 estimated range
	5.	Provide responses on behalf of New Zealand to ICAO State letters on aviation safety and security matters (number)	Provided as required	As required
	6.	Provision of advice and comment on government policy initiatives that impact on the aviation community and travelling public or any matter connected with aviation.	Provided as required	As required (100% of the time)
	7.	Provide support and advice to the development or amendment of civil aviation related legislation, such as Civil Aviation Act 1990, Civil Aviation Charges Regulation 1991, Civil Aviation (Aeronautical Information Service) Levies Order 2001 and the Civil Aviation Safety Levies Order 2002.	Provided as required	As required (100% of the time)

	8. Review ICAO decisions notified to New Zealand, including amendments to Annexes, and file acceptances or differences as necessary.	Provided as required	As required (100% of the time)
	9. Liaison with other international civil aviation authorities on matters of mutual interests.	Provided as required	As required (100% of the time)
	10. Provide advice and representation in support of international agreements, projects and other forums.	Provided as required	As required (100% of the time)
	11. Promote the development of technical arrangements and agreements with other aviation authorities where this will have demonstrable benefits for the New Zealand aviation system.	Provided as required	As required (100% of the time)
Quality	12. Draft responses to Ministerial correspondence and to Parliamentary questions accepted by the Minister's advisers.	100%	Minimum of 95% acceptance
Timeliness	13. Completion of agreed programme set out in "Policy and International Work Programme".	85% completion	100% completion by due dates
	14. Percentage of draft replies to Parliamentary questions supplied within the required time frame.	100%	100% completed by due date
	15. Percentage of draft replies to Ministerial correspondence forwarded to the MOT within 10 working days of receipt by CAA.	100%	100% completed by due date

OUTPUT 1.2: RULES DEVELOPMENT		
MEASURES	DESCRIPTION	STANDARD / TARGET FY2006/07
Quantity, quality and timeliness measures of rules development output are determined by a separate contract between MOT and CAA	The Authority undertakes Rules Development services under a separate contract to the MOT. This includes: 1. Reviewing 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. 2. Research and development of appropriate safety standards. 3. Publishing notices of intention to make or amend ordinary rules. 4. Giving interested parties a reasonable time to make submissions on the proposed rules or amendments 5. Consulting with such persons as in each case are considered appropriate on the proposed rules or amendments. 6. Drafting and publishing rules and rule amendments required by the Minister.	Rules projects completed

OUTPUT CLASS 1: POLICY ADVICE POLICY AND INTERNATIONAL WORK PROGRAMME	TARGET DATE FOR COMPLETION
DESCRIPTION	
Policy input to rules programme – as required	2007
Airspace policy issues – stage 2	2007
Review of structure and content of key CAA safety policy documents	2007
Review of requirements for operator of Security Management Systems	2007
Drugs and Alcohol/ substance impairment, on – going policy work	2007
Policy support for CAA Funding Review	2007
Collection and use of safety information (This project has a number of elements such as Just Culture and responsibility of accident investigations, which are currently being addressed)	2007
Legislation Development Review of Civil Aviation Act 1990 – development of CAA proposals including: 1. Just Culture[2]; 2. threshold for proof of hire and reward operations; 3. review of Director's powers, and 4. other issues as required.	FY 2007-2009
ICAO Obligations	
ICAO audit – corrective actions implementation plan	2007
Implement decisions arising from review of ICAO obligations	FY 2007-2009
International Safety Agreements	
USA: Bilateral Aviation Safety Agreement (BASA) Maintenance Implementation Procedures (MIP) and Implementation Procedures for Airworthiness (IPA)	2007
Canada: Technical Arrangement	2007
Australia: Mutual Recognition project covering the acceptance of airline Air Operator Certificates	2007
Europe: Mutual recognition agreement / technical arrangement (design and production approvals)	2007
NZ representation on the council of the Pacific Aviation Safety Office (PASO)	FY 2007-2009
Oversight of safety support agreements with Pacific Island Countries	FY 2007-2009
Transport Sector Strategic Directions collaborative planning projects covering:	
1. Strategic transport futures	2007
2. Integrated approach to planning	2007
3. Research and information	2007
4. Cross-modal approach to safety	2007
5. Influencing demand for transport services	2007
6. Managing environmental and public health impacts	2007
7. Monitoring and evaluation	2007

[2] Refer to glossary for definition

5.1.5 Links to CAA strategic safety and security outcomes

Policy advice outputs are essential in the achievement of the following outcomes:

Outcome 1:   Aviation safety outcome target groups achieve their safety targets

Outcome 2:   Clients meet or exceed regulatory requirements

Outcome 3:   Available, accessible, and efficient usage of aviation data and information.

Outcome 5:   Meets New Zealand obligations to international civil aviation agreements

Outcome 6:   Well-informed stakeholders

5.2 OUTPUT CLASS 2: SAFETY ASSESSMENT AND CERTIFICATION

5.2.1 Description

Output Class 2, safety assessment and certification, covers the following outputs and associated activities and services:

1. Entry control – The 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).

2. Exit control – The exercise of control over exit from the civil aviation system through the amendment of aviation documents including the suspension, revocation or imposition of conditions on documents where such action is necessary in the interests of safety and security.

3. The monitoring of adherence to safety and security standards by participants in the civil aviation system including the carrying out or requiring of inspections and audits.

4. The identification and follow-up of corrective actions that need to be taken by participants and holders of aviation documents to ensure adherence to safety and security standards and compliance with the conditions of their documents.

5. The updating of entry, exit and monitoring information in the CAA database, including maintenance of the New Zealand Register of Aircraft.

6. The provision of information and advice to applicants for aviation documents and approvals, plus support and advice to participants to assist them achieve compliance with the Civil Aviation Rules.

7. The maintenance of an effective Field Safety Advisor presence.

8. The assessment of overseas information such as airworthiness directives and manufacturer's service information, and adaption in New Zealand if applicable.

9. The development and review of New Zealand airworthiness directives.

10. The assessment and approval of alternative means of compliance with airworthiness directives.

11. Pursuant to the CA Act 1990 and rule making procedures, the assessment of petitions for and the granting of exemptions from requirements prescribed in the Civil Aviation Rules.

12. The management of inspections and audits under the HSE 1992.

5.2.2 Impacts and consequences

The impacts and consequences of activities under this output are to minimise the risk of accident and incidents and their socio-economic effects, ensure combined compliance with civil aviation rules and standards, and improve overall performance within the context of the CAA legislative mandate. These include:

1. participants who wish to enter the civil aviation system comply with the required standards for the type of activities and operations concerned as set out in the civil aviation legislation and rules;

2. that when participants in the civil aviation system no longer meet the necessary standards or cease operations, they either retire voluntarily or be required to cease aviation activities for which they no longer meet the relevant standards;

3. certificated organisations are required to re-qualify for continued operation within the system after a period of 5 years to ensure appropriate standards are maintained;

4. regular monitoring of all persons, certificated organisations and equipment that have been allowed entry into the civil aviation system;

5. focus, where appropriate, on the management systems that control certificated organisations' day-to-day operations;

6. the identification of instances and areas of non-compliance and safety risk through data analysis, requiring consequent corrective action to be taken, and checking that it has been taken;

7. adjustment of surveillance methods, frequency and focus on the basis of data analysis to concentrate on problem areas or individuals;

8. the "exemption process" is expected to ensure that overall safety levels are maintained while any exemptions that may be granted are exercised. Information on the nature of exemptions requested and granted is expected to be used in the development and maintenance of civil aviation rules; and

9. work in the Health and Safety in Employment area is expected to mitigate safety and health risks for personnel employed in the aviation community.

5.2.3 Output class cost

The output class will be delivered within the following budgets (GST exclusive).

FISCAL YEAR	REVENUE	EXPENDITURE	SURPLUS / (DEFICIT)
2006/2007	$ 17,961,000	$ 19,930,000	-$ 1,969,000

5.2.4 Safety assessment and certification outputs

OUTPUT CLASS 2: SAFETY ASSESSMENT AND CERTIFICATION			
MEASURES	DESCRIPTION	FORECAST FY2005/06	STANDARD/TARGET FY2006/07
Quantity	AIRLINE SECTOR		
	16. Routine audits and inspections (number of hours)	6,500	4,000 hours
	17. Spot checks (number of hours)	0	200 hours
	18. Airworthiness directives to be developed and published (number)	293	120-150 estimated range
	19. Airline Certification work requests (number)	680	200-500 estimated range
	20. Aircraft Certification work requests (number)	900	800-1,000 estimated range
	21. Aircraft Registration work requests (number)	1,783	1,000-2,000 estimated range
	GENERAL AVIATION		
	22. Routine audits and inspections (number of hours)	3,450	5,450 hours
	23. Spot checks (number of hours)	1,564	2,320 hours
	24. Operator Certification work requests (number)	1,151	1,000-1,100 estimated range
	PERSONNEL LICENSING AND AVIATION SERVICES		
	25. Routine audits and inspections (number of hours)	1,464	1,014 hours
	26. Spot checks (number of hours)	159	150-200 hours estimated range
	27. Personnel licensing work requests (number)	4,950	2,500-3,000 estimated range
	28. Release General Directions for consultation (number)	4	4
	29. Petitions for rule exemptions processed – all sectors (number)	165	100-200 estimated range
	AVIATION COMMUNITY HEALTH AND SAFETY IN EMPLOYMENT		
	30. HSE inspections of selected clients (number)	8	60
	31. Provision of information and education to clients and stakeholders (number)	3	25
Quality (All Groups)	32. Internal audit findings related to the process of safety assessment and certification detected through the internal audit programme. (number)	n/a	Decreasing number – trend over time (new)
Timeliness	AIRLINE SECTOR		
	33. Percentage of scheduled audit and inspection modules completed by due date set in the audit programme.	75%	80% completed by due date
	GENERAL AVIATION		
	34. Percentage of scheduled audit and inspection modules completed by the due date set in the audit programme	80%	80% completed by due date
	PERSONNEL LICENSING AND AVIATION SERVICES		
	35. Percentage of scheduled audit and inspection modules completed by the due date set in the audit programme	70%	80% completed by due date
	AVIATION COMMUNITY HEALTH AND SAFETY IN EMPLOYMENT		
	36. Respond to HSE concerns, enquiries and complaints within 5 working days.	100%	100% completed by due date
	37. Respond to accidents within 2 working days	95%	80% completed by due date

5.2.5 Links to CAA strategic safety and security outcomes

Safety assessment and certification outputs are essential in the achievement
of the following outcomes:

Outcome 1:   Aviation safety outcome target groups achieve their safety targets

Outcome 2:   Clients meet or exceed regulatory requirements

Outcome 4:   Consistent application of regulatory tools

Outcome 5:   New Zealand obligations to international civil aviation agreements are met.

Outcome 6:   Well-informed stakeholders

5.3 OUTPUT CLASS 3: SAFETY ANALYSIS AND EDUCATION

5.3.1 Description

Output Class 3, safety analysis and education, covers the following outputs and activities:

1. The investigation and identification of causes to a civil aviation safety and security occurrences, received by way of occurrence information and complaints.

2. The publishing of feedback information to the industry in the form of accident briefs, defect summaries, and accident and incident trends.

3. The investigation and review of civil aviation accidents and incidents in accordance with the Authority's capacity as the responsible aviation safety authority (subject to the limitations stipulated in section 14, paragraph 3 of the Transport Accident Investigation Commission).

4. The notification to the Transport Accident Investigation Commission of accidents and incidents reported to the Authority in accordance with section 27 of the CA Act 1990.

5. 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.

6. Advice on the safety and security performance of the civil aviation system.

7. The assessment and solution to any problems that may arise regarding overseas information, aircraft reliability data and flight operations information.

8. The establishment of safety planning to clearly describe the CAA's intended safety and security actions and priorities.

9. The 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.

10. The provision and maintenance of an Internet web site.

11. The provision of information for the New Zealand Aeronautical Information Service.

5.3.2 Impacts and consequences

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

Work on the analysis of data on accident, injury and incident, trends, causal factors, aviation community safety and security levels and the results of the CAA's monitoring activities is intended to minimise the future risk of accidents or incidents and maximise compliance with civil aviation rules. The work will identify whether:

1. a greater focus is needed on the management systems that control certificated organisations' day-to-day operations;

2. civil aviation policies, rules and standards be adjusted to where data on trends, risk and causal factors indicate that this is necessary or desirable;

3. entry control and/or monitoring activities be adjusted to concentrate on problem areas or sectors, or be relaxed where appropriate;

4. surveillance and enforcement activities be targeted; and

5. specific safety programmes or research be initiated.

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 by:

1. increasing aviation community knowledge and understanding of civil aviation safety;

2. encouraging voluntary compliance with aviation safety standards and requirements through sound knowledge of the relevant legislation and rules, and their purpose;

3. targeting issues and sectors indicated as problems from the results of the CAA's monitoring activities, accident and incident trends, risk and causal factors, and enforcement activities;

4. encouraging compliance by publicising significant enforcement actions; and

5. assisting the public and persons within the aviation community and wider transport sector to make informed choices.

5.3.3 Output class cost

The output class will be delivered within the following budgets (GST exclusive):

FISCAL YEAR	REVENUE	EXPENDITURE	SURPLUS / (DEFICIT)
2006/2007	$ 4,962,000	$ 4,962,000	$ 0.0

5.3.4 Safety analysis and education outputs

OUTPUT 3.1: SAFETY INVESTIGATION			
MEASURES	DESCRIPTION	FORECAST FY2005/06	STANDARD/TARGET FY2006/07
Quantity	38. Number of investigations carried out	2,200	1,700 – 2,200 estimated range
Quality	39. Number of investigations closed that meet the specified accuracy and completeness requirements in CAA procedures.	94%	90% of all investigations closed
Timeliness	40. Percentage of all investigations of occurrences completed within 6 months of registration.	77%	70% completed by due date
	41. Percentages of all investigations of occurrences completed within 12 months of registration.	95%	90% completed by due date
	42. Percentages of all investigations of occurrences completed within 2 years of registration.	97%[3]	100% completed by due date

[3] Of the 146 investigations commenced in the two-year period beginning 1/2/2004, 4 remain open for longer than 2 years.

OUTPUT 3.2: SAFETY ANALYSIS			
MEASURES	DESCRIPTION	FORECAST FY2005/06	STANDARD/TARGET FY2006/07
Quantity	43. Number of Aviation Safety summary reports	4	4 quarterly reports
Quality	44. Accurate and robust analysis of safety data are used to draft recommendations for safety interventions (qualitative)	n/a	100% of the time (new)
Timeliness	45. Disseminated within 30 working days at the end of the quarter to which the report relates to	100%	100% completed by due date (new)

OUTPUT 3.3: SAFETY EDUCATION AND INFORMATION			
MEASURES	DESCRIPTION	FORECAST FY2005/06	STANDARD/ TARGET FY2006/07
Quantity	46. Number of Vector Periodicals released	6	Minimum of 6
	47. Number of CAA Safety Videos	2	2
	48. Number of Safety Seminars conducted	20	Minimum of 10
Quality	49. Feedback received during seminars conducted	n/a	Minimum of 30% positive feedback of total feedback received (new)
Timeliness	50. Vector periodicals released and safety seminars conducted by due date	100%	100% completed by due date

5.3.5 Links to CAA strategic safety and security outcomes

Safety analysis and education outputs are essential in the achievement of the following outcomes:

Outcome 1:   Aviation outcome safety target groups achieve their safety targets

Outcome 2:   Clients meet or exceed regulatory requirements

Outcome 3:   Available, accessible, and efficient usage of aviation data and information

Outcome 6:   Well-informed stakeholders

5.4 OUTPUT CLASS 4: ENFORCEMENT

5.4.1 Description

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

1.   the recording of public complaints of alleged or suspected offences;

2.   the investigation of all such allegations and others that is referred from other CAA Units; and

3.   the taking of appropriate action; such as the issue of a warning letter, the issue of an infringement offence notice, or the laying of information for a summary offence.

5.4.2 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 retroactive punitive action.

The Authority's primary concern is not to secure prosecution but to promote a high standard of aviation safety. However, where voluntary compliance is not forthcoming and/or other forms of corrective action do not produce a return to compliance or are not appropriate, enforcement action is necessary in the public interest.

The impacts and consequences of the Authority's enforcement activities are to:

1. encourage respect for both civil aviation legislation and rules, and the system by which these are administered;

2. ensure fair and consistent treatment of all participants in the civil aviation system by not allowing offenders to get away with non-compliance; and

3. deter future incidents of non-compliance.

5.4.3 Output class cost

The output class will be delivered within the following budgets (GST exclusive):

FISCAL YEAR	REVENUE	EXPENDITURE	SURPLUS / (DEFICIT)
2006/2007	$ 820,000	$ 820,000	$ 0.0

5.4.4 Enforcement outputs

OUTPUT CLASS 4: ENFORCEMENT			
MEASURE	DESCRIPTION	FORECAST FY2005/06	STANDARD/ TARGET FY2006/07
Quantity	51. Number of alleged offences reported / recorded	252	200-240 estimated range
	52. Number of detailed investigations undertaken	87	130-160 estimated range
Quality	53. Internal audit findings related to enforcement processes detected during internal audit. (number)	n/a	Decreasing number – trend over time (new)
Timeliness	54. Percentage of detailed investigations completed in the period within 6 months of commencement.	96%	90% completed by due date
	55. Percentage of detailed investigations completed in the period within 12 months of commencement.	100%	100% completed by due date

5.4.5 Links to CAA strategic safety and security outcomes

Enforcement outputs are essential in the achievement of:

Outcome 1:   Aviation outcome safety target groups achieve their safety targets

Outcome 2:   Clients meet or exceed regulatory requirements

Outcome 3:   Available, accessible, and efficient usage of aviation data and information

Outcome 4:   Consistent application of regulatory tools

6: Our organisational health and capability

6.1 OUR REQUIRED CAPABILITY

The CAA's SOI sets out the capability required of the CAA, however, it is important to note that the current capability profile is largely dependent on its current status. Notwithstanding this, the CAA endeavours to meet the changing demands placed on it by the aviation community, the government through legislative changes, and the eventual integration of the NZTS in areas covered by CAA legislation.

Over the long term the CAA expects that it will have to modify its capability package to best meet the expectations of its stakeholders.

Set out below is a brief list of the current capability of the CAA, a view on the possible line of development or change in that capability, and information on how the CAA intends to support such changes.

6.1.1 Our current capability profile

The CAA currently has an established staff of 183 full-time equivalents (FTE), with majority based in the CAA's head office at Petone. A few are working in Auckland and Christchurch and some are "on call" from their homes.

The CAA believes that the essence of success lies in its people undertaking their responsibilities with integrity and independence. It has a set of organisational values that guide management and staff reflecting its conventions of professionalism, skill, communication and service, the Government's expectations, the changing needs of the transport sector, and the manner in which the CAA wishes to add value to a sustainable transport future.

CAA has strengths such as:

1. The CAA is staffed by very experienced and professional people who have earned the aviation community's respect. Coupled with this are significant and advanced technical resources, preparedness of staff to implement progressive change and development, high staff commitment and clarity of purpose and passion at work. From these aspects alone there is every reason to expect the CAA to be successful in its endeavours.

2. The CAA has good support systems and its revenue from passenger levies, while not as robust as would be preferred, is expected to continue to deliver reasonable income.

3. Technical training systems have been implemented to ensure staff capability and technical competence increase. This is accompanied by a more "corporate" type training tailored for managers.

4. The CAA continues to have good business technologies and business systems.

5. The CAA is a very lean organisation; it does not have a heavy bureaucracy and is able to change quickly in response to changing circumstances. However, it can only do this within the confines of the current funding system.

6. As a regulator in civil aviation and a coordinator of inter-State oversight, the CAA is recognised as hitting well beyond its weight in various international aviation forums including ICAO.

Notwithstanding these very positive characteristics, the CAA continues to have some issues in maintaining its capability in the following areas:

1. The recruitment of suitably qualified and experienced aviation staff, usually from a very competitive global aviation market that offers higher salaries and benefits. Often the remuneration demanded creates significant equity issues with existing CAA staff undertaking comparable duties.

2. Currently staffing is adequate to cover safety critical work but there is insufficient resources to cover for the full training programme. This issue will be addressed during the fiscal year through the provision of more resources for training and through the Funding Review.

3. Due to aviation skill shortage, the implementation of business process change programmes can be undermined by the lack of people available to undertake the requisite tasks.

4. Of some significance is the difficulty the CAA has in managing the timeliness (e.g. there should be a rapid turn-around of documents among stakeholders) of the rules programme. The CAA is mindful of the cost of delay in terms of safety mitigation that these processes impose and continues to streamline the process.

6.1.2 Our capability development

As set out above, the CAA views its situation as one of steady state even though it retains some abilities to implement seasonal and contingent incremental change that may be required of it by aviation sector operational changes.

These contingent changes can be accommodated in most part, but occasionally they need the focus of resources to the detriment of other aspects of the CAA operations. As the aviation sector expands, the revenue base of the CAA increases. This generally allows the CAA to match the increased demand for regulatory oversight. However, when the aviation sector contracts, oversight obligations do not necessarily diminish but the revenue to carry out the oversight does.

As set out elsewhere in this SOI, the CAA will undertake a Funding Review that, among other issues, will consider how best to address this inverse relationship of revenue versus airline passenger activity. This project is also expected to assist in addressing the first three current capability issues listed in 6.1.1 (Our current capability).

Similarly, the pending requirement to undertake work in new (non safety and security) aviation sector areas defined in the NZTS will need to be scoped over the next few years. At this stage there is no real estimate of the capabilities required other than those set out in the TSSD Document.

The key future capability considerations for the CAA are:

1. People – qualified, trained, inducted and with updated technical skills;

2. Funding – adequate and scaleable funding sources to enable the CAA to complete all of its obligations;

3. Competency – ensuring the CAA as a whole is fit to meet its obligations in New Zealand and internationally; and

4. Risks – ensuring the CAA has the means to continue to manage its organisational and aviation sector critical uncertainties that will affect the delivery of its outcomes and outputs.

6.1.3 Our capability development projects

The CAA has a series of important Capability Development Projects that support the overall advancement of the organisation through contribution to the various strategic objectives and initiatives. While these projects are referred to in other parts of this document, they are summarised as follows:

PROJECTS	DESCRIPTION	EXPECTED IMPACT	TARGET DATE FOR COMPLETION
Surveillance Process	A project to develop and implement software and hardware that will • support the earlier phase that reviewed and revised surveillance policy and procedures; and • enhance the efficacy of the CAA's monitoring and surveillance functions.	New software, hardware and processes are expected to yield: • improvement of auditor productivity and effectiveness; • streamlining of process information both on and off-line; and • increased quality of information on audits and clients.	31 Oct 2006
Risk Assessment and Intervention	A project to develop systems and procedures for the establishment of client specific safety risk measuring methodologies.	A robust client specific risk evaluation methodology that provides decision information for management of the surveillance programme and development and implementation of specific safety risk interventions.	31 Oct 2006
Certification Policy and Procedures	A project to design, develop and implement systems and procedures to achieve a high level of entry certification standard that are consistent with CAA's delivery standards in the exercise of entry control functions.	Achieve a satisfactory solution in the exercise of entry control functions that: • are user friendly with improved automated solutions; • are new and benchmarked system and procedures that are rule-based; • are interfaced with the surveillance systems; and • can be managed and delivered with improved management and integrated quality assurance processes.	30 Jun 2007
Business Risk Management	A project to establish a new business risk management framework that clearly supports business risk management policies by establishing a process for identifying, assessing and monitoring operational business and strategic risk. The new BRMS is expected to meet the Risk Management Standard AS/NZ4360:2004.	Access to real-time computer based decision information for management covering: • the guided assessment of risk in terms of likelihood and consequence; • identification of mitigation options; and • identification of residual risk and its ongoing management.	30 Jun 2008

PROJECTS	DESCRIPTION	EXPECTED IMPACT	TARGET DATE FOR COMPLETION
Funding Review

(This review will involve consultation with stakeholders and MOT) | A project to:
• review the resources required by the CAA to fulfil its obligations; and
• identify the most viable and equitable options for funding the required resource capability. | The identification and implementation of a more robust and targeted funding system for the CAA to meet its defined obligations and strategic outcomes. | 30 Jun 2007 |
| IT Architecture Replacement | A project to replace the CAA's IT computing platform with a new architecture.

This project effectively encompasses the adoption of MS Office 2007 through participation in an MS Technology Adoption Programme and a Rapid Deployment Programme | Enhanced workflow management.

On and off-line synchronisation of content and workflow.

Enhanced document and records repository.

Implementation of lateral search across multiple repositories.

Implementation of business intelligence capabilities. | 31 Oct 2006 |
| ICAO Audit Follow Up | A project to implement remedial action following on from the March 2006 ICAO Universal Safety Oversight Audit of the CAA and associated parts of the civil aviation community. | Substantiated adherence by the CAA and the New Zealand civil aviation rules system to the technical Annexes of the Chicago Convention. | 30 Jun 2008 |

Note: Those collaborative and co-operative projects, set out in the TSSD document, that the CAA intends to enter into with other government transport agencies, are covered in section 5.1.4.

6.2 OUR ORGANISATION OUTCOME

| OBJECTIVE | To ensure that CAA is:
1. capable – we have the expertise we need to meet our obligations;
2. responsive – we meet the changing international and national environment;
3. forward-looking – we have the ability to have effective solutions that will improve civil aviation outcomes into the future;
4. credible – we have the credibility needed to earn the respect of the aviation participants;
5. consultative – we undertake dialogue and consultations with aviation participants;
6. evidence-based – we consider results of research, information gathered consultations required to make effective decisions; and
7. a good employer – we ensure that extra effort and performance of staff are recognised and rewarded appropriately. |
|---|---|
| OUTCOME | Effective and efficient organisation. |
| IMPACT ON NEW ZEALAND | Effective management and staff of the CAA create a safer and more secure civil aviation system. |
| INITIATIVES / WORK PLANS | 1. Regular review of resources that are focused on operations that will bring most progress toward the goals of the government and organisation.
2. Identify the optimal allocation of appropriate human resources required by the CAA's strategies and ensure good balance in terms of re-active core business and development initiatives.
3. The maintenance of practical business continuation plans and capability. |
| MEASURE | Outcomes, outputs and projects meet their targets within due dates. |
| TARGET | 100% completion and achievement of outcomes, outputs and projects within due date. |

6.3 OUR PEOPLE OUTCOME

OBJECTIVE	To ensure that in the CAA there is: 1. Collaboration and cooperation – Fostering energetic and innovative teamwork through a common ethos and mutual support within and outside the CAA. 2. Responsibility and accountability – Understanding, meeting and exceeding our obligations. Responsible for our actions. 3. Integrity – Respectful, open, honest, straightforward and reliable. 4. Fairness and consistency – Training everyone in a timely, fair and reasonable manner. 5. Enjoyment at work – Taking satisfaction from the work, celebrating success, recognised and rewarded.
OUTCOME	Effective and efficient CAA staff.
IMPACT ON NEW ZEALAND	Safer and more secure civil aviation system and enhanced reputation of CAA among external stakeholders.
INITIATIVES / WORK PLANS	1. The CAA will continue to develop leadership concepts and seek to have effective and pragmatic leadership demonstrated at all levels of the organisation. 2. The CAA will undertake human resource planning, including review of policies, procedures and staffing (to identify and prioritise staffing levels). 3. The CAA will ensure that its people undertake their responsibilities efficiently and effectively thus enhancing individual capacity. This will be achieved through good people management including: pro-active recruitment, performance appraisal, training, secondment within the aviation community and succession planning. 4. Introduction of Performance Development Agreements (PDA) in July 2006 which will include specific measurable goals and targets that are aligned to the CAA's strategic plan.
MEASURE	Percent completion of staff PDA beginning 2006-07.
TARGET	All (100%) Managers must complete a formal appraisal for their staff and provide initial feedback in accordance with the Performance Development System beginning fiscal year 2006-07 and annually thereafter. All (100%) employees will have their individual PDA completed in fiscal year 2006-07.

7: Our forecast financial statements

7.1 OUR FINANCIAL OUTCOME

OBJECTIVE	To ensure that the CAA has an appropriate level of taxpayer equity for the provision of resources and for the oversight or management of any significant unforeseen safety or security events.
OUTCOME	Efficient appropriation of taxpayer equity
IMPACT ON NEW ZEALAND	Enhanced reputation of the organisation in New Zealand and overseas as a good steward.
INITIATIVES / WORK PLANS	1. Continuous monitoring of financial budgets against actual revenues and expenses. 2. Forecast rolling at end of year.
MEASURE	Budgets against actual revenues and expenditures variance
TARGET	Actual financial expectations and performance indicators are within budgets or better.

7.2 OUR FINANCIAL NOTES

7.2.1 Statutory base

The CAA's financial statements are prepared in accordance with the requirements of section 41 of the Public finance Act 1989 and section 141 of the CEA 2004.

7.2.2 Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of an Auckland building.

7.2.3 Budget figures

- The forecast figures contained in this SOI are those approved by the Authority.

- The forecast financial statements in this SOI have been prepared in accordance with New Zealand's Generally Accepted Accounting Principles (NZ GAAP).

- However, from 1st July 2007, a new set of accounting standards will be used in New Zealand called the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). This means that the retrospective financial statements at the end of the financial years 2007/08 and 2008/09 will be written in accordance with the new Financial Reporting Standards (FRS) but the forecast statements in this document are written in accordance to the previous NZ GAAP standards.

- This SOI cannot comply with the FRS-42 to prepare the prospective statement according to the new standards because the full impact of the new standards (NZ IFRS) has not yet been fully identified and quantified.

7.2.4 Goods and Services Tax

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

7.2.5 Income Tax

The CAA is not required to pay income tax on its net surplus in terms of the Income Tax Act 1994 and accordingly no charge for income tax has been provided for.

7.2.6 Output costing

Criteria for Direct and Indirect Costs

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

Cost Drivers for Allocation of Indirect Costs

Indirect personnel, property and other occupancy costs are charged on the basis of budgeted staff numbers attributable to an output. Computer costs are charged on the basis of actual PCs in use. Depreciation and capital charges are charged on the basis of asset utilisation.

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

7.2.7 Revenue and expenditure

The CAA earns revenue from direct fees and charges and levy funding. Revenue is recognised when earned and is reported in the financial period to which it relates. Operating expenditure is recognised in the period to which it relates.

7.2.8 Financial instruments

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

7.2.9 Payment of any surplus to the crown

The CAA is specifically excluded from returning surpluses to the Crown under sec 165, Schedule 1 Part 1, of the CEA 2004. Any operating surpluses are utilised on ongoing aviation safety services and projects.

7.2.10 Cash reserves

The CAA's income is linked to passenger safety levies and fees and charges collected from aviation documents, certificates and licenses issued. The CAA has no cash reserves available to meet any negative short term alteration to its income streams.

7.2.11 Receivables

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

7.2.12 Employee entitlements

Provision is made in respect of the CAA's liability for annual leave, long service leave and retirement leave. Annual leave has been calculated on an actual entitlement basis at current rates of pay. Long service leave and retirement leave were calculated on an actuarial basis. The retirement leave valuation was calculated by Melville Jessup Weaver (Consulting Actuaries).

7.2.13 Fixed asset valuation

Fixed asset purchases are recorded at cost, and depreciated on a straight-line basis over their estimated useful lives. The minimum cost value for a purchase to be classified as a fixed asset is $2,000.

Buildings are stated at net current value as determined by an independent registered valuer as at 30 June 2004. Buildings are re-valued every three years. Additions between revaluations are recorded at cost.

Upward revaluations of buildings are credited to the appropriate asset revaluation reserve. Downward revaluations of these assets are debited to the appropriate asset revaluation reserve. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the Statement of Financial Performance.

7.2.14 Depreciation of fixed assets

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

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

ASSET CLASS	ESTIMATED LIFE	DEPRECIATION RATE
Buildings	10-14 years	10% - 7%
Furniture and fittings	10 years	10%
Plant and equipment	5-10 years	20% - 10%
Office equipment	5 years	20%
Motor vehicles	4-5 years	25% - 20%
Computer equipment	3 years	33%
Leased equipment	5 years	20%

7.2.15 Statement of cash flows

Cash means cash balances on hand held in bank accounts, demand deposits and other liquid investments in which the CAA invests as part of its day-to-day cash management.

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

Financing activities comprise the change in equity and debt capital structure of the CAA.

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

7.2.16 Leases

Operating leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal instalments over the period of the lease.

Financial leases

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

7.2.17 Changes in accounting policies

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

7.3 OUR FINANCIAL STATEMENTS

7.3.1 Output Costs and Revenue

OUTPUT COSTS AND REVENUE		BUDGET ($000, GST EXCLUSIVE)	
		2005/06 (forecast)	2006/07
1. POLICY ADVICE			
1.1 Policy Advice	Crown funding	1,320	1,320
	Fees and charges		
	Revenue Policy Advice	*1,320*	*1,320*
1.2 Rules Development	Fees and charges	1,418	1,418
	Levies		
	Revenue Rules Development	*1,418*	*1,418*
TOTAL REVENUE		2,738	2,738
1.1 Advice to Government	Total operating costs	1,320	1,320
1.2 Legislation and Standards Development	Total operating costs	1,286	1,418
TOTAL EXPENDITURE		*2,606*	*2,738*
SURPLUS / (DEFICIT)		*132*	

OUTPUT COSTS AND REVENUE		BUDGET ($000, GST EXCLUSIVE)	
		2005/06 (forecast)	2006/07
2. SAFETY ASSESSMENT AND CERTIFICATION			
2.1 Airlines	Fees and charges	2,554	1,833
	Levies	5,546	4,761
	Revenue Airlines	*8,100*	*6,594*
2.2 General Aviation	Fees and charges	474	757
	Levies	3,851	3,967
	Revenue General Aviation	*4,325*	*4,724*
2.3 Personnel Licensing and Aviation Services	Fees and charges	496	507
	Levies	5,530	5,696
	Revenue PLAS	*6,026*	*6,203*
2.4 Health & Safety in Aviation	Crown funding	440	440
	Total	*440*	*440*
TOTAL REVENUE		**18,891**	**17,961**
2.1 Airlines	Total operating costs	7,271	8,089
2.2 General Aviation	Total operating costs	4,824	4,969
2.3 Licensing and Aeronautical Services	Total operating costs	6,672	6,872
TOTAL EXPENDITURE		**18,767**	**19,930**
SURPLUS / (DEFICIT)		124	-1,969
3. SAFETY ANALYSIS AND EDUCATION			
3.1 Safety investigation	Levies	2,341	2,644
3.2 Safety analysis	Levies	610	661
3.3 Safety information and education	Levies	1,270	1,657
TOTAL REVENUE		**4,221**	**4,962**
3.1 Safety investigation	Total operating costs	2,341	2,644
3.2 Safety analysis	Total operating costs	610	661
3.3 Safety information and education	Total operating costs	1,270	1,657
TOTAL EXPENDITURE		**4,221**	**4,962**
SURPLUS / (DEFICIT)			
4. ENFORCEMENT			
4.1 Enforcement	Levies	787	820
4.1 Enforcement	Total operating costs	787	820
SURPLUS / (DEFICIT)			
TOTAL OUTPUTS	Crown funding	1,760	1,760
	Fees and charges	4,942	4,515
	Levies	19,935	20,206
	Interest	408	390
TOTAL REVENUE		**27,045**	**26,871**
TOTAL EXPENDITURE		**26,381**	**28,450**
SURPLUS / (DEFICIT)		664	-1,579

7.3.2 Statement of Projected Financial Performance

STATEMENT OF PROJECTED FINANCIAL PERFORMANCE	BUDGET ($000, GST EXCLUSIVE)	
	2005/06 (forecast)	2006/07
REVENUE		
Levies	19,935	20,206
Fees and charges – Rules Ministry	*1,418*	*1,418*
Fees and charges – Other	*3,524*	*3,097*
Total fees and charges	4,924	4,515
Crown funding	1,760	1,760
Interest	408	390
TOTAL REVENUE	**27,045**	**26,871**
EXPENSES		
Personnel	16,309	18,265
Travel	2,270	2,287
Consultants and professionals	950	1,183
Board safety projects	298	302
Safety information services	1,528	1,553
Other operating	1,268	1,158
Information technology	1,235	855
Rental and leasing	997	1,234
Authority member fees	104	104
Audit	43	33
Depreciation	805	850
Capital charge	574	626
TOTAL OUTPUT EXPENSES	**26,381**	**28,450**
NET SURPLUS / (DEFICIT) for distribution	**664**	**-1,579**

7.3.3 Statement of Projected Movement in Equity

STATEMENT OF PROJECTED MOVEMENT IN EQUITY	BUDGET ($000, GST EXCLUSIVE)	
	2005/06 (forecast)	2006/07
Net operating surplus (deficit)	**664**	-1,579
Revaluation reserve		
Total recognised this year	664	-1,579
Less: provision to pay surplus		
Movement for the year	664	-1,579
EQUITY AT THE START OF THE YEAR	**7,166**	**7,830**
EQUITY AT END OF THE YEAR	**7,830**	**6,251**

7.3.4 Statement of Projected Financial Position

STATEMENT OF PROJECTED FINANCIAL POSITION	BUDGET ($000, GST EXCLUSIVE)	
	2005/06 (forecast)	2006/07
CLOSING EQUITY	7,830	6,251
ASSETS		
Cash and bank balances	6,194	4,562
Debtors and receivables and advances	1,897	2,139
Prepayments	73	2
Work-in-progress	381	400
Debtor – Crown		
TOTAL CURRENT ASSETS	8,545	7,103
TOTAL NON-CURRENT ASSETS		
Physical assets	2,448	2,348
TOTAL ASSETS	10,993	9,451
LIABILITIES		
Creditors and payables	1,625	1,600
Capital charge payable		
Provision to repay surplus		
Other short-term liabilities	938	1,000
TOTAL CURRENT LIABILITIES	2,563	2,600
TOTAL LONG-TERM LIABILITIES	600	600
TOTAL LIABILITIES	3,163	3,200
NET ASSETS/LIABILITIES)	7,830	6,251

7.3.5 Statement of Projected Cash Flows

STATEMENT OF PROJECTED CASH FLOWS	BUDGET ($000, GST EXCLUSIVE)	
	2005/06 (forecast)	2006/07
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash provided from:		
Supply of outputs to Crown	1,760	1,760
Third party to Ministry	1,418	1,418
Third party to Others	3,511	3,149
Levy	20,356	19,964
Interest	408	390
Cash disbursed to:		
Cost of outputs – employees	14,305	15,793
Cost of outputs – suppliers	10,650	11,062
Payment of capital charge to the Crown	574	626
Net cash flows from operating activities	1,924	-800
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash provided from sale of fixed assets	8	
Cash disbursed to purchase fixed assets	871	750
Net cash flows from investing activities	-863	-750
CASH FLOWS 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		
Payment of interest on finance leases	82	82
Net cash flows from financing activities	-82	-82
Net increase (decrease) in cash held	979	-1,632
Opening total cash balances	5,215	6,194
CLOSING TOTAL CASH BALANCES	6,194	4,562

7.3.6 Financial Performance Indicators

FINANCIAL PERFORMANCE INDICATORS		BUDGET ($000, GST EXCLUSIVE)	
	Unit	2005/06 (forecast)	2006/07
WORKING CAPITAL			
Net current assets	$'000	5,982	4,503
Current ratio	:1	3.3	2.7
Average debtors outstanding	Days	35	35
Average creditors outstanding	Days	55	55
RESOURCE UTILISATION			
Physical assets:			
Physical assets at year-end (NBV)	$'000	2,448	2,348
Capital expenditure	$'000	871	750
Additions as percent (%) of physical assets	%	34%	31%
Physical assets as percent (%) of total assets	%	22%	25%
Taxpayers' funds:			
Taxpayers' funds at year-end	$'000	7,830	6,251
Taxpayers' funds as percent (%) of total assets	%	71%	66%

7.3.7 Reconciliation of Net Cash Flows

FINANCIAL PERFORMANCE INDICATORS	BUDGET ($000, GST EXCLUSIVE)	
	2005/06 (forecast)	2006/07
Surplus/(Deficit) from operating statement	664	-1,579
Add/(Deduct) non-cash items		
Depreciation	805	850
Loss/(Gain) in disposal of assets	-8	
Movement in fixed assets creditors		
Movement in financial liabilities	82	82
Movements in working capital		
Increase/(Decrease) in prepayments	-11	71
Increase/(Decrease) in work in progress	-2	-19
Increase/(Decrease) in debtors and receivables	429	-242
Increase/(Decrease) in debtor – Crown		
Increase/(Decrease) in creditors and payable	-101	-25
Increase/(Decrease) in capital charge		
Increase/(Decrease) in employee entitlement	66	62
Total movements in working capital	381	-153
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,924	-800

Aviation Security Service

Kaiwhakamaru Rererangi

STATEMENT OF INTENT

2006/07 – 2008/09

Aviation Security Service
Kaiwhakamaru Rererangi

CONTENTS

1: Our work, its nature and scope

1.1 OUR REGULATORY BACKGROUND, OBJECTIVE AND FUNCTIONS

1.1.1 Regulatory background

Aviation Security Service (Avsec) is a separate service of the Civil Aviation Authority of New Zealand (the Authority).[4]

The Authority was established under the Civil Aviation Act 1990 (CAA 1990) as a Crown Entity on 10 August 1992. It has a five member board, appointed for terms up to three years and it reports to the Minister of Transport.

Under the Crown Entities Act 2004 (CEA 2004), the Authority is designated a Crown Entity and is required to give effect to government policy when directed by the responsible Minister.

Avsec carries out the Authority's obligations to provide an aviation security service pursuant to the CAA 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.

The functions and duties of Avsec are set out in Section 80 of the CAA 1990 and are listed below.

In addition, the Maritime Security Act 2004 (MSA 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, Bill of Rights Act 1990 and the Maritime Security Act 2004.

[4] Section 72B (ca) of the Civil Aviation Act 1990.

1.1.2 Regulatory objective

The 2004 amendment of the CAA 1990 (Section 72AA) broadened the responsibilities of the Authority to support the achievement of the New Zealand Transport Strategy (NZTS) vision and objectives and to facilitate a more collaborative approach with other transport agencies. As stipulated in the amendment:

> *"The objective of the Authority is to undertake its safety, security and other functions in a way that contributes to the aim of* **achieving an integrated, safe, responsive and sustainable transport system"**

Avsec's planning framework clearly embraces this regulatory objective (refer Appendix 8.1, Avsec Planning Framework). Avsec's stated impacts and strategies are aligned to the NZTS vision and five objectives.

1.1.3 Ministerial involvement and expectation

Section 138 of the CEA 2004 enables the Minister to participate in the process of setting the organisation's medium-term intentions and undertakings. The Act also sets out the process for involving the Responsible Minister in the preparation of the organisation's Statement of Intent (SOI).

During the current business planning process, the Minister for Transport Safety has asked that the following be considered in the preparation of the 2006-2009 SOI:

- A robust set of performance indicators linked to the safety and security directional statement of the NZTS, with associated outcome indicators in the SOI that can be used to measure the impact of Avsec;

- Provision of quarterly reports to the Minister, reporting progress towards the 2006/07 performance targets;

- The ongoing support and assistance of Avsec in the development and implementation of the aviation security rules and regulations in the Aviation Security Bill; and

- Continued close interaction with the Ministry to ensure Avsec is achieving the "right balance" in assisting South Pacific countries to enhance their aviation security.

The Minister's expectations have been embraced in Avsec's annual business planning process and SOI for 2006-2009.

1.1.4 Organisation functions

The following are Avsec's duties and responsibilities (statutory and inferred):

- Carry out passenger and baggage screening of all international aircraft passenger services and domestic passenger services (aircraft of 90+ seats) and of such other services where the service or the screening is judged advisable by the Director and, where necessary, to undertake searches of passengers, baggage, cargo, aircraft, aerodromes, and navigation installations;

- Carry out aerodrome security patrols and patrols of navigation installations;

- Review, inquire into, and keep itself informed on security techniques, systems, devices, practices, and procedures related to the protection of civil aviation and persons employed in or using it;

- Undertake, encourage or supervise such experimental or research work in respect of any aspect of aviation security as the Director may specify;

- For the purpose of better carrying out any of its functions under the CAA 1990, to co-operate with the Police, Government Departments, airport authorities, operators, and authorities administering the airport security services of other countries, and with any appropriate international organisation;

- Provide security support services to the Police when requested by the Commissioner of Police, but only subject to the following conditions:

    i.   The Commissioner of Police is satisfied that the provision of those services to the New Zealand Police is necessary to carry out its security duties; and

    ii. Avsec is satisfied that the provision of those services to the New Zealand Police will not compromise aviation security.

- Co-operate with, or to provide advice to, any government agency or local government agency when requested to do so by the Minister, but only if the Minister and Avsec are satisfied that the performance of the functions and duties of Avsec will not be compromised;

- Exercise and perform such other functions and duties as may be conferred upon it by any enactment. (Section 80, CAA 1990);

- Perform the function of a Maritime Security Organisation in a high level threat situation at a New Zealand port.

In the performance of these functions Avsec shall also:

- Control access and prevent unauthorised entry to security areas on aerodromes and navigation installations and maintain a constant response to remove from such areas any unauthorised persons who enter therein, and maintain vigilance to ensure the security and safety of all persons using the aerodromes or navigation installations;

- Operate the National Airport Identity Card System and maintain the database pertaining to it;

- Carry out such other security services as may be requested by airline operators; and

- Collect evaluate and analyse information which may be potentially significant to aviation security planning.

1.2 OUR STAKEHOLDERS

Avsec is mindful that in undertaking its activities there are important stakeholders who have an interest in civil aviation safety and security:

- The Minister and Government who require good advice, value for money, support and contribution to achieving the NZTS objectives and development goals for the State Service sector and the comfort that Avsec fulfilling its statutory functions;

- The flying public who want safe and secure air transport;

- The public at large who want to have confidence in New Zealand civil aviation;

- Our employees who want meaningful employment;

- Commercial enterprises that depend on reliable and efficient air transport;

- The civil aviation community, which wants appropriate and equitable regulation and security services; and

- International organisations and State aviation authorities (especially those in the Pacific) who want responsible technical and regulatory interaction and assistance.
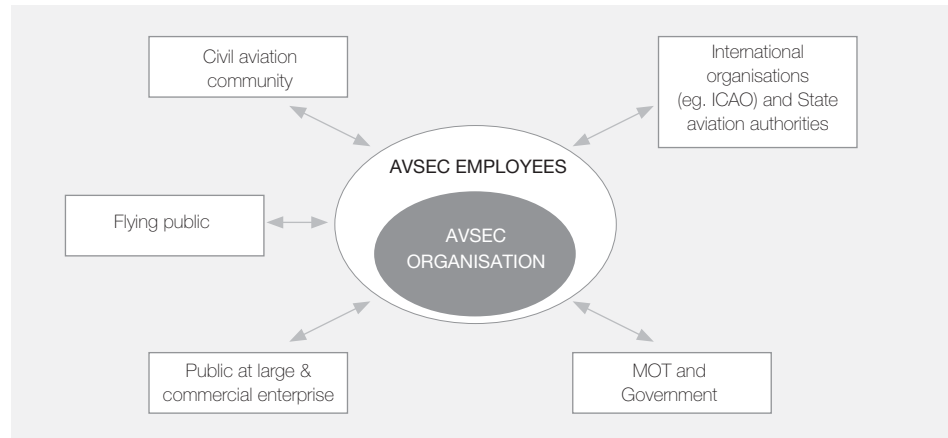
1.3 OUR VISION

The Aviation Security Service will be a recognised leader in the provision of aviation security expertise, with the capability to provide specialist security services to governments.

1.4 OUR MISSION

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

1.5 OUR IMPACTS[5]

- Avsec enhances economic growth, tourism and trade by providing a robust and effective aviation security system;

- Avsec ensures that the users of aviation security services are familiar with the cost of providing the service and that the levies are fair, reasonable and transparent;

- Avsec assists in ensuring the aviation security regime is aligned with international regulatory & treaty requirements;

- The aviation security sector is increasingly co-ordinated and resilient in terms of significant internal and external security events;

- Avsec action prevents acts of unlawful interference of aircraft at security designated airports and aviation installations;

- Avsec has a highly rated international reputation of providing New Zealand's aviation security system;

- Avsec activities reduce real and perceived aviation security risks for aviation;

- Avsec ensures the aviation security function facilitates lawful access by passengers, crew and airport staff to appropriate areas of the airport;

- Avsec applies best practice health and safety standards in the selection and operation of security equipment to protect public and staff health;

- Avsec activities contribute to reducing the negative impacts on the human and natural environments;

- Avsec is prepared for a pandemic response; and

- Avsec is recognised and respected for the value it adds to the transport sector.

[5] Appendix 8.1 shows how Avsec's strategies and proposed key business activities for 2006/07 are linked to Avsec's impacts.

1.6 OUR OPERATIONAL OBJECTIVES

- All departing international passengers and baggage will be screened at all international airports in New Zealand, to the standards laid down in the relevant legislation, regulations or rules;

- All departing domestic passengers and baggage will be screened at airports within New Zealand, where the passenger and baggage are travelling on aircraft with seats for 90 or more regular air passengers, to the standards laid down in the relevant legislation, regulations or rules;

- The security screening process will ensure that no unlawful interference takes place in-flight, while at the same time creating no flight delays or passenger complaints. Any complaints received will be handled in accordance with the Avsec's procedures;

- The provision of perimeter patrols at security designated aerodromes, together with aircraft guards and searches, will result in the prompt interception of persons unlawfully in security areas and an increased safety for the flying public; and

- By delegated authority from the Director of Civil Aviation, Avsec will issue Airport Identity Cards.
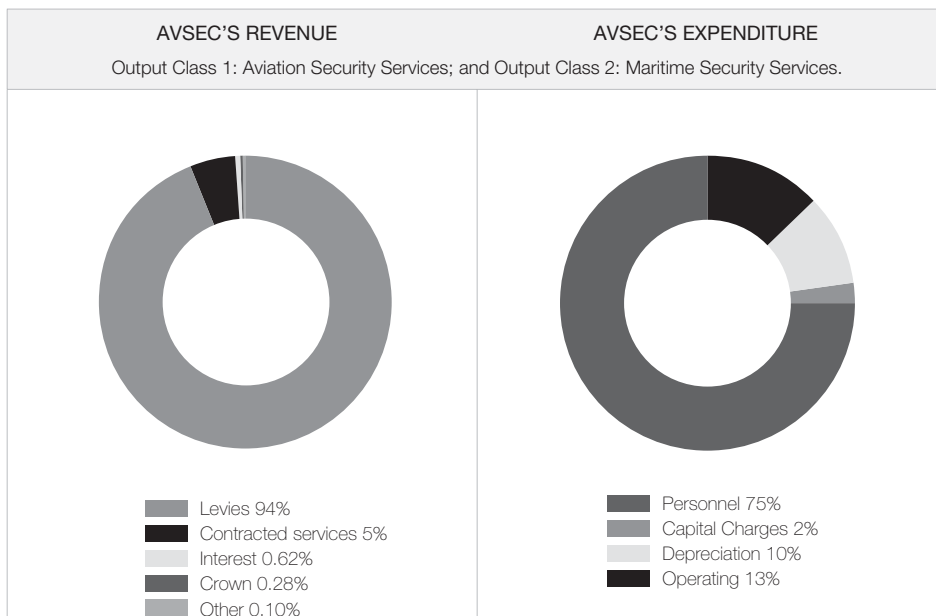
1.7 OUR ENABLING LEGISLATION

- Civil Aviation Act 1990 (including the Rules)

1.8 OUR FUNDING

OUTPUT CLASS	OUTPUTS	SOURCE OF FUNDING
Aviation security services	Prevention of in-flight security incidents; Prevention of airside security incidents; and Dangerous goods screening.	Regulated levies 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").

Avsec's Revenue and Expenditure 2006/2007 Budget:

AVSEC'S REVENUE	AVSEC'S EXPENDITURE
Output Class 1: Aviation Security Services; and Output Class 2: Maritime Security Services.	

Levies 94%
Contracted services 5%
Interest 0.62%
Crown 0.28%
Other 0.10%

Personnel 75%
Capital Charges 2%
Depreciation 10%
Operating 13%

1.9 OUR ALIGNMENT WITH THE NEW ZEALAND TRANSPORT STRATEGY

Avsec's strategic planning actively embraces the NZTS vision, and its five key objectives, and is also aligned to the established transport sector outcomes. In the current planning period Avsec's planning impacts are directly linked to the NZTS objectives as follows:

NZTS GOAL	AVSEC IMPACTS[6]
Assisting economic development	• Avsec enhances economic growth, tourism and trade by providing a robust and effective aviation security system; • Avsec ensures that the users of aviation security services are familiar with the cost of providing the service and that the levies are fair, reasonable and transparent; and • The aviation security sector is increasingly co-ordinated and resilient in terms of significant internal and external security events.
Assisting safety and personal security	• Avsec action prevents acts of unlawful interference of aircraft at security designated airports and aviation installations; • Avsec has a highly rated international reputation of providing New Zealand's aviation security system; and • Avsec activities reduce real and perceived aviation security risks for aviation.
Improving access and mobility	• Avsec ensures the aviation security function facilitates lawful access by passengers, crew and airport staff to appropriate areas of the airport.
Protecting and promoting public health	• Avsec applies best practice health and safety standards in the selection and operation of security equipment to protect pubic and staff health; and • Avsec is prepared for a pandemic response.
Ensuring environmental sustainability	• Avsec activities contribute to reduce negative impacts on the human and natural environments.

1.10 OUR ALIGNMENT WITH THE STATE SECTOR DEVELOPMENT GOALS

Avsec's organisational strategy reinforces the direction signalled by the State Sector Development Goals (SSDG) which focus on improving the overall performance of the State Service to ensure that the system serves the government of the day and meets the needs of New Zealanders.

The SSDG focus on how the State Sector will be arranged and perform. In particular they aim to attract, retain and foster high achievers; develop a strong knowledge culture; use technology to improve outcomes; encouraging co-ordination and shared accountabilities with other agencies; enhance responsiveness and effectiveness and to strengthen the public trust in the State Services.

Avsec's strategic goals are consistent with and are aligned to the aspirations of the SSDG.

[6] Appendix 8.1 shows how Avsec's strategies and proposed key business activities for 2006/07 are linked to Avsec's impacts/strategic objectives.

2: Our operating environment

2.1 INTERNATIONAL REGULATORY ENVIRONMENT

The International Civil Aviation Organisation (ICAO), the United Nations specialist aviation agency, has a significant impact on the development of aviation standards and practices within New Zealand. ICAO expects the 189 member States to adopt its standards and encourages them to adopt its recommended practices. New Zealand is a signatory to ICAO Annex 17 to the Chicago Convention – Standards of Recommended Practices – Security – Safeguarding Civil Aviation Against Acts of Unlawful Interference.

For New Zealand to continue to participate in international air transport it is essential that it meets the requirements imposed on States by Annex 17. The security obligations under the annex fall into three categories:

- Government administrative procedures, policy development, legislative and regulatory actions;

- Implementation of security procedures, practices and requirements by airline operators, airways service providers, cargo, courier and mail agencies and other involved sections of the industry; and

- Direct preventative measures, incident prevention and response, and legal enforcement action.

The mandatory and recommended practices set by ICAO are reflected in New Zealand's National Aviation Security Programme. Under this regime each contracting State is required to establish and implement a written national civil aviation security programme and make the appropriate parts of it available to all airports, aircraft operators and other entities with a role to play in the implementation of the programme.

The objective of the national civil aviation security programme is to protect the safety, regularity and efficiency of international civil aviation by providing, through regulations, practices and procedures, safeguards against acts of unlawful interference.

In addition, some States, such as the United States and Australia, set higher levels of security on airlines entering their airspace. This impacts on New Zealand, as additional security measures need to be conducted at airports from which flights to those destinations depart.

It is through the co-ordinated discharge of all the above obligations and requirements that Avsec safeguards civil aviation against acts of unlawful interference.

2.2 GLOBAL AVIATION SECURITY INDUSTRY

The events of September 11 2001, and their aftermath, continue to impact significantly on international and domestic aviation, both in terms of security and viability.

Substantial changes to international aviation security practices have already been implemented. However, to effectively detect and deter terrorism the aviation security industry must strive to remain several steps ahead of new terrorism trends and tactics and to adapt policies and procedures accordingly.

The aviation security industry must be strategic in its planning and it must also be proactive and responsive. It must be focused in undertaking its activities, yet flexible in devising and implementing operational measures that successfully address emerging security threats.

2.3 NEW ZEALAND AVIATION SECURITY INDUSTRY OPERATING ENVIRONMENT

Within New Zealand the responsibility for aviation security is shared between the New Zealand Police[7] and Avsec.

Avsec is responsible for undertaking a set of duties listed in Section 80 of the Civil Aviation Act 1990. These activities are mainly the screening of departing international passengers and their baggage for prohibited items, access controls, patrolling of the security-designated areas, and the searching of aircraft. Since 11 September 2001 Avsec has also screened domestic passengers and their baggage on aircraft of 90 seats or more.

Avsec earns revenue from regulated charges on airlines based on outgoing passenger numbers, charges for additional aviation security activities that are outside its core function, interest income and Crown funding for maritime security services.

Rule 140 of the Civil Aviation Rules and the National Aviation Security Programme are the two key domestic regulatory documents governing the activities of the Service.

Avsec enjoys a good client relationship with international airlines, airport companies, the Civil Aviation Authority, the Minister for Transport Safety, Police, Ministry of Transport, Customs, and significant overseas regulatory bodies such as the US Transportation Security Administration (TSA) and the Australian Department of Transport and Regional Services.

In recent years Avsec and the New Zealand model for the delivery of aviation security services has attracted considerable favourable international attention. Post 11 September 2001, Avsec is regularly requested by ICAO, the TSA and governments to provide information on its functions and processes and to provide advice on improving aviation security systems in other countries. Avsec is also represented at the APEC Expert Group on Aviation Security.

Avsec's high profile, and its interaction with international agencies and airlines, benefits New Zealand's management of its aviation security risks.

Looking forward, recent amendments to ICAO's Annex 17 have created new international standards that will impact on Avsec's functions and resources. These will include proportional screening of

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[7] The responsibility of the Police in the context of security of aviation is the prevention and detection of crimes, surveillance of persons who may be a threat to aviation, co-ordination of response activities, and command and control of major incidents and emergencies.

airport workers (screening and searching a proportion of people and items entering specific areas of a security designated airport) and administering an enhanced Airport Identity Card service.

Avsec is also planning for the potential introduction of cargo screening and for additional New Zealand airports commencing international flights.

2.3.1 Airlines and airports

Avsec functions in an increasingly complex and competitive airport and airline environment.

The increasing number of airlines, aircraft type, passenger numbers and flights to and from New Zealand, and the recent introduction of hold baggage screening, continues to create a fast-moving and very dynamic and sophisticated environment within which Avsec functions responsively and effectively.

Avsec will continue to deliver its overall services in a most cost effective and efficient manner and continue to consult with the airlines, particularly the Board of Airline Representatives in New Zealand (BARNZ), on plans regarding any proposed changes in the extent, quality and price of its services and developments in aviation security services in New Zealand.

Avsec currently operates out of eight New Zealand airports, seven of which have international flights. Domestic passenger screening measures are currently only applied to aircraft with 90 or more passenger seats.

Airports have had to adapt to accommodate the new or improved security arrangements and procedures at their individual locations. In many instances this has involved substantial capital expenditure by airport businesses on improving their physical configurations and enhancing their security arrangements.

Over the next three years it is anticipated that further changes to terminal infrastructure will be required at the seven international airports, and most metro airports, to accommodate the likely introduction of proportional screening of airport workers at designated airports and the developments in new and existing screening technologies.

Avsec will continue to foster its very close working relationship with airport owners in the changing aviation security environment.

2.3.2 Pacific activity

An element of Avsec's approach to the management of New Zealand's aviation security risks involves aviation security training and equipment provision services 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 the foreign aviation security agencies and airlines in the South Pacific region represents a very real threat to the management of New Zealand aviation security risk because of their proximity to New Zealand and direct links to New Zealand's three main airports.

The services provided by Avsec assist South Pacific countries to achieve compliance with the aviation security requirements set by regulators, particularly the TSA, CAA and the Australian Department of Transportation and Regional Services.

Avsec also makes a very useful contribution to ICAO and APEC initiatives in the Asia / Pacific region, usually in conjunction with the CAA and the Ministry of Transport. Avsec's Auckland training facility is

an approved ICAO, sub-regional aviation security training centre. Having ICAO training designation in Auckland complements and enhances Avsec training initiatives in the Pacific region.

Following a recent review of its Pacific programme, Avsec has decided, where practicable, to focus its future activities on capability building, for example, by enhancing its training role to provide sustainability and a longer term impact.

2.3.3 Maritime security

In 2002, the International Maritime Organisation, of which New Zealand is a member State, agreed to introduce a new maritime security regime, with effect from 1 July 2004. It was recognised that the international maritime industry was vulnerable to a terrorist incident that could have a major impact on particular countries. The impact on New Zealand is 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 and this provided scope for the Minister of Transport to designate Avsec as one of three Maritime Security Organisations along with NZ Customs and MAF.

2.3.4 Flying public

The flying public is one of Avsec's significant stakeholders. Travellers have a very high expectation of aviation safety and security commensurate with a clear expectation of ease of travel. Travellers are also generally very accommodating of a more active aviation security environment and this requires Avsec to be very customer focused in dealing with airline passengers. It is also essential for Avsec, in conjunction with the CAA, to communicate aviation security changes to the travelling public and the reasons for the changes.

This high public expectation also requires Avsec and its employees to maintain a very high standard of professionalism and discipline in its policies, procedures, quality management, training, responsiveness, adaptability and general focus.

For Avsec the prime focus is on departing passengers (international and domestic) and their baggage, as well as maintaining the overall security of airports and the aircraft using it. Airline timetables are a significant driver of the systems used by Avsec and other agencies as any delays caused by security or other border activities have the potential to impose significant costs on the airlines, as well as cause disruptions to their network timetables. Any changes to passenger facilitation and security systems must be mindful of this.

Avsec is also mindful that most of the cost of running the organisation is born by the airline industry, which in turn generally on-charges these costs to fare-paying passengers. This requires Avsec to operate a very cost efficient organisation without comprising a highly effective international aviation security service.

2.3.5 Commercial enterprises

Commercial enterprises are also significant stakeholders of Avsec. Businesses rely heavily on the aviation industry for the safe and reliable transportation of cargo, both domestically and internationally.

Avsec is mindful of the importance of ensuring departing aircraft are safe and secure and that the security service provided assists in ensuring that cargo arrives safely and promptly at its destination.

The service currently provided by Avsec might increase considerably in the near future with the expected increase in cargo screening requirements. Avsec is actively involved in scenario planning to meet the anticipated changes.

2.4 AVIATION SECURITY SERVICE OPERATING ENVIRONMENT

2.4.1 Organisation

Avsec's organisation structure (Refer Page 7) consists of a National Office in Wellington and regional operations at Auckland, Wellington and Christchurch International Airports and at Hamilton, Dunedin, Palmerston North, Queenstown and Rotorua Airports.

The following positions report to the General Manager:

- National Operations Manager;

- Regional Managers at Auckland, Wellington and Christchurch;

- Manager People;

- Chief Finance and Information Officer; and

- National Manager Government Relations.

Avsec's organisation structure is subject to regular review and as required, ongoing changes will continue to occur to accommodate future developments and growth of the organisation.

2.4.2 Quality management

Avsec applies the principles of Quality Management to its operations. Reflecting its commitment to quality management, Avsec has:

- Received certification to ISO 9001:2000 (the first aviation security organisation in the world to achieve this standard);

- Established a full internal audit capability within the organisation;

- Established a Quality Council[8];

- Developed an exposition document (Policy and Procedures Manual), which meets CAR140 requirements and is approved by the CAA;

- Established a system for reviewing and amending procedures; and

- Enhanced the quality function at regional level, through the impending appointment of Regional Quality Officers (RQOs).

This internal quality audit process in Avsec is recurrent and each year will involve at least two quality audits of each airport station and a quality audit of each National Office Management function. These audits are supplemented by the monthly audits undertaken by the RQOs at each airport location.

In mid 2006 Avsec was subject to an annual Verification New Zealand surveillance audit against the ISO specifications. In late 2006 ICAO will conduct an audit of the New Zealand aviation security system and Avsec's activities will be included in this audit.

The quality audit process, both internally and externally, is a significant factor in enhancing and strengthening Avsec's quality management system and preventing complacency in the way the organisation undertakes its business activities.

This quality culture is evident across a range of indicators, including the emphasis on human factors involving training and development, use of consistent standards, and the customer/stakeholder focus. Specific indicators to demonstrate the organisations quality culture are incorporated in Avsec's performance measures for 2006/07.

[8] Avsec's National Management team and Senior Operations Managers.

Although the quality culture is now well established within Avsec, the processes are subject to regular review and a continuous improvement philosophy is applied. A comprehensive review of Avsec's quality systems is currently in progress.

A priority over the 2006-2009 financial periods is to enhance the quality capacity of the organisation at regional level through the appointment of Regional Quality Officers who will deal with quality matters on a daily basis. It is also proposed to re-vamp the exposition document to make it more useable and also to clearly distinguish between policies and procedures.

2.4.3 Human resources

Avsec is committed to the development of capability that will continue to meet the expectations of multiple stakeholders.

This commitment is made in an increasingly complex, competitive and changing environment that has seen, since the events of September 11 2001 and the introduction of domestic and hold baggage screening, Avsec staff numbers increase from about 180 to 700 in mid 2006.

Since it's devolution from the Ministry of Transport in 1993, Avsec has continually improved its people management strategies and practice. In particular the current review of training[9] will provide Avsec with a platform, from which to greater align capability development to the strategic contribution that Avsec makes to the wider transport sector. The review will determine Avsec's training needs for approximately 700 staff based on identified competencies, survey current training provision and analyse the training gaps that may exist.

The attraction, development and retention of high performing staff within a culture that facilitates the transfer of knowledge has been identified as a priority, particularly for mitigating the acknowledged risk exposure when key staff are lost.

It is anticipated that within the financial years 2006-2009, Avsec staff numbers will again increase considerably to accommodate the additional functionality around cargo screening and additional airport security services.

The rapid staff increase to date has placed pressure on all facets of people management. Anticipated future growth in staff numbers will place still further expectations, and associated risks, on this resource. To counter the increased risk Avsec's planning strategies are very focused on capability development as outlined in Section 6.3.3 of this document.

Unions / contracts / collective agreements

In terms of union coverage, staff within the northern region are covered by the Public Service Association (PSA), the central region by the Engineers Union (EPMU) and the southern region by the National Union of Public Employees (NUPE). As at 31 March 2006 75% of Avsec's employees belong to unions.

Avsec has a Collective Agreement that covers aviation security officers, screeners, sergeants and receptionists. The current Avsec Collective Agreement is due to expire on 30 June 2006. Negotiations for a new Collective Agreement are underway, with the new agreement to run from 1 July 2006 to 30 June 2009.

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[9] The training review will be completed mid 2006.

Staff turnover

In the aftermath of bulk recruitment post September 11 2001, Avsec staff turnover increased substantially. This also impacted on the average staff service period, especially Auckland.

In 2005 the turnover rate across the organisation was around 12%, which was higher than desirable. This is expected to track downwards as Avsec's people management strategies are implemented.

2.4.4 Technology

The impacts of changes in technology for aviation security are continually reviewed, as is international best practice. During the past twelve months the major equipment focus related to the acquisition and implementation of Hold Baggage Screening (HBS)[10].

Over the next three financial years there is expected to be a focus on:

- Enhancements to computer based training systems;

- Implementation of electronic testing systems to assess screening performance;

- Additional systems to detect explosives; and

- Research and development of automated cabin baggage screening technology.

[10] X-ray equipment used to screen passenger luggage placed in the aircraft hold.

3: Our outcome and impact measures

3.1 OUR OUTCOME MEASURE

Avsec has one high-level outcome:

- To ensure Avsec's provision of the New Zealand aviation security function is world class and improves the safety of civil aviation.

Avsec's performance against this outcome will be assessed via a newly-developed benchmarking relationship with the Canadian Air Transport Security Authority (CATSA).

3.2 OUR IMPACT MEASURES

Avsec has three high-level safety and security impacts:

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

3.2.1 In-flight security incidents

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

3.2.2 Airside security incidents

Target:	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.
Impact Measure:	Number of airside security incidents.

3.2.3 Dangerous goods introduced into aircraft

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

4: Our organisational risks and mitigations

4.1 OUR RISK MANAGEMENT PROCESS

The identification and management of risk forms both an integral part of Avsec's day to day activities and a key component of the organisation's strategic and business planning processes.

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

Apart from assisting in the business planning process, the risk management plan also serves an important adjunct to the following:

- Annual external insurance review; and

- Various internal and external audits, undertaken each year on Avsec's processes, including the ISO accreditation reviews.

The objectives of the risk management programme are:

- Identification of all significant risks that the organisation is exposed to;

- Detailed analysis and evaluation of the risks and their impact on the organisation in the context of:

  - Operations

  - Financial

  - Compliance

  - Human resources

  - Public relations and

  - Technology;

- Assessment of the risk in terms of severity and likelihood;

- Identification of the options for managing the risk to mitigate loss and the implementation of risk mitigation plans; and

- Identification of the residual risk and determining if this risk is to be managed in the normal course of business.

4.2 OUR EXTERNAL RISKS

High severity external risk areas to which Avsec is exposed include:

- Legislative or regulatory changes that increase the security activities to be undertaken by Avsec; and

- Decline in passenger numbers caused by national disaster, recession, pandemic or disinclination to travel due to terrorist activity;

4.3 OUR INTERNAL RISKS

High severity internal risk areas to which Avsec is exposed include:

- Failure of a contingency or business continuity plan;

- Failure of operating procedures or an operating event that results in a loss of stakeholder confidence in the organisation;

- Regulatory and rule non-compliance or non-conformance;

- Essential equipment failure; and

- Loss of key staff, staff recruitment and retention issues.

4.4 MANAGING FOR RISK

Avsec's strategic planning process for 2006-2009 is very risk focused, with impacts and outcomes concentrated on risk mitigation.

Key risk mitigation strategies adopted by the organisation in its current planning process include:

- Development of scenario and contingency planning and risk management and readiness planning;

- Ensuring the consistent application of risk management principles in accordance with the regulatory framework;

- Development of people with skills and capability to deliver Avsec's responsibilities;

- Ensuring Avsec people are trained and competent to deliver our business to a consistently high standard, including the proposed implementation of results from the current training review;

- Continued compliance with legislative requirements and international aviation safety and security standards;

- Ongoing development and improvement to the organisation's quality management system, documented policies and procedures, and internal audit processes;

- Development of an implementation strategy around the forthcoming cargo rule and a contingency scenario for full cargo screening;

- Contributing to Government legislation and rules activities;

- Contributing to international fora, as appropriate, and as required by Government; and

- Continuing to provide aviation security support, training and advice to the South Pacific.

Avsec's risk management process involves the identification of a range of options for treating the risk, assessing those options, followed by the preparation and implementation of mitigation programmes.

In some instances major risk protection is provided by the organisation's comprehensive external insurance regime. In many instances however it is necessary for the organisation to acknowledge that following the risk treatment process there will be residual risk that has to be managed in the "normal course of business".

The following tables show the forecast performance measures and targets that have been selected for each output for the 2006-2007 financial year. The tables also show the forecast revenue and expenses in providing the output classes and each output.

The selected performance measures and standards will be reported on in the end of year Statement of Service Performance in the Annual Report, and they will be subject to audit. Other aviation security activities will continue to be reported on in the regular quarterly reports to the Minister, as required.

5: Our outputs and forecast service performance

5.1 OUR 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 passengers).

5.2 OUR OUTPUT CLASS BUDGETS

Avsec's two Output Classes will be delivered within budget for the 2006-2009 financial years ($000 GST exclusive).

FINANCIAL YEARS	OUTPUT CLASS 1: Aviation Security Services			OUTPUT CLASS 2: Maritime Security Services		
	REVENUE	COSTS	SURPLUS (DEFICIT)	REVENUE	COSTS	SURPLUS (DEFICIT)
2006-2007	50,326	49,660	666	145	145	–
2007-2008	51,045	51,021	24	145	145	–
2008-2009	51,836	51,667	169	145	145	–

5.3 OUR OUTPUTS

Avsec has three Outputs:

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

5.4 OUR OUTPUT BUDGETS

The three Outputs will be delivered within the following budgets for the 2006-2007 financial year ($000 GST exclusive);

BUDGET 2006-2007	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	784	1,743	–	2,527
Levies	47,799	–	–	47,799
Total revenue	48,583	1,743	145	50,471
Output expenses	38,350	*11,310	145	49,805
Output surplus/(deficit)	$10,233	($9,567)	$nil	$666

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

5.5 OUR OUTPUT PERFORMANCE MEASURES

The performance measures and targets selected for each output for the 2006-2007 financial year are:

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

PERFORMANCE MEASURE 2006-2007		TARGET MEASURES
GENERAL PERFORMANCE MEASURES		
1.	Forecast numbers of screened international passengers.	4,347,000
2.	Forecast numbers of screened domestic passengers on aircraft of 90+ seats.	4,944,000
3.	Percentage of international hold baggage screened.	100%
4.	Number of verified unauthorised or prohibited items discovered post screening points (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 (system failure).	Nil
WAITING TIME PERFORMANCE MEASURES		
8.	Average passenger wait times at international 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 5 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 10 minutes

PERFORMANCE MEASURE 2006-2007		TARGET MEASURES
TRAINING AND TESTING PERFORMANCE MEASURES		
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 (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		
14	Number of complaints against Aviation Security Officers involved in the screening function (includes 'free riders').[11]	No more than one formal complaint per 250,000 passengers.
15.	Number of 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

5.5.2 Output (b): Prevention of airside security incidents

PERFORMANCE MEASURE 2006-2007		TARGET MEASURES
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 5 minutes of being requested.	100%
3.	Forecast number of Airport Identity Cards issued:	
	Permanent: 7,500	7,500 (+/- 5%)
	Temporary: 42,000	42,000 (+/- 5%)
4.	Percentage compliance by Aviation Identity Cardholders per CAA Rule 19.357.[12]	100%

5.5.3 Output (c): Maritime security

PERFORMANCE MEASURE 2006-2007		TARGET MEASURES
1.	Percentage of Avsec responses within 4 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.	100%

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

[12] CAA Rule 19.237 sets out the requirement for which Airport Identity Cards are required to be worn in a designated security area.

6: Our organisational health and capability

6.1 OUR PEOPLE

Avsec has experienced a significant increase in staff over recent years as it embarked on new aviation security measures. This growth has tested the organisations resources and in particular its ability to recruit and retain personnel in a competitive market, especially in Auckland. The organisation has responded proactively to these issues over the last twelve months, including the following action and initiatives:

- Appointment of a major recruitment agency using bulk recruitment techniques;

- Adopting a different approach to recruitment advertising;

- Introduction of psychometric testing for screeners and officers into the bulk recruitment process;

- Providing remuneration parity with employees in like agencies;

- Review of the organisation structure to facilitate improved efficiencies, communications, responsibilities and accountabilities; and

- Commencement of a review of the organisations training processes.

The 'people' side of the business will continue to be a major focus of attention over the coming years as Avsec continues to develop leadership concepts and seeks to have pragmatic leadership demonstrated at all levels of the organisation. This will require proactive and strategic planning to meet further anticipated growth with the introduction of new aviation security measures.

Avsec is committed to ensuring its people undertake their responsibilities in a professional, disciplined and efficient manner, enhancing individual capacity. This will be achieved through good people management including:

- Proactive recruitment;

- Ongoing development of people with skills and capability;

- Performance appraisal;

- Implementation of results arising from Avsec's training review;

- Ongoing training;

- Succession planning and internal promotion and advancement; and

- Implementation of improved and effective communication across the organisation.

6.2 OUR INTERNAL KNOWLEDGE MANAGEMENT

As a key player in the international aviation security sector, Avsec has developed a wealth of industry knowledge and information. This knowledge is either explicit knowledge, in that it is recorded and retrievable, or tacit knowledge represented by experience, interest or understanding.

Tacit knowledge requires special management attention to ensure it survives and remains with the organisation when an employee leaves. This knowledge is an integral part of the organisation's intellectual capital and is a fundamental driver in ensuring the effectiveness of Avsec in achieving its goals and satisfying the expectations of stakeholders.

Avsec is also mindful, that as a transport Crown Entity, it is part of a sector that is developing an integrated transport sector approach to information management under the NZTS. This is to ensure that information sharing and access to information are efficient, cost effective, and secure.

Avsec is committed to ensuring that its management and information systems continue to meet the changing knowledge needs of the organisation by pursuing the following initiatives:

- Fostering an environment where people are encouraged to create and impart knowledge across the organisation and to mentor newly recruited employees in their work activities. This fostering of this "on-the-job" culture will be supplemented by specialised internal training courses and recurrent testing;

- Implementation of Avsec's communication strategy across the organisation and the sector;

- Continued development of Business Information Systems, Intranet and Website systems; and

- Investigating new technologies and processes for disseminating and sharing knowledge.

6.3 OUR REQUIRED CAPABILITY

Capability refers to the combination of leadership, people, culture, relationships, processes, technology, finance resources, physical assets and the other structures required to deliver outputs and achieve the goals that have been set.

Recent rapid changes in the aviation operational environment have resulted in considerable expansion of Avsec's mandate and operations, in a very short period of time. It has also resulted in a significant increase in stakeholder expectation of the organisation.

Meeting these expectations, in many instances, has necessitated a very demanding response in meeting stringent international and regulatory deadlines, without compromising safety and security, and ensuring that the organisation is in conformance with its regulatory and rule requirements.

It is also acknowledged that the rapid change is likely to continue in the foreseeable future as the international aviation and aviation security sectors act proactively in anticipating and countering future terrorism threats.

Meeting stakeholder expectations also requires a longer-term, strategic and proactive view of Avsec's role, environment and delivery capabilities, to maximise its contribution to Government's desired outcomes.

The following summarises Avsec's current capability, discusses the implications of recent organisational growth and outlines the organisations capability development:

6.3.1 Current capability

Areas where Avsec has well-developed capabilities include:

- Skilled and professionally focused board, management and workforce;

- 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;

- An organisation structure that is lean, responsive, accessible and with clearly defined responsibilities and reporting lines;

- Highly rated quality systems and procedures that are subject to stringent 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;

- State of the art aviation security equipment and technology and a very effective and well managed explosive detector dog unit;

- Developed and highly rated staff training facilities and programmes;

- Established international and local engagement with other enforcement agencies;

- Strong operational relationships with a significant number of the organisations key stakeholders; and

- Increased policy engagement with government agencies and other Crown organisations.

6.3.2 Recent organisational growth

Avsec's functions have increased considerably over the last three years, particularly with the implementation of hold baggage screening and domestic screening. This has resulted in more than a trebling of staff to around 700 in mid 2006.

This rapid growth has tested the organisation's capability in several areas but mainly around issues related to staff resourcing: of employment and remuneration;

- Slippage in some administrative procedures due to the urgency and focus in implementing the new security projects;

- Implementation of new and upgraded systems and procedures to meet the changes in the organisations activities.

6.3.3 Capability development

Avsec's changed operating environment and its rapid growth over recent years means that it must continue to develop its capability as an organisation to deliver on increased stakeholder expectations.

This development process is recognised in the organisations development strategy, not only over the three year time frame of this SOI but for at least the next decade.

The development process also embraces the vision and key objectives of the NZTS and the overarching goal and six development goals for the State Sector.

This process requires lateral and strategic thinking and a proactive stance to anticipate new aviation security measures that may be required in the future. This generally results in contingency planning to facilitate their implementation if and when required.

Strategies being developed by Avsec to enhance the organisation's long term capability, and to contribute effectively to the transport sector, include:

- People: Development of people with skills capability to deliver Avsec's responsibilities;

- Training: Implement the results of Avsec's training review, with particular attention to front line management;

- Communication & stakeholder relationships: Development of Avsec's communication strategy across the organisation and the sector;

- Risk management: Ensure the consistent application of risk management principles in accordance with the regulatory framework; and

- Planning: To think and plan strategically and collaboratively in order to maximise results from available resources.

Avsec will be providing a general commentary in its quarterly reporting statements on its organisational health and progress in developing strategies to enhance long term capability.

7: Our forecast financial statements

7.1 Our Output Costs & Revenue

OUTPUT CLASS STATEMENT 7.1.1 CLASS: AVIATION SECURITY SERVICES *GST EXCLUSIVE*	FORECAST 2005/06 $000	BUDGET 2006/07 $000
REVENUE		
Levies	40,523	47,799
Contracted Services	3,773	2,527
Total Revenue	44,296	50,326
Expenses	46,099	49,660
SURPLUS/(DEFICIT)	(1,803)	666

OUTPUT CLASS STATEMENT 7.1.2 CLASS: MARITIME SECURITY SERVICES *GST EXCLUSIVE*	FORECAST 2005/06 $000	BUDGET 2006/07 $000
REVENUE		
Crown	145	145
Total Revenue	145	145
Expenses	145	145
SURPLUS/(DEFICIT)	–	–

7.2 Statement of Projected Financial Performance

STATEMENT OF PROJECTED FINANCIAL PERFORMANCE	FORECAST 2005/06	BUDGET 2006/07
GST EXCLUSIVE	$000	$000
REVENUE		
Levies	40,523	47,799
Contracted Services	3,773	2,527
Crown	145	145
Interest	1,100	540
Gain/(Loss) on Assets	160	50
Total Revenue	**45,701**	**51,061**
EXPENDITURE		
Personnel Costs	35,457	37,463
Other Operating Costs	5,992	5,309
Depreciation	3,243	4,987
Capital Charge	1,594	1,224
Rental Property & Equipment	1,130	1,312
Authority Members' Costs	56	65
Bad Debts	–	–
Audit Fee	32	35
Total Expenditure	**47,504**	**50,395**
NET SURPLUS/(DEFICIT)	**(1,803)**	**666**

7.3 Statement of Projected Movement in Equity

STATEMENT OF PROJECTED MOVEMENT IN EQUITY	FORECAST 2005/06	BUDGET 2006/07
GST EXCLUSIVE	$000	$000
Net Operating Surplus/(Deficit)	(1,803)	666
Revaluation Reserve	–	–
Total Recognised for the Year	**(1,803)**	**666**
Capital Injection/(Repayment)	(3,639)	–
Provision for Payment of Surplus	–	–
Total Movement for the Year	**(5,442)**	**666**
Equity at Start of Year	**20,745**	**15,303**
EQUITY AT END OF YEAR	**15,303**	**15,969**

7.4 Statement of Projected Financial Position

STATEMENT OF PROJECTED FINANCIAL POSITION	FORECAST 2005/06 $000	BUDGET 2006/07 $000
EQUITY	**15,303**	**15,969**
Represented By:		
ASSETS		
Current Assets		
Cash and Bank	8,478	9,179
Receivables	3,129	3,839
Inventory	35	40
Prepayments	167	180
Total Current Assets	**11,809**	**13,238**
Non-Current Assets		
Physical assets	18,414	15,827
Total Assets	**30,223**	**29,065**
LIABILITIES		
Current Liabilities		
Payables	1,492	1,442
Current Portion of Term Liabilities	2,420	2,614
Total Current Liabilities	**3,912**	**4,056**
Provisions		
Employee Entitlements	2,654	3,000
Total Current Liabilities	**6,566**	**7,056**
Non-Current Liabilities		
Term Liabilities	6,854	4,240
Employee Entitlements	1,500	1,800
Total Non-Current Liabilities	**8,354**	**6,040**
Total Liabilities	**14,920**	**13,096**
NET ASSETS	**15,303**	**15,969**

7.5 Statement of Projected Cash Flows

STATEMENT OF PROJECTED NET CASH FLOWS	FORECAST 2005/06 $000	BUDGET 2006/07 $000
CASH FLOW FROM OPERATING ACTIVITIES		
Cash was provided from:		
Levies	40,585	46,989
Contracted Services	3,773	2,527
Crown	145	145
Interest	1,268	550
Net Goods & Services Tax	48	84
	45,819	50,295
Cash was applied to:		
Payment to Employees	32,676	35,061
Payment to Suppliers	9,750	7,889
Interest Paid	212	650
Payment of Capital Charge to Crown	1,594	1,224
	44,232	44,824
Net Cash Flow from Operating Activities	**1,587**	**5,471**
CASH FLOW FROM INVESTING ACTIVITIES		
Cash was provided from:		
Sale of Fixed Assets	160	50
Cash was applied to:		
Purchase of Fixed Assets	13,607	2,400
Net Cash Flow from Investing Activities	**(13,447)**	**(2,350)**
CASH FLOW FROM FINANCING ACTIVITIES		
Cash was provided from:		
Capital Contribution from the Crown	10,000	–
External Financing of Assets	11,639	–
	21,639	–
Cash was applied to:		
Repayment of Capital to the Crown	13,639	–
Repayment of Borrowing	1,401	2,420
Payment of Surplus to the Crown	–	–
	15,040	2,420
Net Cash Flow from Financing Activities	**6,599**	**(2,420)**
Increase/(Decrease) in Cash	(5,261)	701
Opening Cash Balances	13,739	8,478
CLOSING CASH BALANCE	**8,478**	**9,179**

7.6 Financial Performance Indicators

FINANCIAL PERFORMANCE INDICATORS	UNIT	FORECAST 2005/06	BUDGET 2006/07
Working Capital			
Net Working Capital	$000	5,243	6,182
Current Ratio	Ratio: 1	1.80	1.88
Average Age of Debtors	Days	28	30
Average Age of Creditors	Days	40	40
Resource Utilisation			
Physical Assets at Year End	$000	18,414	15,827
Capital Expenditure	$000	13,617	2,400
Capital Expenditure as % NBV	%	74%	15%
Physical Assets as % Total Assets	%	61%	54%
Taxpayers Funds			
Taxpayers Funds at Year End	$000	15,303	15,969
Taxpayers Funds as % Total Assets	%	51%	55%

7.7 Forecast Statements of Memorandum Accounts

MEMORANDUM ACCOUNT 7.7.1 INTERNATIONAL PASSENGER LEVY GST EXCLUSIVE	FORECAST 2005/06 $000	BUDGET 2006/07 $000
Revenue	25,722	32,110
Expenses	28,261	32,105
Surplus/(Deficit)	(2,539)	5
Opening Balance	4,658	2,119
CLOSING BALANCE	**2,119**	**2,124**

MEMORANDUM ACCOUNT 7.7.2 DOMESTIC PASSENGER LEVY GST EXCLUSIVE	FORECAST 2005/06 $000	BUDGET 2006/07 $000
Revenue	14,801	15,689
Expenses	13,902	15,491
Surplus/(Deficit)	899	198
Opening Balance	(1,462)	(563)
CLOSING BALANCE	**(563)**	**(365)**

MEMORANDUM ACCOUNT 7.7.3 CONTRACTED SERVICES GST EXCLUSIVE	FORECAST 2005/06 $000	BUDGET 2006/07 $000
Revenue	3,773	2,527
Expenses	3,936	2,064
Surplus/(Deficit)	(163)	463
Opening Balance	(773)	(936)
CLOSING BALANCE	**(936)**	**(473)**

MEMORANDUM ACCOUNT 7.7.4 CROWN REVENUE GST EXCLUSIVE	FORECAST 2005/06 $000	BUDGET 2006/07 $000
Revenue	145	145
Expenses	145	145
Surplus/(Deficit)	–	–
Opening Balance	–	–
CLOSING BALANCE	**–**	**–**

MEMORANDUM ACCOUNT TOTAL MEMORANDUM ACCOUNTS GST EXCLUSIVE	FORECAST 2005/06 $000	BUDGET 2006/07 $000
Revenue	44,441	50,471
Expenses	46,244	49,805
Surplus/(Deficit)	(1,803)	666
Opening Balance	2,423	620
CLOSING BALANCE	**620**	**1,286**

7.8 OUR FINANCIAL NOTES

Statement of accounting policies

Reporting Entity

Aviation Security Service is a service of 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 vision.

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

Statutory Base

Avsec's financial statements are prepared in accordance with the requirements of Section 41 of the Public Finance Act 1989 and Section 141 of the Crown Entities Act 2004.

Measurement Base

The financial statements have been prepared on an historical cost basis, modified by the revaluation of an Auckland building.

Accounting Policies

The following specific 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 2006/09 are those approved by the Board of Avsec.

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

However, from 1 July 2007 a new set of accounting standards will be used in New Zealand called the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). This means that the retrospective financial statements at the end of the financial years 2007/08 and 2008/09 will be written in accordance with the new Financial Reporting Standards but the prospective (forecast) statements in this document are written according to the previous standards (NZ GAAP).

This Statement of Intent cannot comply with the FRS-42 to prepare the prospective statements in this Statement of Intent according to the new standards because the full impact of the new standards (NZ IFRS) has not yet been fully identified and quantified.

Goods and Service Tax

All items in the financial statements are shown exclusive of Goods and Service Tax, except receivables and payables, which are GST inclusive. Net GST receivable or payable at balance date is included in receivables or payables as applicable.

Income Tax

Avsec is not required to pay income tax on any net surplus in terms of the Income Tax Act 1994 and accordingly no charge for income tax has been provided for.

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 in an economically feasible manner with a specific output.

Cost Drivers for Allocation if Indirect Costs

Indirect personnel, property and other occupancy costs are charged on the basis of budgeted staff numbers attributable to an output. Computer costs are charged on the basis of actual PC's in use. Depreciation and capital charges are charged on the basis of asset utilisation.

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

Revenue and Expenditure

Avsec earns revenue from regulated levies on airlines based on outgoing passenger numbers (international) and sectors travelled by passengers (domestic), charges for additional aviation security activities that are outside its core function, interest income and Crown funding.

Revenue is recognised when earned and is reported in the financial period to which it relates. Operating expenditure is recognised in the period to which it relates.

Financial Instruments

Avsec is party to financial instruments as part of its everyday operations. These financial instruments include cash and bank balances, short term deposits, accounts receivable and accounts payable. Investments are stated at the lower of cost or net realisable value. All revenue and expenditure relating to financial instruments is recognised in the Statement of Financial Performance.

Payment of Any Surplus to the Crown

The Authority (includes Avsec) is specifically excluded from returning surpluses to the Crown under Section 165 of the Crown Entities Act 2004. Any operating surpluses are utilised on ongoing aviation security services and projects.

Cash Reserves

Avsec's income is principally linked to departing international and domestic passengers. This income stream will be affected by any significant change in passenger travel. Avsec has cash reserves available of $5 million to meet any negative short term alteration to income streams.

Receivables

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

Employee Entitlements

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

Annual leave has been calculated on an actual entitlement basis at current rates of remuneration. Long service leave and retirement leave have been calculated on an actuarial basis, based on the present value of future expected entitlements. Retirement leave is valued by consulting actuaries.

Fixed Asset Valuation

Fixed asset purchases are recorded at cost, and depreciated on a straight-line basis over their estimated useful lives. The minimum cost value for a purchase to be classified as a fixed asset is $2,000.

A building in Auckland is stated at net current value as determined by an independent registered valuer as at 30 June 2004. The building is re-valued every three years. Additions between revaluations are recorded at cost.

Changes in the revaluations of the building are recorded in the appropriate asset revaluation reserve. Where this results in a debit balance in the asset revaluation reserve the balance is expensed in the statement of financial performance.

Depreciation of Fixed Assets

Depreciation is calculated on a straight-line basis at rates that will write off the cost of the assets over their estimated useful lives. The useful lives and associated depreciation rates used in these statements are as follows.

ASSET CLASS	ESTIMATED LIFE	DEPRECIATION RATE
Buildings	10-14 years	10% - 7%
Leasehold improvements	Life of the lease	–
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%

Statement of Cash Flows

Cash means cash balances on hand held in bank accounts, demand deposits and other liquid investments in which Avsec invests as part of its day-to-day cash management. All demand deposits are held with a trading banks registered in New Zealand.

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

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

Financing activities comprise changes in the in the equity and debt capital structure of Avsec.

Leases

Operating Leases
Avsec leases office premises and office equipment. As all the risks of ownership are retained by the lessor, these leases are classified as operating leases. Operating leases are charged as expenses in the period in which they are incurred.

Finance Leases
Avsec has entered into finance leases for security screening equipment. Leases which effectively transfer all the risks and benefits incident to ownership of the leased items to the lessee are classified as finance leases.

These leases are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and the corresponding lease liabilities are recognised in the statement of financial position. The leased assets are depreciated over the shorter of the lease term and its useful life.

Changes in Accounting Policies

All accounting policies have been applied on a basis consistent with those reported in previous periods.

Assumptions and Financial Notes

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

Levies Revenue

The increase in levies revenue for 2006/07 is skewed, due to the impact of airlines being granted a credit for security charges during 2005/06 (on airline tickets prepaid prior to 16 June 2005 for travel commencing from 16 June 2005).

Contracted Services Revenue

The overall decrease in revenue for 2006/07 reflects the change in emphasis of Pacific Island activity (In 2005/06 the revenue stream reflected the substantial activity involving the implementation of HBS in several Pacific Islands, whereas the focus for 2006/07 is predominantly on enhancing aviation security training in the Pacific).

The decrease also reflects the reduced gate screening that will be required at Auckland International airport during 2006/07, as a result of the recent segregation of arriving and departing passengers.

Personnel Costs

An allowance has been made in 2006/07 personnel costs for the expected increases in staff numbers and expected remuneration increases.

Operating Surpluses

The forecast surpluses are minimal. Operating surpluses are utilised on ongoing aviation security services and projects.

Capital Repayment

A capital repayment to the Crown of $13.639 million is forecast for the period to 30 June 2006. $11.639 million relates to the repayment of capital, resulting from the subsequent leasing of the Hold Baggage Screening equipment. A further $2 million is scheduled to be repaid due to the lower than anticipated 2005/06 operating deficit. No further capital repayments are provided for during the 2006-2009 financial periods.

AVSEC OUTPUT CLASSES: Aviation Security Services & Maritime Security Services

AVSEC MISSION: Avsec is a recognised leader in the provision of aviation security expertise with the capability to provide specialist services to government's.

AREA OF FOCUS: Implementing the New Zealand Transport Strategy (NZTS). / Supporting leadership and organisational capability

GOALS / OBJECTIVES	TRANSPORT SECTOR OUTCOMES	AVSEC IMPACTS	AVSEC STRATEGIES	AVSEC KEY BUSINESS PLAN ACTIVITY FOR 2006-2007
(A) ASSISTING ECONOMIC DEVELOPMENT.	1. There is increasing integration of growth and development with transport.	i. Avsec enhances economic growth, tourism and trade by providing a robust and effective aviation security system.	A1. Develop an implementation strategy around the forthcoming cargo rule and a contingency scenario for full cargo screening.	1. Develop scenario plans for: (a) Cargo rule. (b) Full cargo screening by Avsec.
	2. Transport users increasingly understand and meet the costs they create.	ii. Avsec ensures that the users of aviation security services are familiar with the cost of providing the service and that the levies are fair, reasonable and transparent.	A2. Document and improve on current processes for the transparent setting of Avsec charges including the industry consultation process.	2. Formalise process for determining and setting regulated charges.
	3. New Zealand's transport system is improving its international and domestic linkages including intermodal transfers	iii. Avsec assists ensuring the aviation security regime is aligned with international regulatory and treaty requirements	A3. Contribute to and implement government legislation and rules.	3. Implement enhanced background checking processes for Airport Identity Cards, perpending legislation. 4. Develop an implementation plan for proportional screening of airport workers, perpending legislation.
			A4. Contribute to international fora as appropriate and as required by government.	
	4. The transport system is improving its ability to recover quickly and effectively from adverse events.	iv. The aviation security sector is increasingly co-ordinated and resilient in terms of significant internal and external security events.	A5. Develop scenario and contingency planning, risk management and readiness planning.	5. Develop scenario plans for: a) 100% screening of airport workers b) New regional airport activity. c) Full screening of all domestic commercial flights 6. Review and develop Avsec's role as a Maritime Security Organisation.
(B) ASSISTING SAFETY AND PERSONAL SECURITY	1. New Zealand transport system is increasingly safe and secure.	i. Avsec action prevents acts of unlawful interference of aircraft at security designated airports and aviation installations.	B1. Research and inquire into new and developing aviation security systems and equipment.	7. Implement current Pacific projects and develop new projects/activities as appropriate.
			B2. Develop a broader aviation security strategy for Avsec activity in the Pacific.	8. Develop strategy to underpin the prioritised implementation of the Training Review. 9. Cascade strategy into policy, planning and practice.
			B3. Ensure that Avsec people are trained and competent to deliver our business.	
		ii. Avsec has a highly rated international reputation of providing New Zealand's aviation security system.	B4. Maintain and implement NZ compliance with international aviation safety and security standards.	10. Develop an implementation plan for the proportional screening of airport workers perpending legislation.
			B5. Build and communicate awareness of NZ's aviation security activities and system.	11. Implement Avsec communication strategy 12. Implement aviation security benchmarking against the Canadian Air Transport Security Authority
		iii. Avsec activities reduce real and perceived aviation security risks for aviation.	B6. Develop scenario planning, risk management and readiness planning.	13. Develop scenario plans (see 5 above) 14. Review and develop Avsec's role as a Maritime Security organisation.
(C) IMPROVING ACCESS AND MOBILITY	1. The transport system is increasingly providing affordable and reliable community access	i. Avsec ensures the aviation security function facilitates lawful access by passengers, crew and airport staff to appropriate areas of the airport.	C1. Assist ease of transport for all.	
(D) PROTECTING AND PROMOTING PUBLIC HEALTH	1. Transport is reducing its negative impacts in the terms of fatalities, injuries and harm to health.	i. Avsec applies best practice health and safety standards in the selection and operation of security equipment to protect public and staff health.	D1. Ensure equipment is healthy for Avsec staff and the travelling public.	
		ii. Avsec is prepared for a pandemic response	D2. Contribute to whole government planning.	15. Plan and implement (if needed) Avsec's part of any emergency response
(E) ENSURING ENVIRONMENTAL SUSTAINABILITY	1. Transport is reducing its negative impacts on the human and natural environments.	i. Avsec activities contribute to reducing the negative impacts on the human and natural environments	E1. Emission outcomes are factored into Avsec fleet and equipment purchasing.	16. Review Avsec's fleet purchasing options
			E2. Avsec activities contribute to aircraft On Time Performance thereby assisting fuel, terminal and traffic efficiencies	17. Continue working with other government departments and industry on the Standard Processing Time project
	2. Transport system is actively moving towards reducing the use of non-renewable resources and facilitating their replacement with renewable resources.			
(F) CONTRIBUTING TO EFFECTIVE TRANSPORT SECTOR COLLABORATION		i. Avsec is recognised and respected for the value it adds to the transport sector	F1. **People** Develop people with skills and capability to deliver Avsec's responsibilities.	18. Develop and implement people management strategies based on a future paced competency framework. 19. Develop an HRMIS that captures all human resources activity.
			F2. **Training** Implement the results of Avsec's training review, with particular attention to frontline management.	20. Develop strategies to underpin the prioritised implementation of the Training Review 21. Cascade strategy into policy, planning and practice.
			F3. **Communication & stakeholder relationships** Develop a communication strategy across the organisation and the sector.	22. Implement Avsec's communication strategy across the organisation and the sector.
			F4. **Risk management** Ensure the consistent application of risk management principles in accordance with the regulatory framework.	
			F5. **Planning** Think and plan strategically & collaboratively in order to maximise results from available resources.	