



STATEMENT OF INTENT

FY 2007/08 - 2009/10



// CIVIL AVIATION AUTHORITY
OF NEW ZEALAND

TE MANA RERERANGI TUMATANUI O AOTEAROA



Prepared in accordance with section 139 of the Crown Entities Act 2004.

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AUTHORITY'S FOREWORD

The Civil Aviation Authority of New Zealand 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 certain infrastructure provided*.

In particular, the Authority establishes and monitors civil aviation safety and security standards, investigates accidents and incidents, promotes safety and security, and provides aviation security services for international and domestic air operations including airport security passenger and baggage screening.

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

This Statement of Intent is aligned to the key objectives of the New Zealand Transport Strategy (NZTS), the Government's transport sector theme of economic transformation and embraces the State Sector Development Goals (SSDG). The document sets out a strategic direction and planned course of action for CAA in the next three financial years.

CIVIL AVIATION AUTHORITY (CAA)

The CAA has faced many organisational challenges through FY2006/07. There has been a change of management structure implemented with a number of new people joining both the Authority and the CAA Executive. These changes resulted partially

from recommendations of an independent review of the CAA's capability completed in two phases over FY 2006/07, and partially as a result of staff retirements, and the completion of Authority appointments.

We are confident that the organisation will continue to respond quickly and positively to the recommendations of the Capability and Resources Review and concomitant expectations of the Authority, using the current window of opportunity to implement the operational and capability changes required.

Ultimately, it remains the intention of everyone in the CAA to ensure New Zealand continues to have one of the best performing aviation safety systems in the world.

In pursuing this goal we know from our safety outcome measures that there are smaller parts of the aviation community that are, or have recently been, underperforming from a safety perspective. These parts include medium aeroplane operations, sport aviation transport operations, "other commercial aeroplanes", agricultural aeroplane operations, and private aeroplane, helicopter, and sport aircraft operations. This document sets out how it is intended to focus CAA efforts on those parts of the aviation community with fluctuating or lesser performance.

Notwithstanding this special focus, the CAA will continue to 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 ensuring they know what to expect from the CAA.

In the international context the CAA will continue to work to ensure that New Zealand meets its international aviation regulatory and compliance obligations, most particularly ensuring that the findings of the ICAO Universal Safety Oversight and Universal Security Audit recommendations' corrective actions are implemented as soon as practicable. Where it can, the CAA will also continue with its efforts in the South Pacific by supporting aviation's safety and security in the region. This work is becoming increasingly important with a large part of international air traffic to and from New Zealand passing through the region and depending on aeronautical services from the constituent States.

The CAA will continue to operate in an environment of increased demand putting more pressure on the financial resources needed to maintain current capability provision, and response. To finance that basic level of operation the CAA will make use of its currently positive equity position over the next three financial years with a small deficit of \$214k expected in FY 2007/08.



RICK BETTLE
Chairman



ERROL MILLAR
Deputy Chairman, CAA



DARRYLL PARK
Deputy Chairman, Avsec



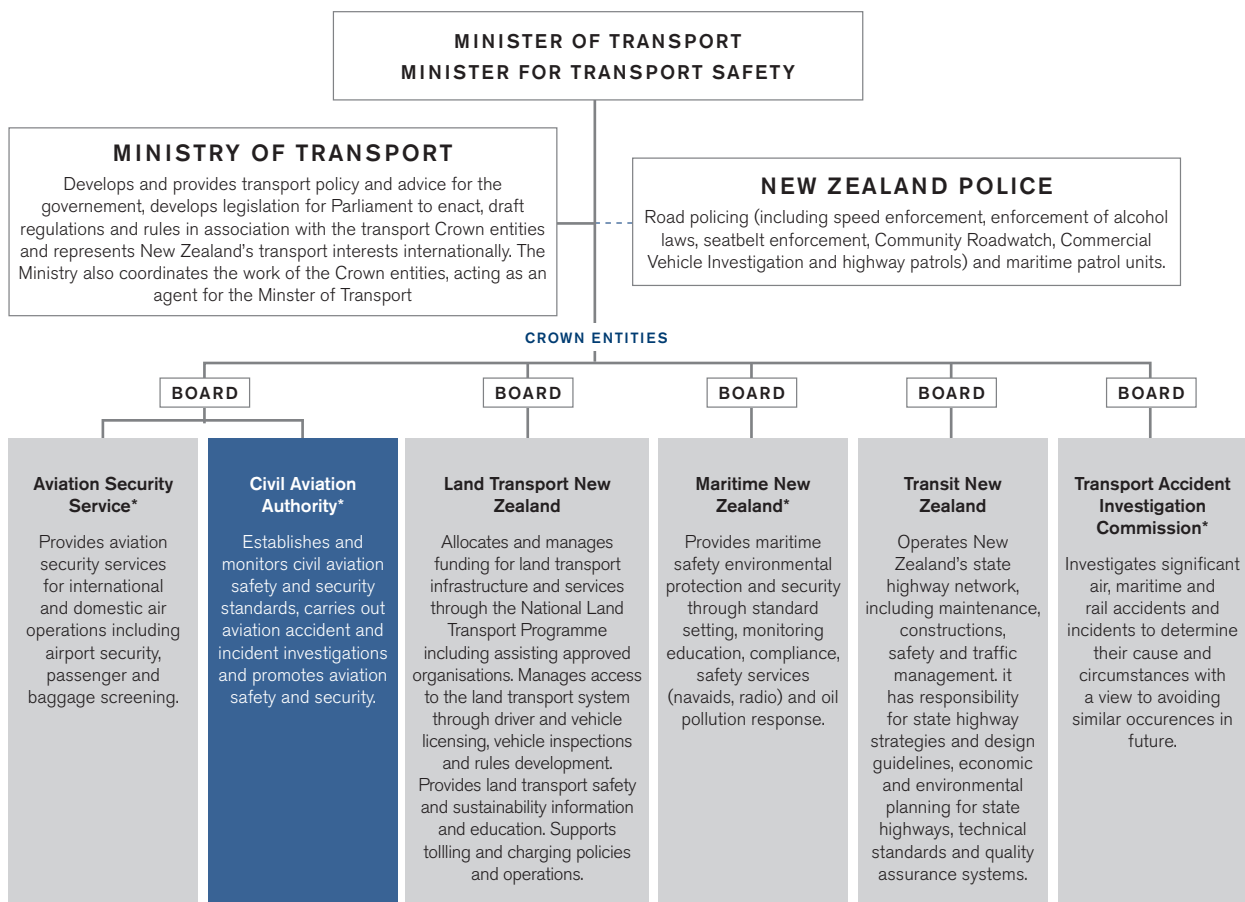
SUSAN HUGHES
Authority Member



ROSS CRAWFORD
Authority Member

THE NEW ZEALAND TRANSPORT SECTOR

The New Zealand government transport sector comprises of the Minister of Transport, the Minister for Transport Safety, the Associate Minister 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.



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/Piopirotahi 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.

THE AUTHORITY

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:

Rick Bettle

Chairman

Errol Millar

Deputy Chairman, CAA

Darryll Park

Deputy Chairman, Avsec

Susan Hughes

Authority Member

Ross Crawford

Authority Member

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 respectively the functions of the CAA organisation and Avsec.

Steve Douglas

Director of Civil Aviation

Mark Everitt

General Manager of Aviation Security Service

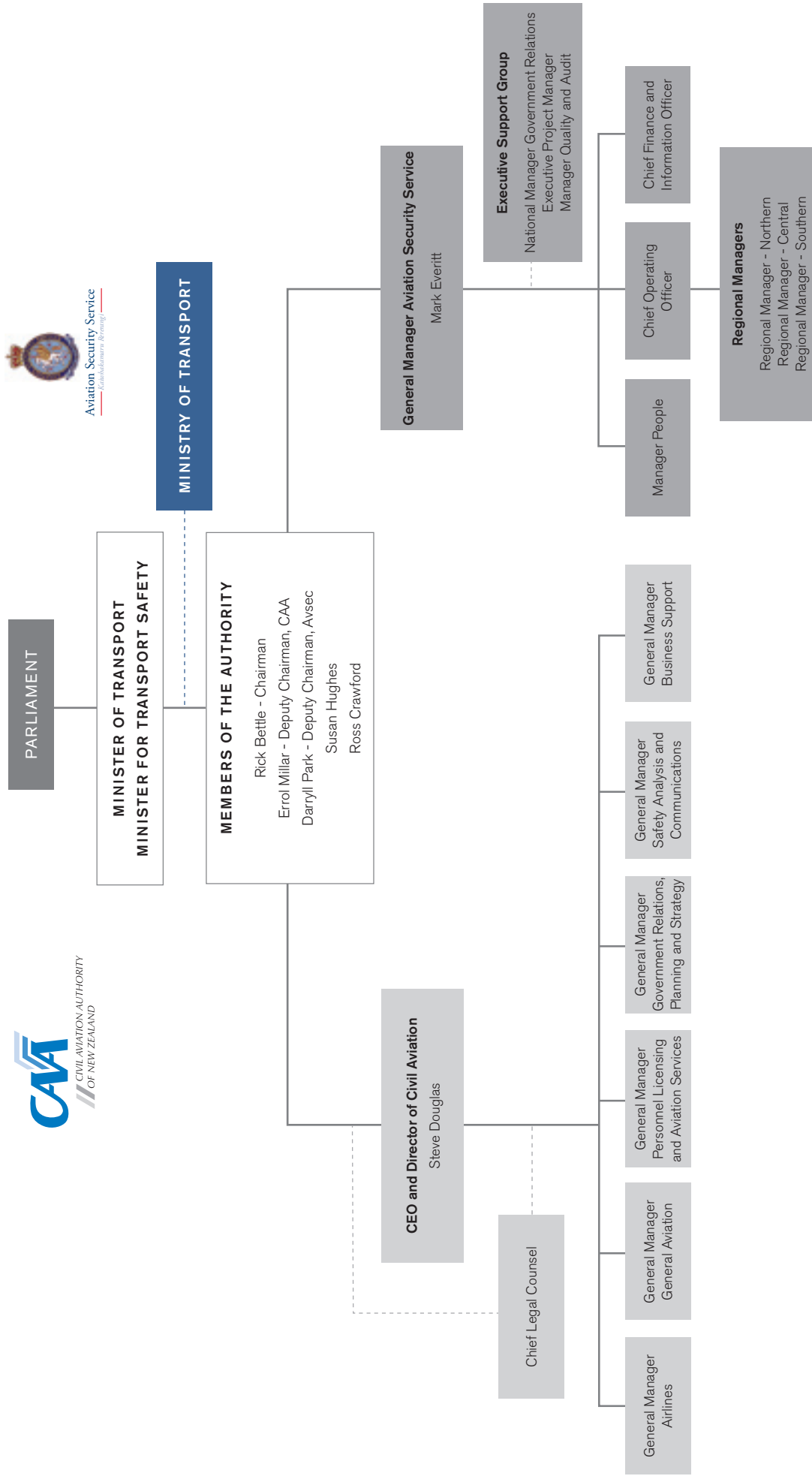
The CAA head office is located in Aviation House in Petone, Lower Hutt, with airport offices in Auckland and Christchurch. It has an approved 185 full-time equivalent staff.

Avsec operates at eight New Zealand airports (Auckland, Christchurch, Dunedin, Hamilton, Palmerston North, Queenstown, Rotorua and Wellington) and has a small National Office based in Wellington. It has 870 full-time and part-time staff.

The Statement of Intent is a combined document of CAA and Avsec. The CAA part 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 security. Avsec's part sets out the organisation's plans to provide aviation security services for international and domestic air operations including airport security, passenger and baggage screening.

The Minister of Transport has engaged with the Authority, through her Letter of Expectation, in the drafting and finalisation of this SOI.

CAA/AVSEC ORGANISATIONAL STRUCTURE



OUR REPORTING OBLIGATIONS

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

OUTPUT AGREEMENTS

A CAA Output Agreement is prepared on the prerogative of the Minister in accordance with section 170 of the Crown Entities Act 2004 (CEA 2004), wherein the Minister may require (in reference to the Letter of Expectation for 2007/08 from the Minister) a Crown entity to have in place an Output Agreement for any or all outputs that the Crown entity intends to provide that do not qualify for an exemption under section 143(1) (a) of CEA 2004.

QUARTERLY REPORTS

The Authority will provide CAA Quarterly Reports to the Minister within twenty five (25) working days at the end of each quarter (with the exemption of the fourth quarter report 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 inclusive)			
	2006/07 (Forecast)	2007/08	2008/09	2009/10
FINANCIAL PERFORMANCE				
Revenue	82,739	96,203	98,443	100,324
Output expenses	87,214	102,795	108,945	116,704
Net deficit	(4,475)	(6,592)	(10,502)	(16,380)
WORKING CAPITAL				
Net current assets	14,852	10,347	2,630	(10,168)
RESOURCE UTILISATION				
Cash and bank balances	15,312	11,460	2,436	(11,865)
Physical assets at year-end (NBV)	17,888	16,091	13,703	26,807
Capital expenditure	4,992	4,925	4,940	21,967
Capital expenditure as % of physical assets	28%	31%	36%	82%
Physical assets as % of total assets	43%	46%	57%	116%
TAXPAYERS' FUNDS				
Taxpayers' funds at year-end	23,225	16,171	4,283	(12,097)
Taxpayers' funds as % of total assets	56%	46%	18%	(52%)

Note: The increase in anticipated income from November 2007, arising from the review of the aviation passenger security charges, has been excluded from the financial projections.

THE CAA

The operating budget for the CAA is characterised by an increase in domestic levy income. The CAA expects this to continue through to 2009/10. In addition to funding core functions the CAA has budgeted for an increase in costs to:

1. full-time equivalents (FTE) from 174 to 185; and
2. to allow a period of consolidation following major changes to the CAA's operational processes and the recent change in management structure.

The roll-on effect (year-on-year) of current operations is that future revenue growth may be insufficient to cover modest increases in personnel and other costs. A review of the CAA's funding will be undertaken in the next twelve months.

AVSEC

A review of the international and domestic passenger security charge is currently being undertaken. No allowance has been made in this SOI for any increase as a result of this review. The review has been undertaken with the assistance of the Ministry of Transport and has involved consultation with the Board of Airline Representatives in New Zealand (BARNZ), industry and Government. The revised passenger security charges are expected to be regulated and effective November 2007.

Avsec's SOI highlights certain project activity¹ that is on the horizon, but due to uncertainties and timing cannot be clearly quantified or substantiated at this stage. Accordingly this activity has not been incorporated in the financial projections in this SOI or provided for in the passenger security charge review.

During March 2007 Cabinet approved a capital injection to Avsec of \$1.848 million to cover the establishment and initial operating costs of the new screening measures for departing international passengers for liquids, aerosols and gels (LAGs). The capital injection is subject to a Memorandum of Understanding between the Ministry of Transport and Avsec, and it requires Avsec to repay the principal sum in three payments between 1 April 2008 and 30 June 2009. Avsec has provided for the advance and repayment of \$1.848 million in the financial projections contained in this SOI. The repayment is being funded by Avsec through an increase in the international passenger security charge that was approved by Cabinet, effective from 31 March 2007.

The budgeted annual operating surplus (deficit) positions for Avsec for each of the financial periods and the accumulated reserve funds at each year-end are:

FINANCIAL PERIODs	ANNUAL OPERATING SURPLUS (DEFICIT)	RESERVE FUNDS AT YEAR-END
	\$000	\$000
2006/07 (Forecast Out-turn)	(3,755)	16,481
2007/08	(6,378)	9,641
2008/09	(10,182)	(1,927)
2009/10	(15,587)	(17,514)
Total	(\$35,902)	-

Note: The increase in anticipated income from November 2007, arising from the review of the aviation passenger security charges, has been excluded from the financial projections.

¹ Highlighted as Key Strategic Awareness Activity in Section 5.2 of Avsec's SOI.

GLOSSARY

ACAG	Aviation Community Advisory Group (rules advisory group)	HASNO 1996	Hazardous Substances and New Organisms Act 1996
AIP	Aeronautical Information Publication	HSE 1992	Health and Safety in Employment Act 1992
APEC - TPT	Asia Pacific Economic Cooperation Transportation Working Group	IATA	International Air Transport Association
ANZCERTA	Australia and New Zealand Closer Economic Relations Treaty Agreement	ICAO	International Civil Aviation Organization
ARI	Aviation Risk Initiative	MoT	Ministry of Transport
ATM	Air Traffic Management	Minister	Minister of Transport, Minister for Transport Safety
Avsec	Aviation Security Service	NZ	New Zealand
Authority	The five-member Board of the Civil Aviation Authority of New Zealand	NZ GAAP	New Zealand's Generally Accepted Accounting Principles
BASA	Bilateral Aviation Safety Agreements	NZTS	New Zealand Transport Strategy
CA	Civil Aviation	OAG	Office of the Auditor-General
CAA	Civil Aviation Authority (the organisation)	PASO	Pacific Aviation Safety Office
CA Act 1990	Civil Aviation Act 1990	PDA	Performance Development Agreement
CASA	Civil Aviation Authority of Australia	PWG	Project Working Group (rules advisory group)
CEA 2004	Crown Entities Act 2004	SARS	Severe Acute Respiratory Syndrome
CTAG	Combined Threat Assessment Group	SOI	Statement of Intent
Director	Director of Civil Aviation	TAIC	Transport Accident Investigation Commission
FAA	United States' Federal Aviation Authority	TSSD	Transport Sector Strategic Directions
FRS	Financial Reporting Standards	TTMRA	Trans-Tasman Mutual Recognition Act
FTE	Full-time equivalents	USAP	Universal Security Audit Program (ICAO)
FY	Financial year (01 July to 30 June)	USOAP	Universal Safety Oversight Audit Program (ICAO)
IAG	Issue Assessment Group (rules advisory group)		

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OVERVIEW AND OPERATING ENVIRONMENT



1. OVERVIEW OF THE CAA

1.1 OUR ROLE AND FUNCTIONS

The Civil Aviation Authority of New Zealand was established under the Civil Aviation Act 1990 (CA Act 1990) as a Crown entity on 10 August 1992.

The CAA's regulatory role and responsibilities are set out in the CA Act 1990 section 14 of which it states that the objectives of the Minister under this Act are:

- to undertake the Minister's function in a way that contributes to the aim of achieving an integrated, safe, responsive and sustainable transport system; and
- to ensure that New Zealand's obligations under international civil aviation agreements are implemented.

In section 22 of the CA Act 1990, the Minister may delegate to the five-member board, known as the Civil Aviation Authority (the Authority), any of the Minister's functions and powers under the Act.

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

The Crown entity wherein the Authority and the Director discharge their statutory functions and powers is known as the "Civil Aviation Authority of New Zealand" or the "CAA".

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

These authorities are:

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

1.2 OUR OPERATIONS

The CAA is organised into six groups. These are:

1. Airlines - oversees the activities of operators of aircraft weighing more than 5,700 kg, or having ten or more passenger seats (e.g. Airbus 320, ATR 72; Boeing 737, 747, 767, 777; British Aerospace Jetstream; Convair 580; Bombardier Q300, Beech 1900, Fokker F27 and Saab 340), along with the associated maintenance, design, manufacturing and supply organisations.
2. General Aviation - oversees the operators of aircraft weighing less than or equal to 5,700 kg and having nine passenger seats or less; all helicopters, agricultural and balloon operations and all sport and recreation aviation (both commercial and private) along with associated maintenance, training, design, manufacturing and supply organisations.

3. Personnel Licensing and Aviation Services - oversees licensing of pilots, maintenance engineers, air traffic controllers, flight engineers, and flight examiners; medical certification of pilots and air traffic controllers; and certification of aviation services (air traffic service providers, airports and aerodromes, training organisations, meteorological services, communication services, aviation security and dangerous goods).
4. Government Relations, Planning and Strategy – undertakes a policy, planning and international liaison and coordination role. It is also responsible for the provision of the CAA Rules Development and amendments. The group is also responsible for CAA's statutory reporting obligations such as the Statement of Intent, Quarterly Reports, Output Agreement and Annual Report.
5. Safety Analysis and Communications – is responsible for investigation, enforcement, safety data analysis, and provision of promotional materials and services.
6. Business Support – comprises Human Resources, Professional Standards, Information Technology and Finance.
5. education and promotion of aviation rules, advisory circulars and other safety and security related information;
6. investigation and analysis of aviation accidents and incidents;
7. publication of aeronautical information; and
8. Health and Safety in Employment Act 1992 (HSE 1992) and Hazardous Substances and New Organisms Act 1996 (HASNO 1996) administrator for the aviation sector.

1.3 OUR LIFE-CYCLE APPROACH TO REGULATING THE NZ CIVIL AVIATION

The CAA is the safety and security oversight regulator for New Zealand civil aviation.

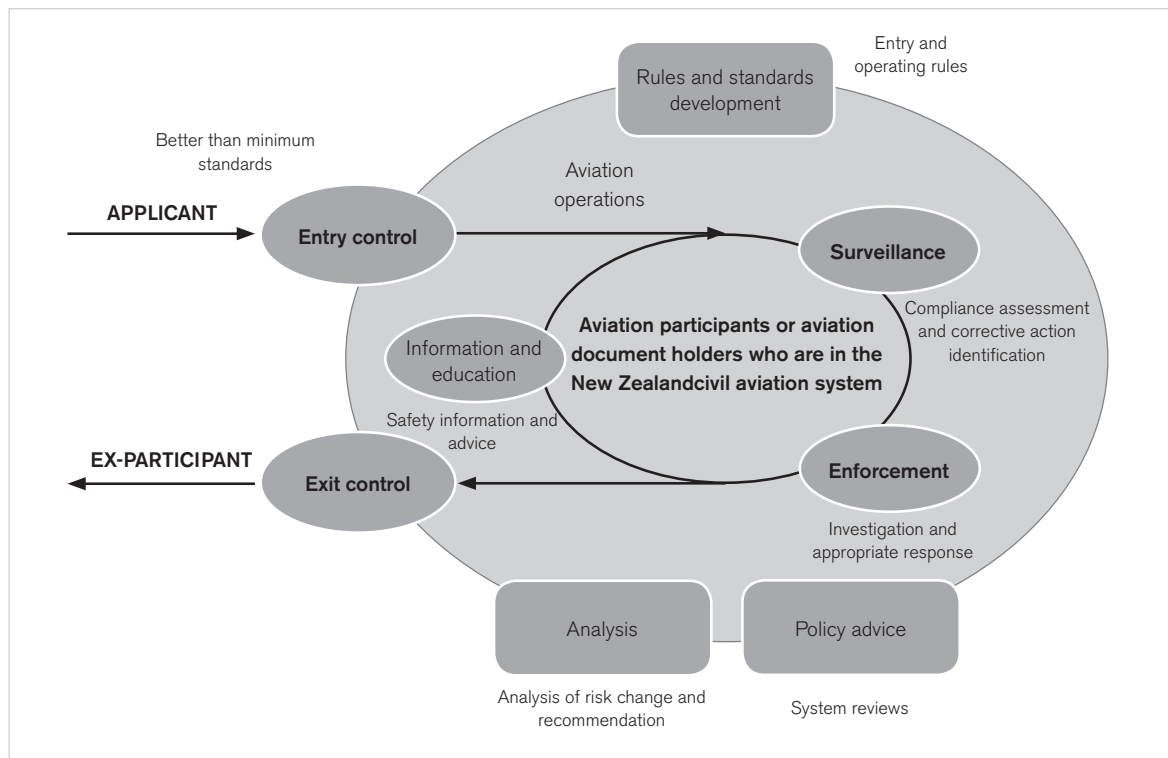
The CAA has long since adopted and further developed the “life-cycle approach to regulating civil aviation”². The New Zealand civil aviation system is a closed system with its boundaries determined by established Civil Aviation Rules. The “life-cycle approach” has three stages, viz. entry, operation or participation, and exit.

Overall, the CAA work includes:

1. policy advice and civil aviation rules development;
2. certification and licensing of aviation participants;
3. enforcement of civil aviation regulatory system;
4. surveillance and monitoring of compliance to civil aviation regulatory system rules;

² As described in the Swedavia-McGregor Review of 1988.

Figure 1: THE NEW ZEALAND CIVIL AVIATION SYSTEM



ENTRY:

Aviation participants enter the civil aviation system when they have met the minimum standards and are issued with the relevant aviation document(s).

OPERATION OR PARTICIPATION:

While in the system, aviation participants must continue to operate in compliance with civil aviation standards and conditions of their documents. Their adherence to civil aviation rules and standards is checked, and any corrective actions necessary to bring their performance to the required standards are identified and responded to accordingly. The CAA conducts functional supervision of participants operating in the civil aviation system through its surveillance operations.

Participants are expected to:

- ensure that the appropriate aviation documents and all the necessary qualifications and other documents are held by that person;

- 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 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 occurrences to the CAA; and
- implement all corrective actions required by the CAA by established due dates.

When a document holder's performance falls below the standard, the CAA seeks compliance in regaining the required level of performance. The CAA identifies areas of non-compliance through findings from its audits and inspections, and a return to an acceptable

level of performance is managed through corrective actions and follow-up.

EXIT:

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

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

- revoke or impose permanent conditions for a specified period;
- withdraw any conditions;
- suspend any aviation document for a specified period;
- revoke or partially revoke any aviation document under section 18 of the CA Act 1990;
- enforce the provisions of the CA Act 1990 or any other Act, or of rules or regulations made under any such Act; and/or
- impose permanent conditions under section 18 of the CA Act 1990.

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

1.4 OUR MISSION

The CAA's mission is 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 VISION

The CAA's vision for New Zealand aviation is to be free from safety and security failure and to contribute to an integrated, safe, responsive, and sustainable transport system.

1.6 OUR RESOURCE BASE

The CAA has an established staff complement of 185 full-time equivalents (FTE), with 174 currently filled. It is headed by the Director of Civil Aviation.

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

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

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

1.7 OUR STAKEHOLDERS

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

- public at large - who want confidence in New Zealand civil aviation;
- flying public (includes domestic, international visitors and transit passengers) - who want to arrive safely at their destinations and be united with families and friends around the world or in New Zealand;
- businesses - that depend on air transport to bring people to business, products to markets, and tourists to holiday destinations;
- Government and MoT- who require good advice, value for money, support and contribution to achieving the objectives of NZTS;
- international civil aviation organisations and State aviation authorities (especially those in the Pacific) - who want responsible technical and regulatory interaction and assistance;

- civil aviation participants (certificated aviation document holders) - who want appropriate and equitable regulation; and
- staff of the CAA - who want meaningful employment and a safe and secure civil aviation system.

1.8 OUR FUNDING

The CAA's funding comes from three sources: levies imposed on the aviation community; fees and charges; and Crown funding. Specifically

- the CAA levy-funding is stipulated in the Civil Aviation (Safety) Levies Order 2002;

- all fees and charges are legislated under the Civil Aviation Charges Regulations 1991;
- Crown funding is limited to policy advice, health and safety in aviation and rules development (which is contracted to the CAA by the Secretary for Transport); and
- other revenue comes from interest on bank deposits.

For FY2007-08, the CAA's budgeted revenue is \$27.834 million where 75% comes from levies, 18% from fees and charges, 6% from Crown funding and 1% from interest on bank deposits.

OUTPUT CLASS	OUTPUT	SOURCE OF CAA'S FUNDING
POLICY ADVICE	Reports to Parliament and the Minister, International Relations, South Pacific obligations, International safety and security agreements with other countries, Policy advice	Crown funded (through MoT)
	Rules Development	Contract services (MoT)
SAFETY AND SECURITY ASSESSMENT AND CERTIFICATION	Airlines	Direct fees and charges and levy funding
	General Aviation	Direct fees and charges and levy funding
	Personnel Licensing and Aviation Services	Direct fees and charges and levy funding
	Health and Safety in Employment aviation community	Crown funded (through the Department of Labour)
SAFETY AND SECURITY INVESTIGATION, ANALYSIS AND EDUCATION	Investigation	Levy funded
	Analysis	Levy funded
	Information and education	Levy funded
ENFORCEMENT	Responses to regulatory breaches	Levy funded

2. OUR AVIATION OPERATING ENVIRONMENT

OUR CONTRIBUTION TO THE GOVERNMENT'S ECONOMIC TRANSFORMATION THEME

Air transport is essential to the economic growth of New Zealand. It links New Zealand with the rest of the world. Air transport connects New Zealand businesses with their domestic and overseas counterparts, it takes New Zealand exports (especially time-sensitive and perishable products) to countries around the world, it brings sporting fans to sporting events, it brings tourists and migrants from all over the world to New Zealand, and it unites families and friends around the world. The CAA is in the forefront of these economic activities – it is our job to make sure that air transport passengers and air cargo arrive at their destinations safe and secure.

The aviation industry is increasingly global. The growth of the industry creates new opportunities for air transportation users and providers. Currently, security, health threats and environmental sustainability are increasingly emphasised by the global aviation industry. As such, there is also an increasing demand from aviation stakeholders that global aviation standards and regulations be harmonised. The International Civil Aviation Organization (ICAO), the 190 ICAO Contracting States, and International Air Transport Association (IATA), are harmonising aviation standards and regulations specifically in safety, security, public health and environmental matters.

Due to the CAA's oversight and regulator responsibilities for New Zealand civil aviation safety

and security, it has an important role to ensure that New Zealand civil aviation policies, rules and oversight functions comply with international standards.

2.1 INTERNATIONAL OBLIGATIONS AND RELATIONSHIPS

2.1.1 International Civil Aviation Organization (ICAO)

ICAO is a United Nations (UN)-specialised agency which serves as a global forum and coordinator for international civil aviation. Its vision is to achieve a safe, secure and sustainable development of civil aviation through cooperation among its member States. New Zealand is one of the 190 Contracting States of ICAO. Global aviation changes are reflected in ICAO standards and recommended practices. These standards and practices support the promotion of uniformity in the regulation of international civil aviation, set out in the Annexes³ to the Chicago Convention, and are reflected in the New Zealand civil aviation rules and CAA advisory circulars. Specifically, the CAA's relationship with ICAO includes the following: The CAA

- works collaboratively with ICAO and other Contracting States to enhance New Zealand civil aviation;
- ensures that New Zealand's ICAO obligations for various aeronautical information services are undertaken;
- undertakes New Zealand's ICAO obligations with regard to civil aviation safety and security oversight;

³ 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.

- coordinates New Zealand's response to ICAO regarding matters arising from the work of the ICAO Air Navigation Bureau (excluding search and rescue); and
- for those aspects of work of ICAO where the CAA is the designated State Authority, the CAA administers New Zealand's participation in the associated forums.

In 2006, New Zealand was audited by ICAO as part of their Universal Safety Oversight Audit Program (USOAP) and Universal Security Audit Program (USAP). The safety and security audit reports listed findings ranging from primary aviation legislation and organisational matters to non-compliance with specific standards set out in the Annexes to the Chicago Convention. The CAA has provided the formal New Zealand response to the findings and is currently working on corresponding corrective actions.

2.1.2 International Oversight Agreements

The CAA, in consultation with the MoT and Ministry of Foreign Affairs and Trade (MFAT), as appropriate, promotes agreements with other States for mutual acceptance of safety regulatory processes and assistance. Last year, two significant international oversight agreements were signed. These are:

- Australia / New Zealand Mutual Recognition - provides for the mutual acceptance of air operator certificates issued by the CAA and Civil Aviation Safety Authority of Australia (CASA) for operations to, from and within each other's country; and
- United States / New Zealand Bilateral Aviation Safety Agreement - is an agreement wherein the United States Federal Aviation Authority (FAA) accepts repairs and certain modifications that have been approved by the CAA to large aircraft.

2.1.3 Air Services Agreement

The CAA is sometimes required to provide safety and security advice pertaining to an Air Services Agreement (a statutory responsibility of MoT) between New Zealand and another country.

2.1.4 Other International Agreements

The Minister, through the Secretary for Transport, may require input and representation from the CAA in respect of the Government's involvement in any international agreements, projects and forums, including:

- Pacific Islands Forum regional civil aviation activities and meetings;
- activities of the Pacific Aviation Safety Office (PASO);
- Asia Pacific Economic Cooperation (APEC) Transportation Working Group (TPT) meetings; and
- Australia and New Zealand Closer Economic Relations Treaty Agreement (ANZCERTA) – Trans-Tasman Mutual Recognition Act (TTMRA).

2.2 NEW ZEALAND CIVIL AVIATION

In 2006, there were approximately 9 million international and 4 million domestic passenger arrivals and departures to, from and within New Zealand. The Tourism Research Council forecasts that over the next six years, 2007-2012, New Zealand tourism will continue to grow with international tourism growing faster (4% annual growth) than domestic tourism (less than 1% annual growth).

International and domestic air transport passengers' aviation safety and security is overseen by the CAA.

2.2.1 Aviation Participants

Aviation participants include certificated civil aviation document holders. Their entry, participation and exit from the civil aviation system are overseen by the CAA. As at 31 March 2007 New Zealand had:

- 19,294⁴ lifetime pilot licences, of which 46.8% (or 8,931) are active licensed pilots with class 1 (3,176) or class 2 (5,755) medical certificates;
- 4,066 registered aircraft in New Zealand, of which 1,846 (45.8%) are aeroplanes; 665 (16.4%) helicopter, and 622 (45.4%) micro-light aircraft class 2;
- 640 certificated organisations;
 - 176 air operators (Part 119)
 - 40 foreign operators (Part 129)
 - 114 agricultural aircraft operators (Part 137)
 - 25 aerodrome certifications (Part 139) of which 7 have international operations (Auckland, Hamilton, Palmerston North, Wellington, Christchurch, Dunedin and Queenstown), and 18 domestic
 - 1 aviation security organisation⁵ (Part 140)
 - 47 training organisations (Part 141)
 - 56 maintenance organisations (Part 145)
 - 12 design organisations (Part 146)
 - 8 recreation organisations (Part 149)
 - 3 telecommunication service organisations (Part 171)
 - 1 air traffic service organisation (Part 172)
 - 2 meteorological service organisations (Part 174)
 - 2 information service organisations (Part 175)
 - 60 supply organisations (Part 19F)
 - 44 dangerous goods packaging organisations (Part 92)
 - 26 synthetic training device organisations, 5 for airlines and 21 for general aviation
- 100 medical examiners responsible for the issuance of medical certificates and surveillance of certificate holders;
- 106 published non-certificated aerodromes and 36 heliports;
- 3 New Zealand-based international airlines (Air New Zealand, Zeal 320, and Pacific Blue Airlines);
- 25 foreign airlines operating aircraft to New Zealand (Air Pacific, Royal Brunei Airlines, Thai Airways, Air Caledonie, Aerolineas Argentinas, Singapore Airlines, Qantas Airways, Japan Airlines, Cathay Pacific Airways, Garuda Indonesia, Air Vanuatu, Malaysian Airlines, Korean Airlines, Eva Airways, Polar Air Cargo, Asian Express Airlines, LAN Airlines, Atlas Air, Cargolux, Air Tahiti Nui, Singapore Airlines Cargo, Safair, Emirates, Jetstar Airways and ExecuJet); and
- 8 Pacific Island foreign air operators (Polynesian, Air Pacific, Air Chathams Ltd., Air Fiji Ltd., Kalitta Charters, Inter Island Airways, Fiji Airlines, Air Tahiti SA) in the CAA register.

2.2.2 Performance of Aviation Participants

As the regulator and enforcer of CA Act 1990 and the Civil Aviation Rules, the CAA has the following performance measures to determine the status of entry, participation and exit of aviation document holders in the New Zealand civil aviation system.

- For a period of 9 financial years (FY 1998/99 to FY 2005/06), the overall non-compliance index, or failure by a person or organisation to comply with a specified standard or condition attached to his aviation document, registered an erratic trend instead of a decreasing trend expected by the CAA. This reflects either non-compliance, inconsistencies recurring through the years or changing patterns of CAA surveillance.
- Risk assessment (the probability of failure associated with an aviation activity) profiles for Airlines and General Aviation sector varies for each certificated organisation document holder. The CAA aggregate target risk assessment level is 25, but

⁴ The statistics show the total number of lifetime licences of each type, plus the number that have an active class 1 medical or an active class 2 medical (but no active class 1 medical). This means that for commercial pilot licences and above, the number with a class 2 medical must only be exercising private pilot license privileges (or not fly at all). The sum of the active medicals represents the number of active pilots.

⁵ Aviation Security Service, AVSEC, is an aviation document holder of Part 140

some individual document holders have a much higher level than the target. Specific aviation risk initiatives are being implemented to reduce risk and further improve aviation safety and security.

- Corrective actions identified during a surveillance process are intended to bring the performance of an aviation document holder back to the standards required. As at 30 March 2007, the percentage of corrective actions implemented at their respective due dates is less than 100% but based on historical data, close to 100% of corrective actions are ultimately implemented at the end of the financial year. This means that aviation document holders are progressively addressing corrective actions as required by the CAA.

2.2.3 State of New Zealand Civil Aviation Safety and Security

The state of New Zealand civil aviation safety and security is measured by social cost per unit of passenger exposure. A social cost that is greater than its target is unacceptable and therefore aviation risk initiatives are necessary to bring an aviation target group within the acceptable 2010 target. With regard to aviation security, only large and medium airline public transport operations fall within core security regulatory oversight.

The 13 aviation safety outcome target groups (refer to next table) are grouped in three main categories: public air transport, other commercial operations and non-commercial operations.

Of the thirteen aviation target groups, seven are considered critical because of their historically poor or fluctuating social cost values. These critical groups are:

- airline operations – medium aeroplanes (2);
- public air transport – sport aviation transport operations (5);
- other commercial operations – aeroplane (6);
- agricultural operations – aeroplane (8);

- private operations – aeroplane (11);
- private operations – helicopter (12); and
- private operations – sport aircraft (13).

The CAA is implementing aviation risk initiatives (ARI) to foster aviation safety among these critical groups (refer to section 3.1).

2.2.4 New Zealand Civil Aviation Security

Internationally, the requirement for effective aviation security systems is well known and amply demonstrated by events in recent years. However this need has been long standing and will remain so regardless of short to medium term developments in the domestic and international security environments.

Security is a constant variable which reflects the element of threat in New Zealand and interests of foreign States served by international operations from New Zealand and operators of those States. It is therefore important that New Zealand's aviation security measures remain robust, in-step with international requirements and commensurate with controls applied across the wider international environment. Such measures must be capable of responding rapidly when necessary to meet any increased risk levels. This also ensures that New Zealand continues to contribute to multi-lateral efforts to combat terrorism.

To support these goals, the CAA in its delegated role as New Zealand's Aviation Security Authority, continually monitors and assesses intelligence and information concerning short and long term security threats and risks to the New Zealand aviation system and developments in the international aviation security environment via various mechanisms, including involvement with the New Zealand Government Combined Threat Assessment Group (CTAG) and its participation in relevant international forums, including those of ICAO.

MEASURE: SOCIAL COST OF AVIATION ACCIDENTS PER UNIT OF PASSENGER EXPOSURE					
AVIATION SAFETY OUTCOME TARGET GROUPS	June 2006	September 2006	December 2006	March 2007	2010 TARGETS
PUBLIC AIR TRANSPORT					
1. Airline operations – large aeroplanes	0.02	0.02	0.02	0.02	0.10
2. Airline operations – medium aeroplanes	1.24	1.22	1.21	1.14	0.10
3. Airline operations – small aeroplanes	0.0	0.0	0.0	0.0	6.50
4. Airline operations - helicopters	0.0	0.0	0.0	0.0	6.50
5. Sport aviation transport operations	34.23	40.45	64.53	48.6	13.0
OTHER COMMERCIAL OPERATIONS					
6. Other commercial operations – aeroplane	40.24	36.88	38.59	0.08	6.50
7. Other commercial operations – helicopter	0.43	0.41	6.24	38.92	6.50
8. Agricultural operations – aeroplane	214.93	209.11	64.18	0.0	14.00
9. Agricultural operations – helicopter	0.0	0.11	0.12	0.12	14.00
10. Agricultural operations – sport aircraft	0.12	0.0	0.0	0.0	28.00
NON-COMMERCIAL OPERATIONS					
11. Private operations – aeroplane	99.32	0.0	94.23	91.01	10.00
12. Private operations – helicopter	407.61	312.76	152.76	1.14	10.00
13. Private operations – sport aircraft	54.85	49.30	257.58	300.26	20.00

Notes:

1. Social cost per unit of passenger exposure is defined as an economic measure of the cost of accidents to the nation. It assigns a value of statistical life (VOSL) to any deaths, rehabilitation costs from injuries, cost of property damaged or lost in the accident, and other specific external costs. The gross social cost calculated from accidents is pro-rated over the volume of aviation activity in any specified sector of the aviation community. The volume of aviation activity, the unit of passenger exposure, is per seat flying hour. For target groups that are not predominantly passenger carrying, a surrogate of 500 kg of aircraft weight is assessed as being the equivalent of an occupied seat.
2. Estimates for large and medium aeroplane calculations use 10 years average, and 1 year is used for the rest of the target groups. For example, Jun 2006 means social cost calculation from June 2005 to June 2006.
3. A social cost of 0.0 means that no injury was recorded during the average period for that aviation target group.
4. For sport groups, calculation of target social cost is based on CAA estimates.

2.2.5 Rules Advisory Groups

Civil aviation rules are secondary legislation made under Part 3 of the CA Act 1990. Aviation participants are required to comply with rules relevant to the aviation document that they hold. In making rules, consultation with stakeholders is necessary for rules to be current and effective. To hasten the rules development process, rules advisory groups were formed. The three groups that were formed to participate with the CAA in the rule development process are:

- The Aviation Community Advisory Group (ACAG) is drawn from the wider aviation community and facilitates the development of aviation community views on particular rules issues. The ACAG has an advisory role throughout the rule development process. It comprises of eleven members, one from each of five permanent member organisations and six members elected by the aviation community.
- The Issue Assessment Group (IAG) is convened to assess issues brought forward for consideration for a rules-based solution. IAG comprises of aviation community members and relevant CAA specialists. Their function is to identify any problems associated with each issue, undertake the risk assessment and identify the solution options.
- The Project Working Group (PWG) is convened to contribute technical and other specialist inputs to the development of rules solutions, as part of a rule project undertaken by the CAA.

2.2.6 Alignment with the New Zealand Transport Strategy (NZTS)

The NZTS was developed such that by 2010 New Zealand will have an affordable, integrated, safe, responsive and sustainable transport system. The MoT, transport Crown entities, local government and transport stakeholders are working together to fulfil the transport vision for New Zealand by 2010.

MoT, in consultation and collaboration with the CAA and other civil aviation stakeholders, is developing policies linked to the Transport Sector Strategic Directions document (TSSD). Since aviation-related implementation policies are still being developed, the CAA's current engagement includes the following:

- The CAA considers the directional statements of the TSSD and NZTS objectives in the Matters to be taken into account (section 33, CA Act 1990) in making New Zealand civil aviation rules that are within its statutory responsibilities.
- The CAA actively participates in the various TSSD working groups (e.g. strategic transport futures, integrated approach to planning, research and information, cross-modal approach to safety, influencing demand for transport services, managing environmental and public health impacts and monitoring and evaluation) such that the New Zealand transport sector can collectively address nationally important cross-sector transport priorities.

NZTS OBJECTIVES	AVIATION OUTCOMES BASED ON TSSD DIRECTIONAL STATEMENTS OR DESIRED TRENDS
ASSISTING ECONOMIC DEVELOPMENT	<ol style="list-style-type: none"> 1. Growth and development in the civil aviation system are increasingly integrated with other transport modes. 2. Civil aviation participants increasingly understand and meet the costs they create. 3. New Zealand's civil aviation system is improving its international and domestic linkages including inter-modal transfers. 4. The effectiveness of the civil aviation system is being maintained or improved. 5. The efficiency of civil aviation is continuing to improve. 6. The negative impacts of land-use developments from civil aviation are reducing.
ASSISTING SAFETY AND PERSONAL SECURITY	<ol style="list-style-type: none"> 7. New Zealand's civil aviation system is increasingly safe and secure. 8. The civil aviation system is improving its ability to recover quickly and effectively from adverse events.
IMPROVING ACCESS AND MOBILITY	<ol style="list-style-type: none"> 9. New Zealand civil aviation system is increasingly providing affordable and reliable community access.
PROTECTING AND PROMOTING PUBLIC HEALTH	<ol style="list-style-type: none"> 10. Negative impacts of civil aviation are reducing in terms of fatalities, injuries and harm to health.
ENSURING ENVIRONMENTAL SUSTAINABILITY	<ol style="list-style-type: none"> 11. The civil aviation system is actively moving towards reducing the use of non-renewable sources and their replacement with renewable resources. 12. Negative impacts of civil aviation system are reducing in terms of the human and natural environments.

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STRATEGIES, CAPABILITY, RISKS AND MITIGATIONS, AND WORK PROGRAMMES



3. OUR STRATEGIC GOALS, FY2007/08 - 2009/10

The CAA launched its strategic safety and security objectives in FY2005/06 with the primary aim of a "safer and more secure New Zealand civil aviation system". In this year's SOI, the CAA considered

- recommendations made by the Office of the Controller and Auditor General on their review of CAA Certification and Surveillance;
- the Coroner's report into the Air Adventures accident;
- corrective action plans relating to ICAO's USOAP and USAP audits of New Zealand in 2006;
- Phase 1 of the Capability and Resources Review of the CAA in December 2006;
- Audit New Zealand's audit opinion of the CAA during the previous financial year;
- CAA quarterly reports;
- CAA Aviation Safety Reports; and
- the Letter of Expectation from the Minister of Transport to the Authority.

Recommendations from these documents have been consolidated and are presently incorporated in the CAA's five strategic goals. These goals are operational and supportive in nature. The CAA will incorporate some initiatives that are due to be completed this financial year, reflecting both continuity and change.

The CAA's priorities for this financial year are to:

1. Strengthen CAA's focus on the seven aviation safety target groups that are still lagging behind or fluctuating on their 2010 safety targets (refer to section 2.2.3).
 - airline operations – medium aeroplanes;
 - public air transport - sport aviation transport operations;
 - other commercial operations – aeroplanes;
 - agricultural operations – aeroplane;
 - private operations – aeroplane;
 - private operations – helicopter; and
 - private operations - sport aircraft.
2. Continue to enhance CAA's regulatory oversight of civil aviation participants.
3. Meet CAA's international aviation obligations, such as implementing corrective action plans on the ICAO safety (USOAP) and security (USAP) audits of New Zealand conducted on 14-24 March and 18-28 September 2006 respectively.
4. Progressively incorporate the NZTS objectives, directional statements and agreed framework of NZTS working groups in the CAA's business planning that are in the statutory responsibilities of the CAA.
5. Improve CAA's organisational capability and governance to position it as an effective and efficient organisation such that it is an employer-of-choice in a highly competitive global aviation industry and a trusted Crown entity.

Initiatives and work plans corresponding to the five goals will be progressively monitored and reported.

3.1 GOAL 1: IMPROVE SAFETY OF CRITICAL AVIATION TARGET GROUPS

OBJECTIVE:

To ensure that 2010 social cost of aviation accidents per unit of passenger exposure targets for critical aviation target groups are achieved.

OUTCOME:

Critical aviation safety target groups achieve their safety targets.

IMPACTS:

Increase confidence of the New Zealand public and Government in the

- CAA as regulator and enforcer of civil aviation legislation, rules and standards, and
- the New Zealand fleet that if they fly any aircraft type certificated by the CAA they can be confident that they will arrive safely at their destination.

Safety cannot be absolutely guaranteed. However, how the CAA manages safety and security risks is the focus of its main endeavours. Recommendations of the OAG and Coroner that are still to be completed are incorporated in the CAA's work toward achieving this goal. Overall, the CAA will strengthen its ARI's to assist reduction in the social costs of critical aviation safety target groups.

PERFORMANCE MEASURES AND TARGETS:

The CAA's safety outcome measure is the social cost of accidents per unit of passenger exposure. The measure represents the portfolio outcome of the implementation of safety strategies, ARI, work programmes and management of external and internal risks. The CAA assumes that if the social cost is lower than or equal to 2010 safety targets, then it is progressing towards achieving its strategic objectives and outcomes in that particular area. (Refer to section 2.2.3, for social cost values of these critical aviation target groups.)

INITIATIVES / WORK PLANS	PERFORMANCE MEASURES AND TARGETS
<p>GROUP SPECIFIC AVIATION RISK INITIATIVES (ARI)</p> <p>Airline operations – medium aeroplanes (2):</p> <ol style="list-style-type: none"> 1. Implement background projects to address remaining deficiencies and issues concerning the operation of CA Rule Part 125 aircraft. <p>Sport aviation transport operations (5):</p> <ol style="list-style-type: none"> 2. Completion of CA Rule Part 115 Rule Project regulating the use of sport and recreational (SR) aircraft for the carriage of passengers for hire or reward. New rules effective late 2008. 3. Rewrite CA Rule Part 21 Special Category to provide appropriate certification for the increasingly diverse range of SR aircraft, in newly defined sub-categories for private and commercial use. New rules effective late 2007. 	<p>Social cost of accidents per unit of passenger exposure of critical aviation safety outcome target groups must be less than or equal to 2010 targets. (Refer to section 2.2.3, for social cost targets).</p> <p>Quality: Decreasing rate of corrective actions in each of the critical aviation safety outcome target groups.</p> <p>Timeliness: To be completed by established due date.</p>

INITIATIVES / WORK PLANS	PERFORMANCE MEASURES AND TARGETS
<p>Commercial operations (6-10)</p> <p>4. Introduce a new course for Chief Pilots of Parts 119/135, 137 and 141 operations. The aim of the course is to equip Chief Pilots, Flight Operations Managers, and Chief Flying Instructors with an awareness of the responsibilities of their positions, and to cover the knowledge and tools needed to be an effective Senior Person. The course should lift standards significantly in Safety Targets 3-10 operations. Two pilot courses run by CAA will be followed by Aviation Industry Association (AIA) adoption of the course to be run on a regular basis. Other commercial operations – aeroplane (6):</p> <p>5. Implementation of new certification requirements under CA Rule Part 141 covering all flight instruction operations. New rules effective in 2008.</p> <p>Agricultural operations –aeroplane (8):</p> <p>6. Completion of an agricultural aeroplane design and engineering safety review of the rebuilding of aging aircraft and, in particular, the use of old airframes with new components and significantly more powerful engines by mid-2008.</p> <p>7. Update of CA Rule Part 137 to provide improved operating standards (specific guidance relating to fatigue management; agricultural training; Chief Pilot supervision; senior person responsibilities; aircraft performance; overloading; determination of hopper content and seating restraints; and definition of agricultural operations). New rules effective late 2009.</p> <p>Private operations – aeroplane (11):</p> <p>8. Lift operational standards through the use of a variety of CAA seminars for aeroplane and microlight instructors and private/recreational pilots.</p> <p>Private operations – helicopter (12):</p> <p>9. Introduction of a safety liaison programme covering all private helicopter pilots by August 2007.</p> <p>10. Provision of safety education and promotion at private helicopter venues by August 2007.</p> <p>Private operations – sport aircraft (13):</p> <p>11. Lift operational standards through the use of a variety of CAA seminars for aeroplane and microlight instructors and private/ recreational pilots.</p>	
<p>MULTI-GROUP ARI (excluding airline operations-medium aeroplanes):</p> <p>12. Completion of new CA Rule Part 61 requirements including the filing and review of all biennial flight reviews with the CAA, amendments to instrument rating, logging of flight time and the introduction of certificates for flight instruction and flight examination as well as the introduction of new pilot license standards. New rules effective in 2008.</p> <p>13. Facilitation of an issues assessment group with key industry stakeholders for the possible review of CA Rule Part 91 (precursor to Rule amendment) by July 2008.</p>	

3.2 GOAL 2: ENHANCE REGULATORY OVERSIGHT OF AVIATION PARTICIPANTS

OBJECTIVE:

To ensure that civil aviation community participants consistently meet regulatory requirements.

OUTCOME:

Aviation participants meet or exceed regulatory requirements.

IMPACTS:

Increase confidence of the New Zealand public and Government in

- the CAA as regulator and enforcer of civil aviation legislation, rules and standards, and
- in certificated aviation document holders that they operate in compliance with the CA Act 1990, civil aviation rules, safety standards and procedures.

INITIATIVES / WORK PLANS	PERFORMANCE MEASURES AND TARGETS
<ol style="list-style-type: none"> Operational monitoring of projects (e.g. surveillance process, risk assessment and intervention, certification policy and procedures, business risk management) that were completed in FY2006-07 to enhance monitoring policies in regulating entry, participation and exit in New Zealand's civil aviation system. Increase enforcement of compliance to requirements under the CA Act 1990, Civil Aviation Rules and the HSE Act 1992 for aviation. Exercise exit control legislative powers on non-performance (e.g. suspension and revocation of aviation documents). Continue to work with the MoT, other sectors of the Government and aviation community to ensure that legislation and rules prevailing on safety and security are appropriate and current. Develop legislation and policies which provide for operators to set-up safety and security management systems in their organisations according to ICAO requirement. This would include processes to learn from the operator's own errors or occurrences in a safe, secure and supportive environment. 	<ol style="list-style-type: none"> Decreasing (trend over time) number of aircraft accidents and incidents per 100,000 flight hours by aviation safety outcome target groups. Decreasing (trend over time) non-compliance rate detected during entry, audit and safety investigation. 100% of corrective actions (critical, major or minor) based on CAA surveillance findings are implemented not later than their due dates. <p>Quality: 100% of entry-participation-exit processes closed meet the specified accuracy and completeness requirements of CAA procedures.</p> <p>Timeliness: To be completed by established due dates.</p>

3.3 GOAL 3: MEET CIVIL AVIATION AUTHORITY'S INTERNATIONAL OBLIGATIONS

OBJECTIVE:

To ensure that CAA's obligations to international civil aviation agreements are met.

OUTCOME:

CAA's international civil aviation agreements are met.

IMPACTS:

Increase confidence of the New Zealand public and Government in

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

INITIATIVES / WORK PLANS	PERFORMANCE MEASURES AND TARGETS
<p>1. Implement corrective actions following ICAO's 14-24 March 2006 USOAP and 18-28 September 2006 USAP of New Zealand and associated parts of the civil aviation community.</p>	<p>All deficiencies identified by ICAO during their safety and security audits that are within the control of the CAA are completely resolved.</p> <p>Quality: Remedial actions accepted by ICAO.</p> <p>Timeliness: To be completed by 31 Dec 2009</p>
<p>2. Align with ICAO's 2010 strategic objectives which are to: enhance global aviation safety, enhance global aviation security, minimize the adverse effect of global aviation on the environment⁶, increase efficiency of aviation operations, maintain continuity of aviation operations and strengthen law governing international civil aviation. To that end;</p> <p>a) coordinate New Zealand's response to ICAO regarding matters arising from the work of the ICAO Air Navigation Bureau (excluding search and rescue⁷) and administer aviation security matters arising from the work of the ICAO Aviation Security and Facilitation Branch;</p> <p>b) provide statistical returns regarding aircraft on the New Zealand register to the ICAO Economic Analysis and Database Section;</p> <p>c) coordinate New Zealand's response to air navigation issues arising from the work of the ICAO Regional Offices;</p> <p>d) administer New Zealand's participation in the Asia/Pacific Air Navigation Planning and Implementation Regional Group (APANPIRG); and</p> <p>e) coordinate New Zealand's response to regional civil aviation authorities' matters originated by the ICAO Regional Office.</p> <p>3. Participate in ICAO meetings and activities that are relevant to the work of the CAA.</p>	<p>Quantity: Demand-driven and progressing over time.</p> <p>Quality: CAA contributes to the strategic objectives of ICAO.</p> <p>Timeliness: To be achieved by due dates</p>

6 Every minute saved on flying time reduces fuel consumption by an average of 62 litres and CO2 emissions by 160 kg. It is estimated that there is 12% inefficiency in air traffic management globally. This means that up to 73 million tonnes of wasted CO2 emissions and nearly \$13.5 billion in wasted costs.

7 New Zealand's ICAO obligations with regard to SAR are the responsibility of Maritime New Zealand.

INITIATIVES / WORK PLANS

4. Carry-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), such as assistance to Pacific Aviation Safety Office (PASO).

PERFORMANCE MEASURES AND TARGETS

Quantity: Demand-driven.

Quality: 100% compliance of New Zealand's obligations to international civil aviation agreements that are within the control of the CAA.

Timeliness: Responsibilities are carried-out by established due dates.

**3.4 GOAL 4: MEET NEW ZEALAND
TRANSPORT STRATEGY (NZTS)
OBJECTIVES**

OBJECTIVE:

To ensure that the CAA actively contributes to the NZTS objectives and Transport Sector Strategic Directions (TSSD).

OUTCOME:

New Zealand's civil aviation is affordable, integrated, safe, responsive and sustainable.

IMPACT:

Increase confidence of the Government in the CAA that it is working towards a responsive New Zealand civil aviation system that is sustainable and integrated with the rest of New Zealand transport sector.

INITIATIVES / WORK PLANS ⁸	PERFORMANCE MEASURES AND TARGETS
<ol style="list-style-type: none"> 1. Engage further with the MoT to assess implications of the amended objectives of the CAA in the CA Act 1990 to broaden statutory objectives reflecting the NZTS objectives. 2. Provide advice (e.g. policy) and assistance to MoT, other government departments or local government agencies regarding the provisions and achievements of the NZTS. 3. Assist in economic development by ensuring that New Zealand's economic growth and international and domestic linkages are well supported by our civil aviation regulatory system. 4. Improve access and mobility by ensuring that aviation safety requirements of the infrastructure are compliant to civil aviation rules. 5. Protect and promote public health by ensuring that correct aviation measures are in place to reduce health threats (e.g. influenza, SARS and others) and other aviation-related health issues (e.g. as a result of noise, or particulates, or NOx). 6. Contribute to environmental sustainability by ensuring New Zealand aviation environmental protection is aligned with ICAO goals and standards, to limit or reduce the <ol style="list-style-type: none"> a) number of people affected by significant aircraft noise; b) impact of aircraft engine emissions on local air quality; and c) impact of aviation greenhouse gas emissions on the global climate, and New Zealand's environmental standards. 	<p>Progressive (increasing over time) integration of the NZTS and TSSD Projects in the New Zealand civil aviation system.</p> <p>Quality: Incorporation of the NZTS objectives and directional statements in the CAA and active participation in the TSSD working groups.</p> <p>Timeliness: CAA responsibilities (e.g. commentaries on NZTS and TSSD Projects) are achieved by due dates.</p>

8 Specific civil aviation policies related to the implementation of NZTS objectives have yet to be developed by MoT. The CAA considers NZTS objectives in the Matters to be taken into account

3.5 GOAL 5: IMPROVE OUR ORGANISATIONAL CAPABILITY AND GOVERNANCE

OBJECTIVE:

To ensure that the CAA is effective and efficient, by being capable, responsive, forward-looking, trustworthy, consultative, evidence-based and a good employer.

OUTCOME:

More effective and efficient organisation.

IMPACTS:

Increase staff confidence in the CAA as an employer-of-choice, a well-managed Crown entity, and as a benchmark for other States civil aviation authorities.

Increase confidence of the New Zealand public and Government in the CAA as a trusted transport Crown entity that is managed and staffed by responsible, efficient and effective professionals.

INITIATIVES / WORK PLANS	PERFORMANCE MEASURES AND TARGETS
<ol style="list-style-type: none"> 1. Implement recommendations from Phases 1 and 2 of the Capability and Resource Review. 2. Complete staff Performance Development Agreements (PDA). 3. Implement the new organisational structure. 4. Implement the results of the CAA's remuneration policy review. 5. Complete a review of head-office location 6. Complete the current superannuation scheme study. 	<ol style="list-style-type: none"> 1. Increasing (trend over time) rate per FTE in the CAA's ability to <ol style="list-style-type: none"> a) attract (application numbers), b) develop (training hours) and c) retain (resignations and retirement) suitably qualified staff. 2. 100% of Managers have completed a formal appraisal of their staff and provided feedback in accordance with the Performance Development System by end of 2007. <p>Quality: The CAA meets its statutory responsibilities based on results of the Capability and Resources Reviews.</p> <p>Timeliness: All projects, performance targets, outputs and budgets for FY2007-08 are achieved on-time.</p>

4. OUR ORGANISATIONAL HEALTH AND CAPABILITY

4.1 OUR CURRENT CAPABILITY PROFILE

The CAA has an established staff of 185 full-time equivalents (FTE), with 174 currently filled and 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 staff is a mix of different nationalities with an average age of 49.8 years old for male staff and 40.4 for female; a male staff ratio to total FTE of 7:10; 70% have been with CAA for more than 3 years; a turnover of 10 FTE was experienced in FY2006/07; and most staff have previous aviation industry experience either in New Zealand or overseas.

4.2 OUR RESOURCE REQUIREMENTS

The CAA establishment level remains at 185 FTE. The situation will be reviewed later in the year once Phase 2 of the Capability and Resources Review has been completed.

4.3 OUR CAPABILITY ENHANCEMENTS

The CAA will implement the agreed recommendations of the CAA's Phase 1 Capability and Resources Review. Specifically, CAA will address its

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

The capability enhancements will likewise address the State Services Commission's six Developmental Goals for the State Services:

- employer of choice;
- excellent State servants;
- networked State services;
- coordinated State agencies;
- accessible State services; and
- trusted State services.

5. 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 outcomes and outputs the CAA intends to pursue.

5.1 OUR KEY EXTERNAL RISKS AND MITIGATIONS

5.1.1 Aging aircraft

A growing fleet of aging aircraft in the register are being used on air transport operations, (e.g. turbojet and turboprop) beyond their originally planned design life of typically 20 to 25 years and up to 90,000 flight hours.

RISK:

There is an increasing concern that this gives rise to an unacceptable level of latent safety risk.

MITIGATION:

Aircraft identified where risk is present and implementation of appropriate mitigations to address risk, such as harmonisation with international standards on the maintenance of aging aircraft and codification of aging aircraft maintenance requirements into civil aviation rules.

5.1.2 Adventure aviation

Over the last two decades the use of sport and recreational aircraft for the carriage of passengers for hire or reward (e.g. tandem parachuting, gliding, ballooning, hang-gliding and para-gliding and vintage aircraft) has increased significantly. Applicable civil aviation rules for this sector were written for amateur, private and recreation activities only and are largely based on the self-administration of participants. With the change from recreation

to commercial operations, the CAA needs to have stringent regulations to protect the air safety of adventure aviation consumers.

RISK:

Failure to put in place civil aviation rules on adventure aviation would limit the CAA's ability to regulate the activities and enforce compliance of commercial operators of adventure aviation. Likewise, the public is entitled to have confidence that the CAA can monitor adventure aviation safety standards.

MITIGATION:

Notwithstanding opposition from one interest group, the adventure aviation community is strongly in favour of the introduction of new civil aviation rules. CAA will consult with stakeholders and accordingly complete the design of new outcome-based rules specifically geared for adventure aviation.

5.1.3 Security

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 unlawful interference 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, it is prudent to assume that they cannot identify and resolve all possible threats.

MITIGATION:

In an environment where there is no absolute certainty of timely or correct threat information and no guarantee of prior warning of an attack, the proactive development and consistent application of security measures required of all ICAO Contracting States, including New Zealand, remains necessary. Robust detection and identification of potential system vulnerabilities remain essential, as does addressing these vulnerabilities in practical and sustainable manner that ensures available security resources continue to be proportionally focused in the highest priority risk areas.

5.1.4 Aviation Technology

Aviation is expected to continue implementing advances in technology driven by economic and environmental factors. It is expected that wide-bodied (e.g. Boeing's 787 Dreamliner) and fuel-efficient aircraft will continue to be introduced into the New Zealand fleet. Foreign operators Airbus A380 aircraft are expected to fly to New Zealand airports.

RISK:

Technology changes are expected to increase pressure on the aviation infrastructure. Passenger number increases, aircraft size changes (e.g. removal of Boeing 747s from the fleet and additional Boeing 777 and Boeing 787 aircraft), increase in the frequency of operations 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.

5.1.5 Public Health

Health threats, such as the 2003 Severe Acute Respiratory Syndrome (SARS) and Avian Influenza 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 health threats, tourist arrivals will drop and this will adversely affect the CAA's operations 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 health threats management policies.

5.1.6 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 case of an aviation accident, perceived aviation safety and security performance of the CAA deteriorates.

MITIGATION:

The CAA has an accountability to be publicly transparent and that it strictly monitor aviation participants' compliance with civil aviation rules and legislation.

5.1.7 Environment

Globally- ICAO, IATA, aircraft manufacturers, governments and airlines are working together to reduce fuel consumption and CO₂ emissions. Some (but not limited to) of these initiatives are:

- the manufacture of fuel efficient (next generation aircraft like Boeing 787 and Airbus 380 are targeting fuel efficiencies below 3.0 litres per 100 passenger kilometres), longer ranging and lighter aircraft;
- optimisation of routes;
- efficient air traffic management; and
- air services agreements.

One of the Government's top priorities is currently focused on the environment, specifically the reduction of CO₂ emissions. How and who will oversee the regulation of emissions (CO₂, NO_x, noise and particulates) and other environmentally detrimental impacts of aviation in New Zealand, or that emitted by New Zealand registered operators overseas, are yet to be determined.

RISK:

Airlines and other aviation participants come under pressure to reduce emissions but there are no clear formulated policies to handle aviation related environmental issues.

MITIGATION:

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

5.2 OUR KEY INTERNAL RISKS AND MITIGATIONS

5.2.1 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. However, 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 the air travel movement internationally and domestically. Erratic revenue increases the risk of lack of funding.

MITIGATION:

Phase 1 and a scaled-down version of Phase 2 of the Capability and Resources Review have been completed with in part, the objective of identifying reliable alternative and aligned sources of funding for the CAA and its various operational areas.

5.2.2 Office location and size

The CAA is located in rented 2-storey premises on the Petone foreshore. The lease for the current premises expires in 2009. The rental was increased by almost 20% in 2006.

RISK:

The location 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 increasingly cramped and stuffy with potential for workplace health and safety hazards.

MITIGATION:

Assess advantages and disadvantages to leave or retain the current office location and plan for future accommodation to be taken up earlier than 2009. A review of office location is to be started in July 2007.

5.2.3 Personnel capability

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

RISK:

Retirement and successions are risks that CAA encounters. A significant issue is the CAA's inability to attract specialist aviation staff with extensive aviation experience because of strong 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 that it needs.

MITIGATION:

Recommendations from Phase 1 of Capability and Resources Review will be carried-out in FY2007/08. Organisational restructuring is currently being implemented. Retired employees are often retained on contract.

5.2.4 International obligations

The effect of the current ICAO USOAP and USAP audits of New Zealand are expected to impact on the CAA in terms of the cost of support of the programme and in the cost of implementation of corrective actions.

RISK:

Recommendations of the ICAO safety and security audits of New Zealand will require additional workload, workforce and expenditure which in the CAA are limited. If New Zealand civil aviation system and rules do not comply with international standards, New Zealand will face limits on its aircraft operating into other States (e.g. suspension of landing rights).

MITIGATION:

Required resources to meet corrective actions identified during ICAO safety and security audits are being addressed in Phase 2 of the Capability and Resources Review.

5.2.5 New organisational structure

One of the recommendations from Phase 1 of the Capability and Resources Review, is a change

in the organisational structure to ensure that it best supports the strategic goals of the CAA, and facilitates efficient and effective management, through:

- streamlining the existing structure; and
- maintaining the industry-based focus but institute a business support group that knits the organisation together and promotes consistency of approach.

RISK:

Implementation of the organisational structure will affect changes in other areas – cost centres, budgets, I.T. systems, timesheets, business plans, strategies, initiatives, work plans, office lay-out, and priorities.

MITIGATION:

The CAA has three new Board members, a new Director, and new General Managers who will have complementary ideas to make the CAA an effective and efficient Crown entity.

6. OUR WORK PROGRAMMES

Following are CAA's major work programmes that are also included as initiatives in the achievement of its strategic goals:

6.1 TO BE STARTED

6.1.1 Implementation of Recommendations from Capability and Resources Review, Phases 1 and 2

DESCRIPTION:

The Review identified capability and resources needed to enable the CAA to fulfil its statutory objectives and functions efficiently and effectively.

EXPECTED IMPACTS:

The Review assessed the extent to which the CAA is focused on its statutory responsibilities, whether the CAA has the right level and mix of capabilities and resources to discharge its responsibilities, and the investment in capability and resource that is required, if any, to enable the CAA to operate efficiently and effectively.

Completion date: 30 June 2010

6.1.2 Review the currency and effectiveness of output classes and outputs.

DESCRIPTION:

The CAA's output classes and outputs have been in-place for more than ten years and need to be reviewed to ensure they are still effective and current.

EXPECTED IMPACT:

Optimisation of CAA resources and capabilities

Completion date: 30 June 2008

6.2 TO BE COMPLETED

The CAA will also concentrate on the completion of the following capability development projects that were started in FY 2006/07:

6.2.1 Business Risk Management Project

DESCRIPTION:

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 risks.

EXPECTED IMPACT:

The impact of this project is an access to real-time computer-based decision information for management covering the guided assessment of risk in terms of likelihood and consequence; and identification of mitigation options, residual risks and corresponding management

Completion date: 30 June 2008

6.2.2 ICAO Safety and Security Audits Corrective Action Plans

DESCRIPTION:

A project to implement corrective actions identified following the ICAO USAOP (14-24 Mar 2006) and USAP (18-28 Sep 2006) of New Zealand.

EXPECTED IMPACT:

The impact of this project is adherence by the CAA and the New Zealand civil aviation rules system to the technical Annexes of the Chicago Convention, such that New Zealand complies with international standards.

Completion date: 30 June 2009

6.2.3 Recommendations of the Office of the Auditor General on its Review of the CAA's Certification and Surveillance

DESCRIPTION:

The OAG released its report on CAA Surveillance and Certification in June 2005 and made ten recommendations for improvements in the CAA processes. There are still some pending items on the recommendations. CAA's progress on its action plans

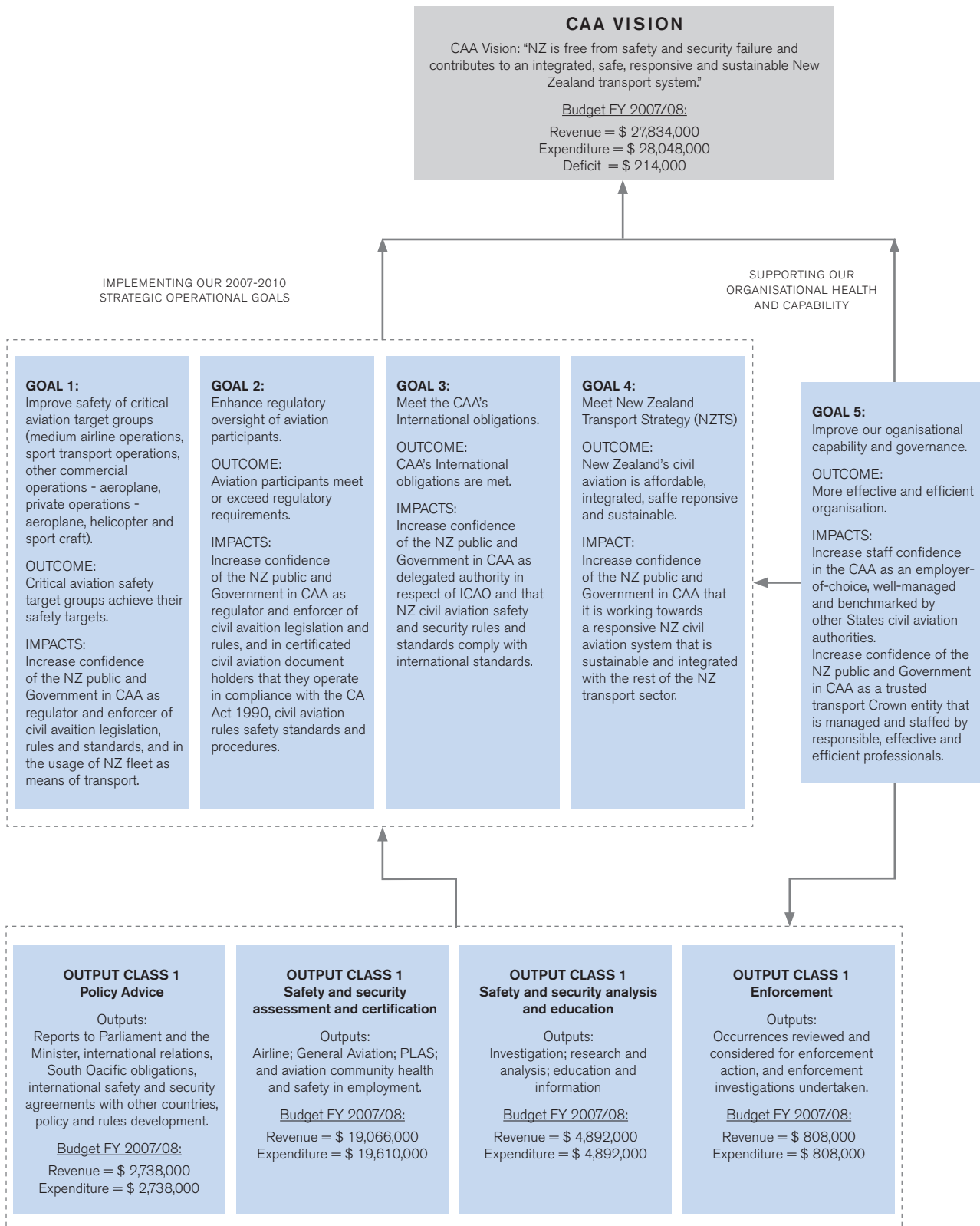
covering the recommendations is regularly updated on the CAA's web site.

EXPECTED IMPACT:

The three projects (Surveillance Process, Certification Processes, and Risk Assessment and Intervention) will result in improvements sought in the OAG's report.

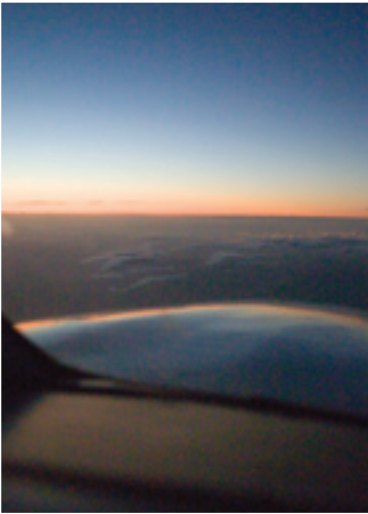
Completion date: 30 June 2008

Figure 2: LINKING OUR OUTCOMES AND OUTPUTS



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FORECAST SERVICE PERFORMANCE AND FINANCIAL STATEMENTS



7. OUR FORECAST SERVICE PERFORMANCE

7.1 OUTPUT CLASS 1: POLICY ADVICE

7.1.1 Description

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

- coordination of New Zealand's response to ICAO regarding matters arising from the work of the ICAO Air Navigation Bureau excluding search and rescue;
- administration of aviation security matters arising from the work of the ICAO Aviation Security and Facilitation Branch;
- provision of statistical returns regarding aircraft on the New Zealand register to the ICAO Economic Analysis and Database Section;
- coordination of New Zealand's response to air navigation issues arising from the work of the ICAO Regional Offices;
- administration of New Zealand's participation in APANPIRG;
- coordination of New Zealand's response to regional civil aviation authorities' matters originated by the ICAO Regional Office;
- development and administration of bilateral agreements with the civil aviation safety regulatory authorities of other countries;
- provision of advice to Government;
- development and review of legislation;
- ministerial servicing, including ministerial correspondence, Parliamentary Questions, and reports to the Minister; and
- rules development services under contract to the MoT.

7.1.2 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:

- 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, the external security environment where these are relevant to aviation security and the actual or potential impacts of these developments;
- 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;
- 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
- enabling the Minister to answer correspondence and queries, including Parliamentary Questions, on matters relating to aviation safety and security and the operation of the CAA.

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

- the government's obligations in respect of international aviation safety and 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 is expected to contribute to the achievement of the CAA objectives as stipulated in the CA Act 1990.

7.1.3 Performance measures and targets

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

FISCAL YEAR	REVENUE (\$000)	EXPENDITURE (\$000)	SURPLUS / (DEFICIT)
2007/2008	2,738	2,738	-

OUTPUT 1.1: POLICY ADVICE OUTPUTS	QUANTITY		QUALITY	TIMELINESS
	FORECAST FY2006/07	TARGET FY2007/08		

REPORTS TO PARLIAMENT AND THE MINISTER

1. Draft responses to Ministerial correspondence (number)	35 (05/06 = 23)	Demand-driven number and provided 100% of the time (20-50 estimated range)	100% of responses to Ministerial Correspondence and Parliamentary Questions are accepted by the Minister's advisers as robust and without any further questions.	Responded within due dates. Replies to Ministerial correspondence forwarded to the MoT within 10 working days of receipt by CAA.
2. Provide reports and briefings to the Minister (number)	59 (05/06 = 65)	Demand-driven and provided 100% of the time (30-50 estimated range)		
3. Provide responses to Parliamentary Questions (number)	11 (05/06 = 7)	Demand-driven and provided 100% of the time (15-50 estimated range)		
4. Provide reports and responses to Select Committees (number)	3 (05/06 = 7)	Demand-driven and provided 100% of the time (4-8 estimated range)		

INTERNATIONAL RELATIONS

5. Provide responses on behalf of New Zealand to ICAO State letters on aviation safety and security matters	100% provided as required	Demand-driven and provided 100% of the time	100% of New Zealand civil aviation policies, rules and standards comply with international civil aviation standards.	Responded, and or completed within due dates.
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6. Review ICAO decisions notified to New Zealand, including amendments to Annexes, and file acceptances or differences as necessary.	100% provided as required	Demand-driven and provided 100% of the time	100% of New Zealand civil aviation policies, rules and standards comply with international civil aviation standards.	Responded, and or completed within due dates.
7. Implement decisions arising from review of CAA's ICAO obligations.				
8. Liaison with other international civil aviation authorities on matters of mutual interests.			100% compliance with international civil aviation standards.	
9. Provide advice and representation in support on international agreements, projects and other forums				
10. Promote the development of technical arrangements and agreements with other aviation authorities where this will have demonstrable benefits for the New Zealand aviation system.				

SOUTH PACIFIC OBLIGATIONS

11. New Zealand representation on the council of the Pacific Aviation Safety Office (PASO).	NZ is represented as required	Demand-driven and provided 100% of the time	100% of agreements are signed-off between New Zealand and South Pacific countries.	Completed within due dates
12. Oversight of safety support agreements with Pacific Island Countries	100% provided as required			

INTERNATIONAL SAFETY AND SECURITY AGREEMENTS WITH OTHER COUNTRIES

13. USA: Bilateral Aviation Safety Agreement (BASA) Maintenance Implementation Procedures (MIP)	1	1	100% of agreements are signed-off between New Zealand and corresponding countries.	To be completed by end of December 2008
14. Canada: Develop opportunities for a Technical Arrangement	1	1	100% of agreements are signed-off between New Zealand and corresponding countries.	To be completed by end of December 2008
15. Australia: Mutual Recognition project covering the acceptance of airline Air Operator Certificates	1	1		
16. Europe: Develop opportunities for a Mutual Recognition Agreement/ Technical Arrangement (Design and Production approvals)	1	1		

OUTPUT 1.1: POLICY ADVICE OUTPUTS	QUANTITY		QUALITY	TIMELINESS
	FORECAST FY2006/07	TARGET FY2007/08		

POLICY

17. Provision of advice and comment on government policy initiatives that impact on the aviation community and travelling public or any matter connected with aviation.	100% provided as required	Demand-driven and provided 100% of the time	100% of policy-related work is signed-off by MoT or by the Minister of Transport.	Completed by due dates
18. Provide support and advice to the development or amendment of civil aviation related legislation, such as Civil Aviation Act 1990, Civil Aviation Charges Regulations 1991, Civil Aviation (Aeronautical Information Service) Levies Order 2001 and the Civil Aviation Safety Levies Order 2002.			Signed-off by the Minister.	Completed by due dates
19. Policy input to rules programme.			Signed-off by the Rules Unit	Completed by due dates
20. Review of structure and content of key CAA safety policy documents			Signed-off by stakeholders	Completed by due dates
21. Transport Sector Strategic Directions (TSSD) collaborative planning projects such as: integrated approach to planning, research and information, cross-modal approach to safety, influencing demand for transport services, managing environmental and public health impacts, and monitoring and evaluation.	Attendance and inputs provided as required 100% of the time		CAA inputs signed off by TSSD working groups	Completed by due dates
22. Review of Civil Aviation Act 1990	Inputs provided 100% of the time		Signed-off by immediate civil aviation stakeholders	End of 2010
23. Review of requirements for operator Security Management Systems				End of 2008
24. Review of New Zealand's State Safety Programme				End of 2009
25. Collection and use of safety information				End of 2009

OUTPUT 1.2: RULES DEVELOPMENT	QUANTITY	QUALITY	TIMELINESS
<p>The Authority undertakes Rules Development services under a separate contract to the MOT. This includes:</p> <ol style="list-style-type: none"> 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 and security 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. 	Demand driven in consultation with MoT	Rules signed-off by the Minister	Completed within due dates

7.2 OUTPUT CLASS 2: SAFETY AND SECURITY ASSESSMENT AND CERTIFICATION

7.2.1 Description

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

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

7.2.2 Impacts and consequences

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

- 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;
- 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;
- 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;
- random spot check of persons, certificated organisations and equipment that have been allowed entry into the civil aviation system;
- focus, where appropriate, on the management systems that control certificated organisations' day-to-day operations;
- identification of instances and areas of non-compliance and safety and security risk through data analysis, requiring consequent corrective action to be taken, and checking that it has been taken;

- adjustment of surveillance methods, frequency and focus on the basis of data analysis to concentrate on areas of increased risk;
- the “exemption process” is expected to ensure that overall safety and security 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
- work in the Health and Safety in Employment area is expected to mitigate safety and health risks for personnel employed in the aviation community.

7.2.3 Performance measures and targets

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

FISCAL YEAR	REVENUE (\$000)	EXPENDITURE (\$000)	SURPLUS / (DEFICIT)
2007/2008	19,066	19,610	-544

OUTPUT CLASS 2: SAFETY AND SECURITY ASSESSMENT AND CERTIFICATION OUTPUTS	QUANTITY		QUALITY	TIMELINESS
	FORECAST FY2006/07	TARGET FY2007/08		

AIRLINES

26. Routine audits and inspections (number of hours)	6,500 (05/06 = 6,577)	4,000 hours	100% of Airlines' safety assessment and certification closed meet the specified accuracy and completeness requirements in CAA procedures.	100% completed by due date
27. Spot checks (number of hours, issue-driven)	200 (05/06 = 35)	200 hours		100% of programmes completed by due dates
28. Airworthiness directives to be developed and published (issue-driven number)	200 (05/06 = 327)	150-250 estimated range		No delays recorded
29. Airline Certification work requests (demand-driven number)	500 (05/06 = 663)	200-500 estimated range		
30. Aircraft Certification work requests (demand-driven number)	1,000 (05/06 = 925)	800-1,000 estimated range		
31. Aircraft Registration work requests (demand-driven number)	2,000 (05/06 = 1,782)	1,000-2,000 estimated range		

GENERAL AVIATION

32. Routine audits and inspections (number of hours)	3,900 (05/06 = 3,291)	3,500-4,500 hours estimated range	100% of General Aviation 's safety assessment and certification closed meet the specified accuracy and completeness requirements in CAA procedures.	100% completed by due date
33. Spot checks (number of hours, issue-driven)	1,300 (05/06 = 1,483)	1,500-1,900 hours estimated range		100% of programmes completed by due dates
34. Operator Certification work requests (demand-driven number)	1,700 (05/06 = 1,141)	1,000-1,400 estimated range		No delays recorded

OUTPUT CLASS 2: SAFETY AND SECURITY ASSESSMENT AND CERTIFICATION OUTPUTS	QUANTITY		QUALITY	TIMELINESS
	FORECAST FY2006/07	TARGET FY2007/08		

PERSONNEL LICENSING AND AVIATION SERVICES

35. Routine audits and inspections (number of hours)	1,014 (05/06 = 1,367)	1,050 hours	100% of PLAS' safety assessment and certification closed meet the specified accuracy and completeness requirements in CAA procedures.	100% completed by due date
36. Spot checks (number of hours, issue driven)	200 (05/06 = 128)	50-170 hours estimated range		100% of programmes completed by due dates
37. Personnel licensing work requests (demand-driven number)	3,300 (05/06 = 4,822)	4,500-5,000 estimated range (demand driven)		No delays recorded
38. Part 109 Regulated air cargo agent certification (security) – (demand-driven number)	120 (new)	120		
39. Release General Directions for consultation (demand-driven number)	2 (05/06 = 4)	2		100% of programmes completed by due dates
40. Petitions for rule exemptions processed –(demand-driven number)	200 (05/06 = 104)	100-200 estimated range (demand driven)		No delays in liaison with petitioner

AVIATION COMMUNITY HEALTH AND SAFETY IN EMPLOYMENT

41. HSE concerns (including accidents and incidents), enquiries and complaints received (demand-driven number)	75 (Quantitative measure effective 06/07)	55 – 75 estimated range	100% of PLAS' safety assessment and certification closed meet the specified accuracy and completeness requirements in CAA procedures.	1) 70% of all investigations of occurrences completed within 6 months of registration; 2) 90% completed within 12 months of registration; and 3) 100% completed within 2 years of registration.
42. HSE audits/ inspections of selected clients (number)	20 (05/06 = 11)	20		100% completed by due date
43. Provision of information and education to clients and stakeholders (demand-driven number)	10 (05/06 = 9)	10		

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

7.3.1 Description

Output Class 3 covers the following outputs and activities:

- investigation and identification of causes to a civil aviation safety and security occurrences, received by way of occurrence information and complaints;
- publishing of feedback information to the industry in the form of accident briefs, defect summaries, and accident and incident trends;
- investigation and review of civil aviation accidents and incidents in accordance with the Authority's capacity as the responsible aviation safety and security authority (subject to the limitations stipulated in section 14, paragraph 3 of the Transport Accident Investigation Commission);
- 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;
- responses to safety and security recommendations made by the Transport Accident Investigation Commission and Coroner's inquests, and taking appropriate actions, tracking and reporting progress on a quarterly basis;
- advice and research on the safety and security performance of the civil aviation system;
- assessment and solution to any problems that may arise regarding overseas information, aircraft reliability data and flight operations information;
- monitoring and assessment of intelligence and information concerning short and long term security threats and risks to the New Zealand aviation system and developments in the international aviation security environment;
- establishment of safety and security planning to

clearly describe the CAA's intended safety and security actions and priorities;

- promotion of safety and security by providing education information and advice, and fostering safety and security programmes, including public awareness on transport of dangerous goods by air;
- provision and maintenance of an Internet web site; and
- provision of information for the New Zealand Aeronautical Information Service.

7.3.2 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 safety and security data and information and intelligence relating to the domestic and international aviation security environment is intended to minimise the future risk of accidents or incidents and maximise compliance with civil aviation rules. The work will identify whether:

- a greater focus is needed on the management systems that control certificated organisations' day-to-day operations;
- civil aviation policies, rules and standards be adjusted to where data on trends, risk and causal factors indicate that this is necessary or desirable;
- entry control and/or monitoring activities be adjusted to concentrate on problem areas or sectors, or be relaxed where appropriate;
- surveillance and enforcement activities be targeted; and
- specific safety and security programmes are 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:

- increasing aviation community knowledge and understanding of civil aviation safety and security;
- encouraging voluntary compliance with aviation safety and security standards and requirements through sound knowledge of the relevant legislation and rules, and their purpose;
- 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;

- encouraging compliance by publicising significant enforcement actions; and
- assisting the public and persons within the aviation community and wider transport sector to make informed choices.

7.3.3 Performance measures and targets

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

FISCAL YEAR	REVENUE (\$000)	EXPENDITURE (\$000)	SURPLUS / (DEFICIT)
2007/2008	4,892	4,892	-

OUTPUT CLASS 3: SAFETY AND SECURITY INVESTIGATION, ANALYSIS AND EDUCATION OUTPUTS	QUANTITY		QUALITY	TIMELINESS
	FORECAST FY2006/07	TARGET FY2007/08		

OUTPUT 3.1: SAFETY AND SECURITY INVESTIGATION

44. Number of safety and security investigations carried out	2,200 estimate (05/06 = 2,296)	1,700-2,200 estimated range	100% of safety and security investigations closed meet the specified accuracy and completeness requirements in CAA procedures.	1) 70% of all investigations of occurrences completed within 6 months of registration; 2) 90% completed within 12 months of registration; and 3) 100% completed within 2 years of registration.
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OUTPUT 3.2: SAFETY AND SECURITY RESEARCH AND ANALYSIS

45. Aviation safety summary reports (number)	4 (05/06 = 4)	1 per quarter or 4 times a year	100% of safety data released are accurate.	Disseminated within 40 working days at the end of the quarter to which the report relates to.
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OUTPUT CLASS 3: SAFETY AND SECURITY INVESTIGATION, ANALYSIS AND EDUCATION OUTPUTS	QUANTITY		QUALITY	TIMELINESS
	FORECAST	TARGET		
	FY2006/07	FY2007/08		

OUTPUT 3.3: SAFETY AND SECURITY EDUCATION AND INFORMATION

46. Vector periodicals released (number)	6 (05/06 = 6)	6 per year	100% of information provided is accurate.	100% of safety education and information materials are released by due date.
47. CAA safety videos released (number)	100% provided as required (05/06 = 100%)	Demand-driven and provided 100% of the time		
48. Safety seminars conducted (number)	28 seminars (05/06 = 25)	Minimum of 10 seminars		
49. Aviation security risk context statement (<i>new</i>) (number)	1	1		Completed and disseminated by April 2008
50. Security special notices (<i>new</i>) (number)	100% provided as required	Demand-driven and provided 100% of the time		Completed by due dates
51. Security awareness presentations (<i>new</i>) (number)	100% provided as required	3-10 estimated range		100% of presentations requested within FY are delivered

7.4 OUTPUT CLASS 4: ENFORCEMENT

7.4.1 Description

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

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

7.4.2 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 retrospective punitive action.

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

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

7.4.3 Performance measures and targets

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

FISCAL YEAR	REVENUE (\$000)	EXPENDITURE (\$000)	SURPLUS / (DEFICIT)
2007/2008	808	808	-

OUTPUT CLASS 4: ENFORCEMENT OUTPUTS	QUANTITY		QUALITY	TIMELINESS
	FORECAST FY2006/07	TARGET FY2007/08		
52. Number of occurrences reviewed by the Law Enforcement Unit (LEU) in order to consider enforcement action (demand-driven number)	300 (05/06 = 231)	260-300 estimated range	100% of Enforcement's investigations closed meet the specified accuracy and completeness requirements in CAA procedures.	100% of detailed investigations completed within 12 months of commencement; and
53. Detailed enforcement investigations undertaken (demand-driven number)	80 (05/06 = 81)	70-90 estimated range		90% within 6 months of commencement.

8. OUR FORECAST FINANCIAL STATEMENTS

8.1 FINANCIAL NOTES

8.1.1 Statement of accounting policies

Statement of compliance

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

Basis of preparation

These prospective financial statements have been prepared in accordance with legislation for inclusion in the CAA's SOI 2007/10 to the Minister of Transport. They are not prepared for any other purpose and should not be relied upon for any other purpose.

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

The accounting principles recognised as appropriate for the measurement and reporting of results and financial position on a historic cost basis have been applied.

Forecast financial statements have not been reviewed nor audited by our auditors, Audit New Zealand.

These financial statements are presented in New Zealand dollars, rounded to the nearest thousand.

8.1.1 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.

8.1.2 Measurement base

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

8.1.3 Budget figures

The forecast figures contained in this SOI are those approved by the Authority on 25 May 2007.

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

8.1.4 Forecast figures

These forecast financial statements were authorised for issue by the Authority on 25 May 2007. The forecast figures are prepared in accordance with generally accepted accounting practice and are consistent with accounting policies adopted by the CAA for the preparation of financial statements. The Authority is responsible for the forecast financial statements presented, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosure. The CAA does not intend to update the forecast financial statements subsequent to the publication of these statements.

8.1.5 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 taxes is included in Payables.

8.1.6 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.

8.1.7 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 charge 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.

8.1.8 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.

8.1.9 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.

8.1.10 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 and security services and projects.

8.1.11 Cash reserves

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

8.1.12 Receivables

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

8.1.13 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).

8.1.14 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.

8.1.15 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%

8.1.16 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.

8.1.17 Leases

Operating leases

Operating lease payments, where lessors effectively

retain substantially all 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.

8.1.18 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.

8.2 FINANCIAL STATEMENTS

8.2.1 Output Costs and Revenue

OUTPUT CLASS		FUNDING SOURCE/ EXPENDITURE	Forecast 2006/07 \$000	Budget 2007/08 \$000
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	2,120	1,418
Total Expenditure			3,440	2,738
Surplus/(Deficit)			-702	
2. SAFETY ASSESSMENT & CERTIFICATION				
2.1	Airlines	Fees and Charges	2,215	2,172
		Levies	5,744	5,715
		Revenue Airlines	7,959	7,887
2.2	General Aviation	Fees and Charges	474	757
		Levies	3,851	3,890
		Revenue General Aviation	4,325	4,647
2.3	Personnel Licensing and Aviation Services	Fees and Charges	496	507
		Levies	5,530	5,585
		Revenue P L A S	6,026	6,092
2.4	Health and Safety in Aviation	Crown Funding	440	440
		Total	440	440
Total Revenue			17,750	19,066
2.1	Airlines	Total Operating Costs	7,692	7,769
2.2	General Aviation	Total Operating Costs	4,824	4,969
2.3	Personnel Licensing and Aviation Services	Total Operating Costs	6,672	6,872
Total Expenditure			19,188	19,610
Surplus/(Deficit)			-438	-544

OUTPUT CLASS		FUNDING SOURCE/ EXPENDITURE	Forecast 2006/07 \$000	Budget 2007/08 \$000
3. SAFETY ANALYSIS AND EDUCATION				
3.1	Safety Investigation	Levies	2,588	2,574
3.2	Safety Analysis	Levies	610	661
3.3	Safety Information and Education	Levies	1,270	1,657
Total Revenue			4,468	4,892
3.1	Safety Investigation	Total Operating Costs	2,588	2,574
3.2	Safety Analysis	Total Operating Costs	610	661
3.3	Safety Information and Education	Total Operating Costs	1,270	1,657
Total Expenditure			4,468	4,892
Surplus/(Deficit)				
4. ENFORCEMENT				
4.1	Enforcement	Levies	913	808
4.1	Enforcement	Total Operating Costs	913	808
Surplus/(Deficit)				
TOTAL OUTPUTS				
		Crown Funding	1,760	1,760
		Fees and Charges	4,603	4,854
		Levies	20,506	20,890
		Interest	420	330
TOTAL REVENUE			27,289	27,834
TOTAL EXPENDITURE		Total Operating Costs	28,009	28,048
SURPLUS/ (DEFICIT)			-720	-214

8.2.2 Statement of Projected Financial Performance

(GST exclusive)	Forecast 2006/07 \$000	Budget 2007/08 \$000
Revenue		
Levies	20,506	20,890
Fees and Charges	4,603	4,854
Crown	1,760	1,760
Interest	420	330
Total Revenue	27,289	27,834
Expenses		
Personnel	15,767	16,236
Personnel Contractors	732	693
Personnel Training	1,136	1,223
Travel	2,292	2,409
Consultation & Professionals	1,422	806
Board Safety Projects	200	563
Safety Information Services	1,374	1,481
Other Operating	1,351	1,083
Information Technology	1,237	874
Rental & Leasing	1,033	1,284
Authority Member Fee	121	104
Audit	40	36
Depreciation	746	750
Capital Charge	558	506
Total Output Expenses	28,009	28,048
NET SURPLUS/(DEFICIT) FOR DISTRIBUTION	-720	-214

8.2.3 Statement of Projected Movement in Equity

(GST exclusive)	Forecast 2006/07 \$000	Budget 2007/08 \$000
Net Operating Surplus/(Deficit)	-720	-214
Revaluation Reserve	-	-
Total Recognised for the Year	-720	-214
Less: provision to pay Surplus	-	-
Movement for the Year	-720	-214
Equity at Start of Year	7,464	6,744
EQUITY AT END OF YEAR	6,744	6,530

8.2.4 Statement of Projected Financial Position

(GST exclusive)	Forecast 2006/07 \$000	Budget 2007/08 \$000
CLOSING EQUITY	6,744	6,530
ASSETS		
Current Assets		
Cash and Bank Balances	5,793	4,919
Debtors and Receivables and Advances	1,853	2,237
Prepayments	102	2
Work in Progress	434	400
Debtor - Crown	-	-
Total Current Assets	8,182	7,558
Non-Current Assets		
Physical Assets	2,172	2,172
Total Assets	10,354	9,730
LIABILITIES		
Current Liabilities		
Creditors and Payables	1,685	1,600
Capital Charge to Payables	-	-
Provision to Repay Surplus	-	-
Other Short Term Liabilities	1,375	1,000
Total Current Liabilities	3,060	2,600
Non-Current Liabilities		
Long Term Liabilities	550	600
Total Liabilities	3,610	3,200
NET ASSETS	6,744	6,530

8.2.5 Statement of Projected Net Cash Flows

(GST exclusive)	Forecast 2006/07 \$000	Budget 2007/08 \$000
Cash Flow from Operating Activities		
Cash was provided from:		
Supply of Outputs - to Crown	1,760	1,760
Third Party - to Ministry	1,418	1,418
Third Party - to Other	3,383	3,570
Levy	20,639	20,506
Interest	394	330
Cash was dispersed to:		
Costs of Outputs - Employees	16,253	16,561
Costs of Outputs - Suppliers	9,967	10,569
Payment of Capital Charge to Crown	556	506
Net Cash Flow from Operating Activities	818	-52
Cash Flow from Investing Activities		
Cash was provided from:		
Sale of Fixed Assets	30	-
Cash was applied to:		
Purchase of Fixed Assets	768	750
Net Cash Flow from Investing Activities	-738	-750
Cash Flow from Financing Activities		
Cash was provided from:		
Capital Contribution from the Crown	-	-
Cash was dispersed to:		
Payment of Surplus to the Crown	-	-
Repayment of Capital to the Crown	-	-
Repayment of Interest on Finance Leases	72	72
Net Cash Flow from Financing Activities	-72	-72
Net Increase (Decrease) in cash held	8	-874
Opening Total Cash Balances	5,785	5,793
Closing Total Cash Balances	5,793	4,919

8.2.6 Financial Performance Indicators

	UNIT	Forecast 2006/07	Budget 2007/08
Working Capital			
Net Working Capital	\$000	5,122	4,958
Current Ratio	:1	2.7	2.9
Average Debtors Outstanding	Days	35	35
Average Creditors Outstanding	Days	55	55
Resource Utilisation			
Physical Assets:			
Physical Assets at Year End	\$000	2,172	2,172
Capital Expenditure	\$000	768	750
Capital Expenditure as % of Physical Assets	%	34%	35%
Physical Assets as % Total Assets	%	21%	22%
Taxpayers Funds			
Taxpayers Funds at Year End	\$000	6,744	6,530
Taxpayers Funds as % Total Assets	%	65%	67%

