29 October 2010

The Hon Steven Joyce
Minister of Transport
Parliament Buildings
Wellington

Dear Minister

Annual Report 2010

We have the honour to present to you for tabling in the House of Representatives this Annual Report of the Transport Accident Investigation Commission for the year ended 30 June 2010.

Yours faithfully

John Marshall QC
Chief Commissioner

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Transport Accident Investigation Commission | **Safer transport through investigation, learning and influence**

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The Commission's vision

Safer transport through investigation, learning and influence.

Chief Commissioner's foreword

September 2010 marks the 20th anniversary of the establishment of the Transport Accident Investigation Commission, by which New Zealand adopted international best practice in enabling safety-focused investigations distinct and distanced from regulatory and other jurisdictions. With the powers of a Commission of Inquiry and the status of an independent Crown entity, the Commission strives to ensure through careful conduct and sound investigative techniques that all concerned can retain confidence that the Commission's investigative system is free from bias and conflict and the threat of sanction.

This 20-year milestone is marked by the completion of a three-year capability investment programme to reinforce our technical capacity as a safety investigation agency, and we will continue to develop the way we carry out our fundamental role as a Commission of Inquiry. In this regard we have decided to hold more hearings where we invite affected parties to give oral evidence and be questioned by Commissioners. We are also conscious of the need to ensure that evidence that is protected by law from disclosure is not unlawfully published, and during the year we made a successful prosecution after a news organisation published content from a protected document.

A review of how we interpret our discretion to determine which qualifying incidents or accidents we investigate was completed to ensure we focus our resources on inquiries with the greatest potential to enhance transport safety. During the current year we completed research on the first occasional impact review exploring whether and how our work is influencing transport safety.

International work involving accidents in France, Vanuatu, Kiribati and Tonga took up significant amounts of the Commission's aviation and marine resources during the year under review, while the rail team made good progress towards clearing an inquiry backlog.

The Commission strives for continuous self-improvement. The initiatives described above and later in this report, together with a governance and management focus on ensuring probity and value in spending decisions, strong best practice and training links with our international colleagues, and the introduction of a formal staff performance management system in the current year, all help to ensure that efficiency, effectiveness, progress and accountability can be tested and demonstrated.

The year under review was conducted mainly under the stewardship of my predecessor, the Hon Bill Jeffries. I would like to acknowledge his influence and contribution over 13 years, along with the input of my fellow Commissioners and the staff, to help build what I have found to be a hardworking and expert team committed to the organisational vision of "safer transport through investigation, learning and influence".

John Marshall, QC
Chief Commissioner

Part 1: Non-financial reporting

This section is laid out to allow comparison with the Statement of Intent 2009/2012.

Operations

Outcomes and impacts

The Commission works to influence an outcome of improved transport safety in the air, rail and marine transport modes. Through the publication of its inquiry reports, the Commission hopes that the lessons contained within these reports are learnt so that similar accidents and high-risk incidents are increasingly avoided.

The Commission is one of a number of organisations contributing to improving transport safety. This makes it difficult to evaluate the Commission's direct impact on transport safety. The Commission has decided to appraise its effectiveness in the transport system by conducting historical reviews of specific accident types to see if the Commission can determine the impact of its findings and safety recommendations. The reviews are based on the assumption that the Commission's reports are read, understood and acted upon, and are consequentially influential in improving transport safety.

The first historical review looked at the impact of fixed-wing agricultural aviation investigations by the Commission from 1990 to 2009. During this period, the Commission conducted 13 investigations. Key conclusions from this review were:

- investigations unsupported by analysis of occurrence data and awareness of systemic issues in the industry is a weak tool for improving safety;
- the Civil Aviation Authority's (CAA's) own review of agricultural aviation[1] indicates that throughout the period of the Commission's inquiries, systemic issues related to regulation were adversely affecting the safety of the industry. The Commission's reports of the 1990s made little or no reference to these systemic issues;
- the Commission's early reports resulted in little actual change to the safety of agricultural aviation. In many cases, no recommendations were made from these reports, and where recommendations were made they were often not implemented. The recommendations made did not address systemic issues in agricultural aviation;
- by contrast, the Commission's more recent reports are more likely to improve safety in agricultural aviation. These safety recommendations address systemic issues and are made to the Director of Civil Aviation. Changes to the Commission's Act and its policy of making recommendations to regulators have focused the Commission's activities on more systemic issues, and have improved the relevance of the Commission's reports; and
- the challenge for the Commission now in agricultural aviation is to complete the accident prevention cycle by maintaining its monitoring of occurrences in the industry, to gauge the effects of any changes that occur, and to be alert to new emerging risk factors. More broadly, the Commission, in order to more fully realise its goals of accident prevention, must strengthen and maintain its capacity to perform at all stages of the accident prevention cycle.

The Commission found the review insightful in terms of its own operations. Further historical reviews are planned in areas notable for high levels of notification to the Commission.

[1] See The Civil Aviation Authority, *Agricultural Aircraft Safety Review*, Wellington, 2008.

Report on operating intentions

Performance against strategic key objectives for the year ended 30 June 2010

The Commission identified four strategic objectives for 2009/10 with a focus on continuous improvement. These objectives were:

- building the Commission's expertise by building its corporate and inquiry capability;
- better intelligence, information and evidence: turning information into intelligence at the Commission's fingertips and strengthening its evidence base;
- optimising delivery of the Commission's statutory mandate through better targeting of its resources, and optimising its approaches to inquiry; and
- effectively communicating its findings and recommendations to the sector; getting its message across so that the lessons are acted on.

Table 1: Key Objectives 2009/10

Strategic Objective	Activities	Deliverables	Timeline	Progress
Building the Commission's expertise by building its corporate and inquiry capability	Complete the planned organisational restructure, including recruitment to new roles	Organisational change proposal approved by Board	18 November 2009	Completed
		New positions filled	31 June 2010	Four full-time and one part-time positions filled: • General Counsel; • Research Analyst; • Executive Assistant; and • Technical Writer – Communications Manager (.5)
			31 March 2010	Restructure of the following three positions is completed: • Team Coordinator; • Administrative Assistant – Assistant Accountant; and • Administrative Assistant
		Revised performance management system introduced		New performance review policy developed and introduced to staff in July 2010
	Complete development of and implement the planned People Strategy The People Strategy provides a long-term, organisation-wide view of the future people-management environment needed to help achieve the aims of the Commission's strategic direction. The strategy focuses on: 1. creating a great working environment; 2. the implementation of a new performance development system for staff; 3. planning our workforce needs; 4. recognising the contribution that people make; 5. developing exceptional managers and leaders; 6. attracting talented people; 7. developing people and their careers; and 8. supporting new members of our team	Competency training programme established and implemented	31 December and ongoing	Development of a competency-based training programme for the investigators is completed and implemented. The programme will be reviewed annually and updated accordingly

Strategic Objective	Activities	Deliverables	Timeline	Progress
	Continue implementation of the Business Improvement and Quality Assurance (QA) programme	Corporate policies and processes updated and compliant	30 June 2011	Policies are revised and where necessary rewritten. Rollout scheduled and ongoing work with new policies around the Accident Investigation Information Management System (AIIMS) to follow after implementation of the systems
		Records management system updated and compliant	Ongoing to June 2011	Programme is running in line with the AIIMS project and will be complete after AIIMS has been implemented
		QA system implemented	30 June 2011	New Zealand Business Excellence Foundation engaged to help establish and implement a QA framework and practice
	Complete introduction of revised criteria for opening inquiries	Revised criteria introduced and applied	30 June 2010	Finalised
Better intelligence, information and evidence: turning information into intelligence at the Commission's fingertips and strengthening its evidence base		AIIMS development and implementation	3 October 2010	
		AIIMS procured	29 January 2010 (revised 31 May 2010)	Completed
		AIIMS developed	1 June – 30 November 2010	Following the initial technical specification scope work, the development of AIIMS starts mid-September 2010
		AIIMS implemented	30 June 2011	Implementation is tasked for completion by June 2011
		Research strategy developed	30 June 2010	Research strategy completed and is now being implemented
		Existing information management systems reviewed and records management system updated and compliant	30 June 2010	Electronic Document and Records Management System (EDRMS) and AIIMS work is integrated. Completion due June 2011

Strategic Objective	Activities	Deliverables	Timeline	Progress
Optimising delivery of the Commission's statutory mandate through better targeting of its resources, and optimising its approaches to inquiry		Legislative amendment to allow delegation of administration of Annex 13 to TAIC achieved	30 June 2010	Ongoing and contingent on legislative programme
Effectively communicating its findings and recommendations to the sector; getting its message across so that the lessons are acted on		Improved functionality of website and accessibility of materials online	Ongoing to 31 October 2010	No further work planned this financial year. Further work is linked to the AIIMS project and will not be advanced until the AIIMS project is nearing completion

Activity overview

Meetings

The Commission met 15 times in 2009/10. Eleven were scheduled monthly meetings and four were extraordinary meetings. 24 draft reports prior to consultation were approved and 21 inquiries were closed.

Notifications

There were 1000 notifications of occurrences made to the Commission, leading to 21 new inquiries being opened. That is one inquiry opened for every 21 notifications. The number of notifications represented a 21% (258) decrease on the number of notifications made to the Commission the previous year. The fewer number of notifications arose from fewer aviation occurrence notifications received from the Rescue Coordination Centre (RCC). The previous practice of the RCC had been to forward automatically certain low-priority notifications to the Commission. As a cost and time-saving measure, it has now ceased this practice. All notifications from RCC are now routed through the CAA, which notifies the Commission of important events.

The most common notified events to the Commission were airspace incursions from the aviation mode, derailments from the rail mode, and personal injuries and machinery failures from the marine mode. This was the same pattern as in the previous year.

Fatalities and serious injuries

Of the Commission's 21 inquiries opened in the 2009/10 year, five involved fatalities or serious injuries. In air, one inquiry of 12 opened involved a serious injury. In rail, one inquiry of two opened involved a fatality. In marine, three inquiries of seven opened involved fatalities – two Pacific inquiries involved 37 and 74 fatalities, and a domestic inquiry involved two fatalities. In total, the Commission's inquiries launched in 2009/10 covered 114 fatalities and one serious injury.

Inquiry overview

The following chart shows inquiries opened and reports published by month for the past three financial years, against the total number of inquiries in progress.

Table 2: Commission Activity by Quarter 2007/08 to 2009/10

	2007/08				2008/09				2009/10			
Opened	7	7	2	11	10	7	5	6	8	2	3	8
Published	9	6	6	5	2	2	5	9	3	8	3	7
In Progress	**34**	**35**	**31**	**37**	**45**	**50**	**50**	**47**	**52**	**46**	**46**	**47**

The Commission tries to keep the number of open inquiries at an average of 40. If the number exceeds this, a queue for service develops, delaying case completion. For the past two years[2] the number of open inquiries has settled at 47. The key reason for the higher number of open inquiries is an increase in the workload of rail and marine investigators, resulting in a backlog of cases that was largely checked in the 2009/10 financial year. In particular, the rail investigation team's workload increased in 2008/09 when a senior investigator left, leaving two investigators to manage 23 cases while also bringing a new colleague through the two-year training period to full competency. Some cases have also been combined owing to common factors, meaning that earlier cases in the group have been opened longer waiting for the aggregated inquiries to be completed. In one such group inquiry it was necessary to hold a hearing, which placed additional resource and time demands on the rail team. The two aggregated inquiries were nearing completion at the end of the year, and the resulting closures coupled with careful management of inquiry openings in the rail mode should allow the backlog to clear more quickly.

Table 3: Open Inquiries

Mode	2007/08	2008/09	2009/10	Target*
Air	11	10	14	12
Rail	19	23	18	12
Marine	7	14	15	12
Total	**37**	**47**	**47**	**35**

*This target was not a formal performance goal for the Commission in 2009/10, but reflects what the Commission believes is its operating capacity for timely completion of reports. It has been adopted as a formal target for 2010/11.

Table 4: Reports Published by Year

Mode	2007/08	2008/09	2009/10	Target
Air	10	8	8	12-17
Rail	8	5	7	12-17
Marine	8	5	6	12-17
Total	**26**	**18**	**21**	**35-50**

Publishing a report marks the closure of an inquiry. While the number of reports published improved from the previous financial year, fewer reports were published than planned because of the call on resources to complete four significant inquiries (three international and one domestic), which interrupted normal production rates.

Timeliness (average work days open) also improved from the previous year, with the exception of the rail mode, where the wait to close off a number of older inquiries (explained above) affected timeliness figures.

[2] Occurrence statistics relate to the fiscal year, not the calendar year.

There was a marked improvement in the air and marine modes. This is an achievement given that staff from both modes were heavily committed to international inquiries with timing demands that were out of the Commission's control.

Table 5: Timeliness (average work days open)

Mode	2007/08	2008/09	2009/10	Target
Air	252	424	291	220
Rail	409	491	545	220
Marine	339	432	390	220
All modes	**326**	**445**	**427**	**220**

Aviation

The following eight aviation reports were published in the 2009/10 financial year:

Aviation Reports Published
Report 07-008, Pacific Blue Boeing 737-800, runway excursion during takeoff, Sydney, 14 July 2007
Report 07-013, PAC 750XL, ZK-KAY, 8E Silvairl, G-AKUL, mid-air collision, at Rectory Farm, near Rugeley, Staffordshire, 16 December 2007
Report 08-001, Cessna 152 ZK-ETY and Robinson R22 ZK-HGV, mid-air collision, Paraparaumu, 17 February 2008
Report 08-005, Kawasaki-Hughes 369D, ZK-HWE, un-commanded yaw and loss of control, Maori Saddle, near Haast, Westland, 11 August 2008
Report 09-001, BN2A-20 Islander, YJ-RV2 impact with terrain Espiritu Santo, Vanuatu, 19 December 2008
Report 09-003, Fairchild SA227-AC Metroliner III ZK-NSS, runway excursion, New Plymouth Aerodrome, 31 March 2009
Report 09-004, Britten Norman BN2A-Mk III Trislander, ZK-LOU loss of engine propeller assembly, near Claris, Great Barrier Island, 5 July 2009
Report 09-006, Cessna 207, ZK-DEW aircraft starting incident resulting in runway incursion, Queenstown Aerodrome, 5 September 2009

The following table shows the Commission's aviation inquiries opened by occurrence category for the past three financial years.

Table 6: Occurrence by Category

Occurrence Type	2007/08	2008/09	2009/10
Aircraft control		1	
Aircraft separation	2		3
Airframe		1	2
Air traffic control procedural error	1		
Consequential events			1
Fuel related			1
Fumes, smoke, fire			1
Powerplant/Propulsion	2		
Runway events	2	1	3
Terrain collisions	3	4	
Weather	1		1
Grand Total	**11**	**7**	**12**

Rail

The following seven rail reports were published in 2009/10:

Rail Reports Published
Report 08-113, empty push/pull passenger Train 5250, collision with platform-end stop block, Britomart station, Auckland, 19 December 2008
Report 08-108, express freight Train 845, track warrant overrun, Reefton – Cronadun, 13 August 2008
Report 08-103, passenger Train 6294, electrical fire and collapse of overhead traction line, Mana station, Wellington, 18 April 2008
Report 08-101, express freight train 923, level crossing collision and resultant derailment, Orari, 14 March 2008
Report 07-115, express freight Train 533, derailment, 103.848 kilometres, near Tokirima, Stratford Okahukura Line, 7 November 2007
Report 06-111, express freight Train 237, derailment, Utiku, 20 October 2006
Report 07-103, passenger express Train 200, collision with stationary passenger express Train 201, National Park, 21 March 2007

The following table shows the Commission's rail inquiries opened by occurrence category for the past three financial years.

Table 7: Occurrence by Category

Occurrence Type	2007/08	2008/09	2009/10
Collision	1	2	
Derailment	5	3	1
Fire	2	1	
Proceed authority exceeded		1	
Rolling stock irregularity	2		
Signal passed at danger		1	
Signalling irregularity		1	
Slip, trip or fall			1
Grand Total	**10**	**9**	**2**

Marine

The following six marine reports were published in 2009/10:

Marine Reports Published

Report 08-203, passenger ferry *Monte Stello*, loss of Power, Tory Channel, 2 May 2008

Report 08-204, 6-metre workboat Shikari, collision with moored vessel, Waikawa Bay, Queen Charlotte Sound, 20 June 2008

Report 08-207, commercial jet boat Kawarau Jet No. 6, roll-over, confluence of the Kawarau and Shotover Rivers, 25 September 2008

Report 08-208, passenger cruise ship "Pacific Sun", heavy roll, near Vanuatu bound for Auckland

Report 09-203, jet boat, DRJS-11 grounding and subsequent rollover Dart River, near Glenorchy, 20 February 2009

Tall Ship sail training vessel *Soren Larsen*, structural heavy weather damage, 200 nautical miles off the New Zealand coast

The following table shows the Commission's marine inquiries opened by occurrence category for the past three financial years.

Table 8: Occurrence by Category

Occurrence Type	2007/08	2008/09	2009/10
Capsizing/Listing		2	1
Collision	2	3	
Damage to ship or equipment	2	2	
Equipment failure	1		1
Fatality		2	1
Foundered		1	2
Grounding/Stranding	1	1	2
Serious injury		1	
Grand Total	6	12	7

International

Inquiries in which the Commission assists overseas agencies are becoming a larger part of the Commission's operations. The following table shows overseas inquiries opened for the past three financial years.

Table 9: Overseas Inquiries

Mode	2007/08	2008/09	2009/10
Air	2	3	2
Marine	1	2	2
Total	3	5	4

The two overseas marine inquiries launched in the 2009/10 year were cases where the Commission was asked to investigate on behalf of the government of a Pacific Island nation. This is a new kind of inquiry for the Commission, although it has not been uncommon for the Commission to be asked to assist other overseas organisations by making inquiries on their behalf in New Zealand. From 2004/05 to 2006/07, the Commission opened only five such inquiries. In the past three financial years, the Commission has opened 12 overseas inquiries.

The year under review was the Commission's busiest ever in its 20-year history for international investigation activity, with two significant and intensive marine investigations into Pacific shipping disasters undertaken in compressed timeframes. As this annual report was being compiled, the Commission launched an investigation into the sinking in international waters, although within New Zealand's exclusive economic zone, of a New Zealand-chartered Korean fishing vessel with the loss of six lives. The Pacific investigations during the year, and this latest incident, have all involved intricate management of jurisdictional boundaries, including the maintenance of the Commission's "no blame" status as it works in conjunction with overseas bodies of differing mandates under the auspices of international agreements, such as the International Maritime Organization Casualty Investigation Code and the International Civil Aviation Organization's Annex 13 accident investigation protocols. The Commission intends to work with transport and foreign affairs policy agencies and transport sector regulators as appropriate to formalise protocols and a scale of international assistance and involvement that should help simplify future engagement processes. Some legislative change may need to be considered to harmonise the interfaces between domestic legislation and with international agreements.

Marine Investigation 09-208: Request to assist Government of Kiribati to investigate fatal maritime accident

On 23 July 2009 a motorised outrigger canoe, the Uean Te Raoi II, foundered and capsized off Maiana Island in the Republic of Kiribati with the loss of 35 lives. The Republic of Kiribati requested, through the Ministry of Foreign Affairs and Trade (MFAT), Commission assistance to investigate the accident. The Kiribati Government set up its own Commission of Inquiry into the event, with TAIC investigators assisting as technical advisors. An investigation team of three, two from the Commission and one from Maritime New Zealand, spent nine days in-country. TAIC investigators prepared an interim preliminary report within 30 days for the Kiribati Commission, then went on to complete a full report that was provided to the Kiribati Government in March 2010 and published on the TAIC website on 15 July 2010. The Commission and Maritime New Zealand covered the costs of their respective investigators.

Marine Investigation 09-209 – Request to assist Tongan Government's Royal Commission to investigate sinking of MV *Princess Ashika*

On 6 August 2009 an inter-island roll-on roll-off ferry, the MV *Princess Ashika*, foundered, capsized and sank off Nuku'alofa in the Kingdom of Tonga, with the loss of 74 lives. The Kingdom of Tonga, through MFAT, requested the Commission's assistance to investigate the accident through the provision of technical support to a Royal Commission of Inquiry. TAIC assembled an international team, including staff of Maritime New Zealand, the Australian Transport Safety Bureau (ATSB) and the Transportation Safety Board (TSB) of Canada. On 30 November 2009, the Commission completed its Interim Factual Report for the Tongan Royal Commission, setting out the key facts of the accident involving the *Princess Ashika* but no analysis, findings or recommendations. A fuller report was then provided on 15 February 2010, timed to help the Royal Commission meet its final reporting deadline. This report was entered into the Royal Commission's proceedings as an exhibit. No parties sought to cross-examine TAIC investigators. The Royal Commission presented its report to the King of Tonga on 31 March 2010. The TAIC report, which entered the public domain when tendered as an exhibit, was published on the TAIC website on 15 July 2010. TAIC and the other organisations contributing team members each covered their standard staffing costs. Other expenses were met by New Zealand International Aid and Development Agency (NZAID).

Aviation Investigation 08-008: Air New Zealand Airbus A320 loss of control off the coast of Perpignan, France

The Bureau d'Enquetes et Analyses of France continued its investigation into the accident on 28 November 2008 involving an Air New Zealand aircraft about to be returned from lease that resulted in seven deaths, including four Air New Zealand staff and one CAA staff member. The Commission, as New Zealand's accredited representative to the French inquiry, continued to assist it with gathering New Zealand-based information, participating in analysis, and co-ordinating and providing New Zealand comment on the draft final report, which, at the time of writing, was expected to be published by the end of September 2010.

Aviation Investigation 09-008: Accredited representative to ATSB investigation into Pelair Westwind aircraft incident off Norfolk Island

Following a request from the ATSB, the Commission provided an accredited representative to assist the ATSB with an air investigation following the controlled ditching of an Australian-registered Pelair Westwind aircraft into the sea off Norfolk Island as a result of a fuel emergency. All six persons on board the medical evacuation flight were rescued without injury. The ATSB asked for New Zealand's assistance to gain access to air traffic control recordings, as the aircraft was under New Zealand air traffic control for much of its flight. The investigation was continuing at 30 June.

Performance monitoring development

Letters of Expectations from the Ministers of Finance and Transport ask agencies to adopt a practice of pursuing value for money and reporting on the outcomes of steps taken. Achieving value for money from a Commission perspective broadly means making best use of the resources available for the provision of reporting on accident and incident investigations.

Responding to the Ministers of Finance and Transport's expectations of the Commission, along with all Crown entities, to deliver increased value, the Commission is working on developing a performance scorecard with the aim of focusing our attention on improving our performance. In the current year the Commission instituted a system of internal monitoring to test for effectiveness and efficiency. This work is reported in the non-financial measures as it was developed subsequent to the Statement of Intent and is still being refined. The table below shows the number of inquiries open in a rolling two-year period with the associated total direct costs[3]. The comparison illustrates both the volume of investigations open and the total direct costs for the month.

On average the standard cost of investigations improved from last year (2008/09). The average direct cost was $111k (2008/09), and this year (2009/10) the average direct cost was $102k (-8%). The saving is a result of measures put in place for managing costs e.g. publishing all reports in-house and widening travel options by taking cheaper fares where appropriate.

The Commission endeavours to work with other agencies to manage costs i.e. by sharing costs when salvaging wreckage or, in the case of the New Zealand Defence Force (NZDF), where possible seeking assistance with equipment or personnel.

For the financial year 2009/10, September[4] was a high-cost month in comparison with the other months owing to the Tonga investigation. In this investigation, apart from the New Zealand International Aid and Development Agency (NZAID) cost recovery opportunity, the Commission received assistance – mainly by way of staff time – from the New Zealand Defence Force (NZDF), New Zealand Police, the Australian Transport Safety Bureau (ATSB) and the Transportation Safety Board (TSB) of Canada. Otherwise, costs would have been outside the Commission's budget ability.

Table 10: Comparison 2008-09 with 2009-10: Number of Inquiries Open/Cost per Month

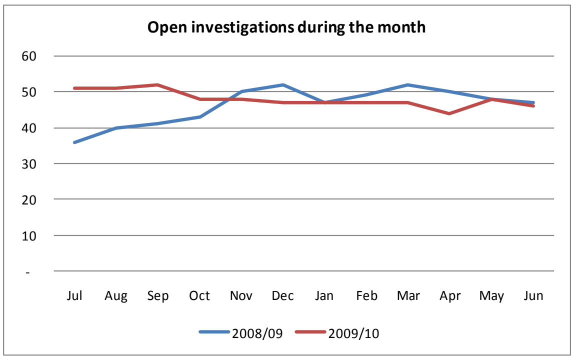
Inquiries open/cost per month				
	Number Open		Direct Cost $	
Month	2008/09	2009/10	2008/09	2009/10
July	36	50	94,541	101,353
August	40	52	111,839	108,932
September	41	52	106,234	129,042
October	43	49	104,901	109,701
November	50	49	100,387	109,701
December	52	46	159,167	102,592
January	47	47	121,961	84,050
February	49	47	111,921	97,402
March	52	46	106,696	93,787

[3] *The direct cost only relates to the investigation cost and does not include the cost of the inquiry or any fixed costs.*

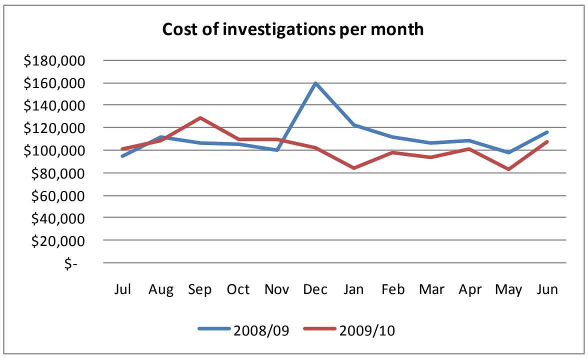
[4] *The investigation cost is usually high at the beginning of an investigation when travel, accommodation and resources costs are incurred.*

Inquiries open/cost per month *continued*				
	Number Open		Direct Cost $	
Month	2008/09	2009/10	2008/09	2009/10
April	50	44	108,786	100,733
May	48	47	97,641	83,569
June	47	47	116,033	107,513
Average open/cost	**46**	**48**	**$111,675**	**$102,365**

Graph 1: Open Inquiries



Graph 2: Cost of Inquiries



The Commission

The Commission

Members of the Commission

Members of the Commission during the year were:

- Mr John Marshall QC – Chief Commissioner (appointed as Commissioner 1 March 2010; taking over as Chief Commissioner 1 May 2010), term expires in March 2015);
- Hon Bill Jeffries – Chief Commissioner (appointed in May 1997, retired in April 2010);
- Ms Pauline Winter – Deputy Chief Commissioner (appointed in September 2001, term expires in November 2010); and
- Mr Bryan Wyness – Commissioner (appointed in November 2004, term expires in November 2010).

Commissioners' remuneration is disclosed in Part 3 of this report.

Assessors

Assessors are independent advisors to the Commission who have specialist expertise and knowledge about aviation, marine or rail matters. Their core functions are to review draft investigation reports and to provide comment and advice directly to Commissioners during their deliberations. The Transport Accident Investigation Commission Act 1990 allows the Commission to co-opt assessors to be members of the Commission, however this step was not taken during the financial year ended 30 June 2010. The Commission has six assessors, all of them engaged as contractors.

Staff

The Commission is a small organisation comprising 19 permanent staff members. A number of specialist contractors are also available to support the Commission, as and when required, including a medical consultant, human resources advisor, research supervisor and management accountant. All information technology (IT) and most accounting services are contracted out.

Commission staff (excluding the Chief Executive) are organised into one of two work teams – Investigation Services and Corporate Services.

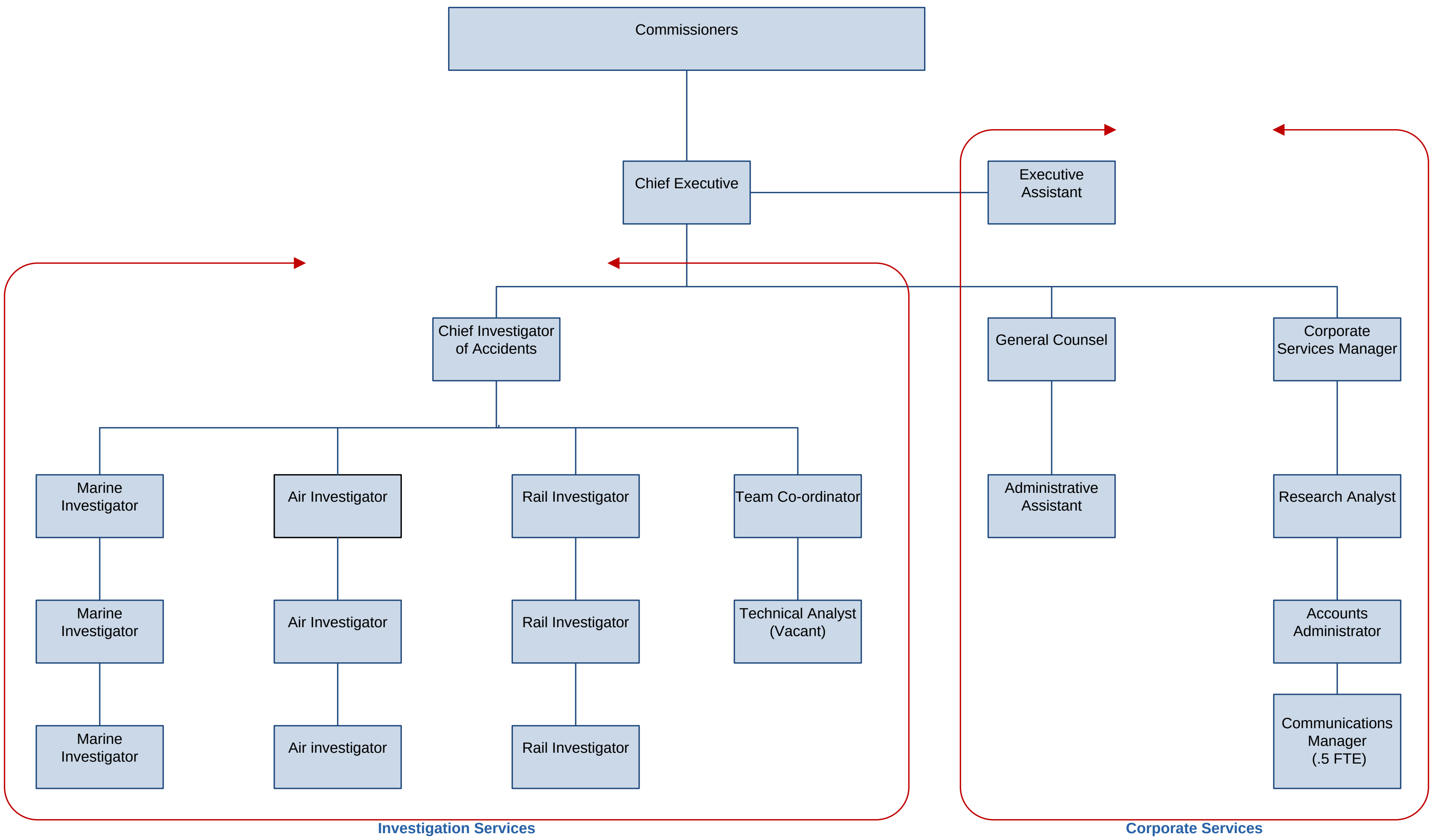
Investigation Services comprises the Chief Investigator of Accidents, one team co-ordinator and nine investigators, all of whom have a background in rail, aviation or marine. Investigation Services, in turn, is made up of three "mode groups" with three investigators in each group. Corporate Services consists of eight permanent staff members with a diverse range of qualifications and expertise, including financial, human resources, legal, research, policy, governance and communications. The team is responsible for providing a range of services, including administrative, human resources, financial, strategic planning, IT, research, corporate governance and legal services.

Table 10 shows the composition of the Commission's employee workforce and the following chart sets out the Commission's organisational structure.

Table 11: Workforce Composition (gender and ethnicity)

Gender	Number		Ethnicity	Number
Male	13		European	15
Female	6		Pacific	3
			Maori	1

Organisational Chart



Good employer initiatives

The Commission recognises that to remain a high-performing inquiry entity it must continue to develop its employees' capabilities. The Commission therefore invests a significant amount of resources in training its investigative and corporate staff. It does this by working with staff to develop individual development plans based on their personal and professional training needs, and on the Commission's own strategic objectives and operational needs.

Further, participation in international events and training programmes is an important part of the Commission's work programme. The Commission is obliged to be in a state of preparedness for occurrences, large and small, wherever they occur. So, to be ready, Commission members and staff attend training workshops, seminars, strategic meetings and conferences annually to learn and to cement relationships. In particular, the Commission's investigators are required, as part of their ongoing development, to attend the investigative training course run by Cranfield University in the United Kingdom. Four investigators participated in this course during the financial year ending 30 June 2010.

The Commission is also committed to promoting a balanced work/home lifestyle as well as a safe and healthy lifestyle for staff, and supports all efforts and initiatives to promote a balanced and healthy lifestyle as the norm. To help achieve this objective, the Commission:

- contributes to staff gym memberships or other exercise-related fees;
- contributes to eye examinations and prescription glasses;
- offers to pay for staff flu vaccinations;
- provides medical examinations for its investigators;
- allows flexible (including part-time) working hours and the ability for staff to work away from the office by providing laptops and remote access to the Commission's systems;
- provides time in lieu (i.e. additional to alternative holidays) to staff who are required to work in the weekends; and
- provides protective and corporate clothing appropriate to roles.

Domestic and international peer engagement

Aside from undertaking inquiries, the Commission seeks active engagement with transport system participants to share information, raise awareness of safety issues, and present on topics related to the Commission's work and transport safety in general. Commission staff meet with regulators and industry bodies, domestic and overseas, throughout the year .

In addition, reflecting New Zealand's international obligations, the Commission is part of a wider network of independent accident investigation agencies, and its practices and procedures are highly influenced by international practices established globally for independent accident investigations in transportation. The Commission subsequently has close ties with its peers in the United States, Canada, the United Kingdom, Australia, Sweden, Norway, Singapore, Japan, Korea and Taiwan.

Commission member and staff engagement activities for 2009/10 included:

International	International Transport Safety Association (ITSA) Chairpersons' Meeting Aviation Security Council, Taiwan
	Australian New Zealand Society of Air Safety Investigators, Regional Air Safety Seminar, Canberra

Investigator training	Statens Havarikommisjon for Transport, Norway Cranfield University, United Kingdom: three staff Australian Transport Safety Bureau Human Factors Victoria University of Wellington Citation and Referencing Course Chief Coroners' Disaster Victim Identification and Emergency Response Planning course
Fostering strong relationships with key stakeholder officials	Maritime New Zealand: • on the Convention on the International Maritime Organization; and • regular investigator meetings Ministry of Civil Defence: providing for emergency preparedness Aviation Industry Association: discussion on pilot training and agricultural aircraft operations New Zealand Police E-crime laboratory NZ Transport Agency regular investigator meetings Ministry of Foreign Affairs and Trade, Pacific Division

Part 2: Statement of service performance

For outputs in the year ended 30 June 2010

The Commission has only one output. All costs and revenue relate to this output.

Reporting on accident or incident investigations

The Commission is funded to investigate and report on aviation, rail and marine accidents in New Zealand and the waters over which it has jurisdiction.

The Commission's performance targets are based on a model of the Commission's capacity. The targets guide the Commission towards maintaining its workload within a range that is sustainable given the Commission's capacity, while fulfilling its statutory mandate. For the 2009/10 financial year, the Commission had determined that it had the capacity to open 35-50 new inquiries, and to close 35-50 inquiries in a given time to complete an inquiry of 220 working days. This reflects what the Commission is capable of, assuming standard cases. Actual circumstances differ from this, and as such the Commission's performance for the year differed from this ideal model. The performance figures reported below show how the Commission performed compared with this ideal model. The reasons for this variance are explained.

The number of inquiries opened was 21, the number of inquiries closed was also 21, and active inquiries at the end of the year totalled 46. The average time to complete the 21 inquiries was 405 days. Included in the 21 open inquiries were three high-resourced overseas inquiries; two in the Pacific Islands and one in France. All three demanded a level of resource well above the average cost of $114k for a standard inquiry.

Overall, the Commission's service performance improved on the previous year. There was a marked improvement within the aviation and marine modes for completing cases. For aviation cases the average length of time to publish a final report was 291 days for the year. This was an improvement of 133 days compared with the previous year. The time to complete marine cases improved by 25 days for the year.

Measures for Inquiries	2009/10 Actual	2009/10 Target
Quantity		
New inquiries opened	21	35-50
Quality		
Number of contested proceedings against findings	0	0
Biannual international peer review of investigative capability, testing for alignment with international principles and standards		Review
Historical report impact review	1	1-3
Timeliness		
Measured in average number of working days, date launched to date published		
Inquiries – investigations only	427	220
Inquiries – with hearings	N/A	360
Reports published	21	35-50

Other information required by the Crown Entities Act 2004

Section 151 of the Crown Entities Act 2004 requires certain information to be included in this report. For example:

- section 151(f) requires information about directions given by the Minister of Transport. No such directions were issued in the financial year ended 30 June 2010;
- section 151(g) requires information about the Commission's compliance with its obligation to be a good employer (including its equal opportunities programme). This is discussed in the previous Part of the report;
- section 151(h) requires information about payments made to Commissioners and employees in the financial year ended 30 June 2009. This information is contained in Part 3 of this report;
- section 151(i) requires information about the enforcement of certain natural person transactions. No such transactions occurred in the financial year ended 30 June 2009;
- section 151(j) requires information about any permissions for Commission personnel to act despite having an interest. No such permissions were granted to any person with an interest; and
- section 151(k) requires information about any other matters relating to or affecting the Commission's operations. In February 2010, the Commission developed its research strategy, which involves examining trends in safety factors and incident risks, changes in event occurrences, and the recurrent identification of particular risk factors or the sudden incidence of anomalous events. By doing this, the Commission will be better able to allocate its resources to those investigations that will add value to the lessons already learnt, and avoid wasting scarce resources through duplication of effort where there is nothing more to be gained.

Part 3: Financial overview and statements

This section provides an overview of the Commission's financial result for the period. For further detailed information, refer to the financial statements on pages 16 to 32. The Commission reported a net surplus of $108.6k compared with a budgeted surplus of $12k.

The total operating revenue was $4.16m, which included $3.9m of Crown funding, $120.8k from cost recovery and $72k from sublease income.

The surplus achieved was driven by:

- a decrease in operating expenses as a result of fewer new inquiries opened (refer to Table 2 on page 6);
- cost recovery from NZAID for the Commission's work in support of the Tongan Royal Commission of Inquiry;
- staff position vacancies; and
- expenditure reduction through value-for-money initiatives, including establishing in-house recruitment systems to reduce recruitment costs and moving all publishing in-house, resulting in reduced publishing costs.

The Commission's financial position remained strong for the year in part due to the capital funding received for the Accident Investigation and Information Management System (AIIMS). The money has been ring-fenced for the development of the AIIMS system. The Australian Government has given its software at no cost, but the Commission needs to customise the software for its own purposes. The Commission is working with its Australian counterpart on developing the system.

The customising work is underway and is scheduled to be completed by June 2011 (as noted in the Commission's 2008 Statement of Intent). We are endeavouring to have the design/build stage of AIIMS completed by October 2010, with the testing and staff training occurring from November through to April 2011.

Statement of responsibility for the year ended 30 June 2010

In the financial year ended 30 June 2010, Commissioners and management were responsible for:

- preparing the financial statements and the statements of service performance and the judgements therein; and
- establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In the opinion of the Commissioners and management, the financial statements and the statements of service performance for the financial year fairly reflect the financial position and operations of the Transport Accident Investigation Commission.

John Marshall, QC
Chief Commissioner

Date: 29 October 2010

Pauline A Winter
Deputy Chief Commissioner

Date: 29 October 2010

Financial Statements
Statement of accounting policies
for the year ended 30 June 2010

1. **Reporting Entity**

The Transport Accident Investigation Commission is an independent Crown entity established under the Transport Accident Investigation Commission Act 1990.

The Commission investigates aviation, marine and rail accidents and incidents, the circumstances of which have, or are likely to have, significant implications for transport safety. The Commission publishes safety recommendations and reports on accidents and incidents to avoid similar occurrences in the future.

The Commission also represents New Zealand at accident investigations in which New Zealand has a specific interest, conducted by overseas authorities, and exchanges accident and incident information with overseas government accident investigation authorities

The Commission's air accident investigation capability is occasionally extended, on a cost recovery basis, to Pacific Island states with no similar agency.

Accordingly, Transport Accident Investigation Commission has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS").

The financial statements of the Commission are for the year ended 30 June 2010. The financial statements were authorised for issue by the board on 29 October 2010

2 **Basis of preparation**

Statement of compliance

The financial statements for the year ended 30 June 2010 are prepared in accordance with the Transport Accident Investigation Commission Act 1990 and the Crown Entities Act 2004, which includes the requirement to comply with New Zealand's generally accepted accounting practice ("NZ GAAP").

Basis of preparation

These financial statements comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

3 **Measurement base**

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

4 **Functional and presentational currency**

The functional and presentation currency of the Commission is New Zealand dollars. All values are rounded to the nearest dollar.

5 **Changes in accounting policies**

Overall considerations

The accounting policies are consistent with those used in the previous financial year except that the Commission has adopted the standards, amendments and interpretations as outlined in note 5(a)-(d). The adoption of these standards, amendments and interpretations did not have any effect on the financial performance or position of the Commission. However they did give rise to additional disclosures. An overview of standards, amendments and interpretations issued, but not yet effective is given in note 6.

(a) **NZ IAS 1 - Presentation of Financial Statements**

NZ IAS 1 Presentation of Financial statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard required information in financial statements to be aggregated on the bases of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with the Crown in its capacity as "owner". The revised standard gives the Commission the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Commission has adopted a single statement of comprehensive income and there is no impact on the financial performance or position as the changes are of presentation nature.

(b) **NZ IAS 23 Borrowing Costs**

NZ IAS 23 Borrowing Costs (revised 2007) replaces NZ IAS 23 Borrowing Costs (issued 2004) and is effective for reporting periods commencing on or after 1 January 2009. The revised standard requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset.

(c) **NZ IAS 24 Related Party Disclosures**

NZ IAS 24 Related Party Disclosures (revised 2009) replaces NZ IAS 24 Related Party Disclosures (issued 2004) and is effective for reporting periods beginning on or after 1 January 2011. The revised standard:

i) Removes the previous disclosure concessions applied by the commission for arms-length transactions between the commission and entities controlled or significantly influenced by the Crown. The effect of the revised standard is that more information is required to be disclosed about transactions between the Commission and entities controlled or significantly influenced by the Crown.

ii) Provides clarity on the disclosure or related party transactions with Minsters of the Crown. Further, with the exception of the Minister of Accountability, the Commission will be provided with an exemption from certain disclosure requirements relating to transactions with other Ministers of the Crown. The clarification could result in additional disclosures should there be any related party transactions with Ministers of the Crown.

iii) Clarifies that related party transactions include commitments with related parties.

As early adoption has been permitted, the Commission has chosen to adopt this standard early as the changes do not have a significant impact on the financial statements. The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition.

(d) **NZ IFRS 7 Financial Instruments: Disclosures**

Amendment to NZ IFRS 7 Financial Instruments: Disclosures. The amendments introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of valuation inputs used. A maturity analysis of financial assets is also required to be prepared if this information is necessary to enable users of the financial statements to evaluate the nature and extent of liquidity risk. The transitional provisions of the amendment do not require disclosure of comparative information in the first year of application.

6 **Standards, amendments and interpretations issued that are not yet effective and have not been adopted early**

Standards, amendments and interpretations issued but not yet effective that have not been adopted early, and which are relevant to the Commission include:

(a) **NZ IFRS 9 Financial Instruments**

NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or at fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. The Commission has not yet assessed the effect of the new standard and expects it will not be an early adoptee.

7 **Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) **Budget figures**

The budget figures are those approved by the Commission at the beginning of the year in the statement of intent. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by the Commission for the preparation of the financial statements.

(b) **Revenue**

Revenue from the Crown

The Commission derives revenue through the provision of outputs to the Crown, for services to third parties and income from its investments. Such revenue is recognised at fair value when earned and is reported in the financial period to which it relates.

Interest

Interest income is recognised as it accrues on bank account balances, on-call and short-term deposits.

(c) **Financial Instruments**

The Commission's financial instruments comprise cash and cash equivalents, trade and other receivables and creditors and other payables. A financial instrument is recognised when the Commission becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all the substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial instruments are initially recognised at their fair value and classified into one of the following categories. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets
For the purpose of subsequent measurement, are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit and loss;
- held to maturity investments; and
- available-for-sale financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except those at fair value through the profit and loss are subject to review for impairment at least each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Commission's cash and cash equivalents and trade and other receivables fall into this category of financial instruments.

Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Commission will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted using the effective interest rate method.

Financial liabilities
The Commission's financial liabilities include trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest rate method, except for financial liabilities, held for trading or designated at fair value through profit and loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss. The Commission does not currently have any financial liabilities held for trading or designated at fair value through profit or loss.

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

(e) **Property, plant and equipment are shown at cost less accumulated depreciation and impairment losses.**

Additions
The cost of an item of property plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Commission and the cost of the item can be measured reliably.

Disposals
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive income.

Depreciation
Depreciation is provided on a straight line basis at rates that will write them off over their estimated useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Fixed asset type	Useful life (Years)	Depreciation Rate
Buildings (store)	33.0 – 50	2% to 8.4%
Computer equipment	2.1 – 10	10% to 48%
Furniture and equipment	2.1 – 20	5% to 48%

(f) **Intangible assets**

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

Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation
Computer software licenses are amortised on a straight-line basis over their estimated useful life of 3 years. Amortisation begins when the asset is available for use and ceases at the date the asset is disposed of. The amortisation charge is recognised in the Statement of Comprehensive Income.

Fixed asset type	Useful life Years	Depreciation Rate
Software (AIIMS)	3 – 5	25% - 33%

Impairment of property, plant and equipment and intangible assets
Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment at each financial reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(g) GST
All items in the financial statements are stated exclusive of GST except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed exclusive of GST.

(h) Statement of Cash Flows
Cash comprises monies held in the Commission's bank accounts and short term deposits.

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

Investing activities relate to the sale and purchase of fixed assets.

Operating activities include all transactions and other events that are not investing or financing activities. Interest received is included in operating activities.

(i) Employee entitlements
Employee entitlements that the Commission expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within the next 12 months, and sick leave.

The Commission recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the sick leave entitlement that can be carried forward at balance date, to the extent the Commission anticipates it will be used by staff to cover those future absences.

(j) Superannuation scheme

Defined contribution scheme
Obligations for contributions to KiwiSaver are accounted for as a defined contribution superannuation scheme and is recognised as an expense in the statement of comprehensive income as incurred.

(k) Taxation
The Commission is a public authority in terms of the Income Tax Act 2007 and consequently is exempt from income tax. Accordingly, no charge for income tax has been provided for.

(l) Operating leases
An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as incurred over the lease term of the lease in the statement of comprehensive income.

(m) Financial instrument risks
The Commission has policies to manage the risks associated with financial instruments. The Commission is risk averse and seeks to minimise exposure from its treasury activities. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk
Fair value interest rate risk
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Commission's exposure to fair value interest rate risk is limited to its short-term bank deposits which are held at fixed rates of interest.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investments issued at variable interest rates expose the Commission to cash flow interest rate risk. The Commission has no variable interest rate investments.

If interest rates on cash and investments at 30 June 2010 had fluctuated by plus or minus 0.5%, the effect would have been to increase/decrease the surplus/deficit by $1,495 (2009 $1,955).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Commission is not exposed to currency risk, as it does not enter into foreign currency transactions.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Commission, causing the Commission to incur a loss.

Due to the timing of its cash inflows and outflows, the Commission invests surplus cash with registered banks. The Commission's investment policy limits the amount of credit exposure to any one institution.

The Commission's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash equivalents (note 1), investments (note 2) and trade and other receivables (note 3). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

The Commission has no significant concentrations of credit risk as it does not have any credit customers and only invests funds with registered banks with specified credit ratings.

Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through adequate amount of committed credit facilities and the ability to close out market positions. The Commission aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Commission maintains a target level of investments that must mature within specified timeframes.

The maturity profiles of the Commission's cash and cash equivalents are disclosed in note 1.

The Commission holds cash with Kiwi Bank, National Bank and BNZ. These banks are part of the Crown Retail Deposit Scheme. Deposits up to $1 million held with these banks are guaranteed by the Crown.

8 Critical accounting estimates and assumptions

In preparing these financial statements the Commission has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectation or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below:

Property, plant and equipment useful lives and residual values

At each balance date the Commission reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Commission to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Commission, and expected disposal proceeds from the future sale of the asset.

The total cost of the sub-lease of Simpl (Cigna) House has been estimated and included in the last year's lease, rental and outgoings expense. This cost was calculated by discounting the future net cash outflows of the sub-lease at a discount rate of 5%.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the statement of comprehensive income, and carrying amount of the asset in the statement of financial position. The Commission minimises the risk of this estimation uncertainty by:

* physical inspection of assets;
* asset replacement programs;
* analysis of prior asset sales

The Commission has not made any significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in note 4.

Critical judgements in applying the Commission’s accounting policies

Management has exercised the following critical judgements in applying the Commission’s accounting policies for the period ended 30 June 2010:

Leases classification

Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Commission.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant and equipment, whereas for an operating lease no such asset is recognised.

The Commission has exercised its judgement on the appropriate classification of equipment leases and, has determined that the lease arrangement with Fuji Xerox is a finance lease.

Statement of financial position

as at 30 June 2010

Assets	Note	Actuals 30/06/10	Budget 30/06/10	Actuals 30/06/09
Current Assets				
Cash and cash equivalents	1	1,359,275	563,000	696,399
Trade and other receivables	2	11,745	10,000	12,448
Prepayments and advances	3	7,845	20,000	9,853
Total Current Assets		1,378,865	593,000	718,700
Non-Current Assets				
Property, plant and equipment	4	318,007	695,000	218,517
Intangible assets	5	105,094	300,000	18,395
Total Non-Current Assets		423,101	995,000	236,912
Total Assets		1,801,966	1,588,000	955,612
Represented by:				
Liabilities and taxpayers' funds				
Current Liabilities				
Trade and other payables	6	141,447	118,000	140,848
Employee entitlements	7	167,485	160,000	179,404
Finance lease – current	15	31,111	-	-
Provision for rental loss	8	42,703	-	83,911
Total Current Liabilities		382,746	278,000	404,163
Non-Current Liabilities				
Finance lease – non current	15	58,352		
Provision for rental loss	8	172,330	-	106,485
Total Non-Current Liabilities		230,682	-	106,485
Total Liabilities		613,428	278,000	510,648
Taxpayer's Equity		1,188,538	1,310,000	444,964
Total Liabilities and Taxpayers' Equity		1,801,966	1,588,000	955,612

John Marshall QC
Chief Commissioner

Pauline A Winter
Deputy Chief Commissioner

The accompanying notes and statement of accounting policies should be read in conjunction with these financial statements.

Statement of comprehensive income

for the year ended 30 June 2010

Revenue	**Note**	**Actuals 30/06/10**	**Budget 30/06/10**	**Actuals 30/06/09**
Revenue Crown		3,938,000	3,938,000	3,938,000
Rental income		72,084	101,000	45,223
Other income		120,833	-	2,707
Interest earned		29,907	42,000	39,107
Total Revenue		4,160,824	4,081,000	4,025,037
Expenditure				
Audit Fees – financial Statement audit		11,600	12,000	11,500
Commissioners' fees	13	147,379	157,000	115,610
Depreciation and amortization		63,366	60,000	37,309
Lease, rentals and outgoings		726,816	771,000	719,152
Rental loss	8	108,548	-	190,396
Capital charge	9	45,260	48,000	25,777
Personnel costs	10	2,071,995	2,264,000	2,005,396
Loss on disposal of assets		-	-	15,945
Other operating costs		877,286	757,000	1,052,678
Total Expenditure		4,052,250	4,069,000	4,173,763
Net Surplus/(Deficit)		108,574	12,000	(148,726)
Other Comprehensive Income		-	-	-
Total Comprehensive Income for the year		108,574	12,000	(148,726)
Surplus/(Deficit) attributable to:				
Commission		108,574	12,000	(148,726)

The accompanying notes and statement of accounting policy should be read in conjunction with these financial statements.

Statement of movement in taxpayers' equity

for the year ended 30 June 2010

	Actuals 30/06/10	Budget 30/06/10	Actuals 30/06/09
Opening Taxpayers' equity at 1 July	444,964	663,000	343,690
Plus:			
Capital contribution from the Crown	635,000	635,000	250,000
Plus:			
Net Surplus/(Deficit)	108,574	12,000	(148,726)
Other Comprehensive Income	-	-	-
Total Comprehensive Income for the year	108,574	12,000	(148,726)
Closing Taxpayers' equity at 30 June	1,188,538	1,310,000	444,964

The accompanying notes and statement of accounting policy should be read in conjunction with these financial statements.

Statement of cash flows

for the year ended 30 June 2010

	Actuals 30/06/10	Budget 30/06/10	Actuals 30/06/09
Cash flows from operating activities			
Cash was received from:			
Revenue Crown	3,938,000	3,938,000	3,938,000
Rental income	72,084	-	45,223
Other income	121,536	101,000	2,707
Interest received	30,193	42,000	42,291
	4,161,813	4,081,000	4,028,221
Cash was disbursed to:		-	
Payments to suppliers	1,851,553	3,957,000	1,870,513
Payments to employees	2,077,030		1,970,780
Capital charge	45,260	48,000	25,777
Net cash flows from operating activities	187,970	76,000	161,151
Cash flows from investing activities			
Cash was received from:			
Proceeds from sale of investments	-	-	154,333
			154,333
Cash was applied to:			
Purchase of property, plant and equipment and Intangibles	160,094	695,000	175,212
Net cash flows from investing activities	(160,094)	(695,000)	(20,879)
Cash Flows from Financing Activities			
Cash provided from:			
Capital contribution from the Crown	635,000	635,000	250,000
Net Cash Flows from Financing Activities	635,000	635,000	250,000
Net movement in cash for the period	662,876	16,000	390,272
Opening cash and cash equivalents	696,399	548,000	306,127
Closing cash and cash equivalents	1,359,275	564,000	696,399

The accompanying notes and statement of accounting policy should be read in conjunction with these financial statements.

Reconciliation of cash flow with statement of comprehensive income

for the year ended 30 June 2010

	30/06/10	30/06/09
(Deficit)/surplus from Statement of Comprehensive Income	108,574	(148,726)
Add Non-cash items		
Depreciation and amortization	63,366	37,309
Loss on Disposal of Assets	-	15,945
	171,940	(95,472)
Add/(Less) movements in Working Capital Items		
Trade and other receivables	703	(12,448)
Accrued interest on investment	-	3,184
Prepayments	2,008	21,024
Trade and other payables	599	19,850
Employee benefits	(11,917)	34,617
Provision for rental loss	24,637	190,396
Total working capital items	16,030	256,623
Net cash flows from operating activities	187,970	161,151

The accompanying notes and statement of accounting policy should be read in conjunction with these financial statements.

Notes to the financial statements

for the year ended 30 June 2010

1. Cash and cash equivalents	30/06/10	30/06/09
Cash at bank and on hand	804,942	138,570
Short-term deposits maturing in less than 3 months	554,333	557,829
Total cash and cash equivalents	1,359,275	696,399

2. Trade and other receivables	30/06/10	30/06/09
Not past due	11,745	11,448
1-30 days	-	311
31-60 days	-	-
61-90 days	-	689
Gross Receivables	11,745	12,448
Less: Provision for impairment	-	-
Net Receivables	11,745	12,448

The carrying value of trade and other receivables is approximately their fair value

3. Prepayments and advances	30/06/10	30/06/09
Prepayments	7,845	6,415
International Civil Aviation Organisation advances	-	3,438
Total prepayments and advances	7,845	9,853

4. Property, plant and equipment

Cost	Buildings	Computer Equipment	Furniture & Equipment	Total
Balance at 30 June 2008	43,936	129,699	278,194	451,829
Additions	114,210	20,707	18,565	153,482
Disposals	(13,798)	(106,812)	(194,831)	(315,441)
Balance as at 30 June 2009	144,348	43,594	101,928	289,870
Additions	845	149,641	8,139	158,625
Disposals	-	-	-	-
Balance at 30 June 2010	145,193	193,235	110,067	448,495
Accumulated depreciation				
Balance as at 30 June 2008	17,160	110,598	210,965	338,723
Depreciation Expense	5,721	14,010	12,395	32,126
Disposals	(3,727)	(105,985)	(189,784)	(299,496)
Balance as at 30 June 2009	19,154	18,623	33,576	71,353
Depreciation Expense	10,385	35,502	13,248	59,135
Disposals	-	-	-	-
Balance at 30 June 2010	29,539	54,125	46,824	130,488
Carrying Amounts				
At 30 June 2008	26,776	19,101	67,229	113,106
At 30 June 2009	125,194	24,971	68,352	218,517
At 30 June 2010	115,654	139,110	63,243	318,007

5. Intangible Assets

Acquired Software : Cost	30/06/10	30/06/09
Balance at beginning of year	28,716	16,227
Additions	90,930	21,730
Disposals	-	(9,241)
Balance at end of year	119,646	28,716

Accumulated amortisation	30/06/10	30/06/09
Balance at beginning of year	10,321	14,379
Amortisation	4,231	5,183
Disposals	-	(9,241)
Balance at end of year	14,552	10,321

Carrying amounts		
As at beginning of year	18,395	1,848
At year end	105,094	18,395

6. Trade and other payables

Trade and other payables	30/06/10	30/06/09
Trade creditors	79,721	116,379
Accrued expenses	61,726	24,469
Total Payables and Accruals	141,447	140,848

7. Provision for employee entitlements

Provision for employee entitlements	30/06/10	30/06/09
Employee entitlements are represented by:		
Annual Leave	109,615	119,411
Sick Leave	-	23,755
Accrued salaries and wages	57,870	36,238
Total employee entitlement	167,485	179,404

8. Provision for rental loss

The Commission has a lease for Level 11, Simpl (Cigna) House which expires in 2015. The premises have been subleased for the remainder of the lease term but at a loss. A provision of $190,396 to cover this liability was made in 2009 for the future discounted rental payments net of anticipated rental income. In 2010, the provision was reduced by $83,911, this being the discounted rental payments for 2009/10. An additional provision of $108,548 was made this year due to a rental increase for Simpl (Cigna) House. The final provision is $215,033 and this now covers the revised future discounted rental payments net of anticipated rental income.

9. Capital charge

Levied at 7.5% on the taxpayers' funds for 2010. For the 2009 year the rate was 7.5%.

10. Personnel costs

Personnel costs	30/06/10	30/06/09
Salaries and wages	2,058,688	1,894,583
Employer contributions to defined contribution plans	6,884	9,674
Decrease in employee entitlements	(33,551)	34,617
Recruitment	20,695	43,402
Other staff costs	19,279	23,120
Total personnel costs	2,071,995	2,005,396

Employer contributions to defined contribution plans include contributions to KiwiSaver, State Sector Retirement Savings Scheme and the DBP Contribution Scheme.

Employee remuneration

Total remuneration and benefits	Number of employees	
$000	2010	2009
$100-$110	3	2
$110-$120	6	2
$120-$130	1	4
$130-$140	0	1
$140-$150	1	0
$150-$160	0	0
$160-$170	1	1
$170-$180	0	0
$180-$190	0	0
$190-$200	0	0
$200-$210	1	1

The Chief Executives' total remuneration and benefits received in 2009/2010 is in the $200,000- $210,000 band.

11. Related party transactions

The Commission is an independent Crown Entity and operates under the Crown Entities Act 2004. The Commission is solely Crown funded.

The Commission enters into transactions with government departments, state-owned enterprises and other Crown entities. Those transactions that occur within normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Commission would have adopted if dealing with that entity at arm's length in the same circumstances have not been disclosed as related party transactions.

12. Key management personnel

	2010	2009
Salaries and other short-term employee benefits	590,325	480,153
Employer contributions to defined contribution plans	6,884	2,892
	597,209	483,045

Employer contributions to defined contribution plans include contribution to KiwiSaver, State Sector Retirement Saving Scheme and the DBP Scheme Contributors Scheme.

Key management personnel include 7 individuals, the Board, Chief Executive and three members of the management team. (2009: 6 key management personnel). Board fees are disclosed separately below.

13. Commission members

Commission members earned the following fees during the year:

Member	Fees	
	2010	2009
Hon WP Jeffries (Chief Commissioner) (retired 30 April 2010)	45,130	47,730
Ms PA Winter (Deputy Chief Commissioner)	41,400	35,640
Mr B Wyness (Commissioner)	41,420	32,240
Mr John Marshall, QC (Chief Commissioner)	19,429	-
	147,379	115,610

14. Statement of commitments

The Transport Accident Investigation Commission has the following non-cancellable operating leases of the following amounts:

	30/06/10	30/06/09
Less than 1 year	755,487	749,829
1 – 2 years	755,487	741,884
2 – 5 years	2,252,584	2,188,270
5+ years	3,937,128	4,651,861
	7,700,686	8,331,844

The Commission has four substantial leases. The Commission has signed a sublease for Level 11, Simpl House through to the lease expiry in May 2015.

Expiry terms and sublease		**Sublease Recover**	
Premises	Expiry Date	Per Annum	Whole Term
AXA Level 15 and 16	August 2023	-	-
Simpl House	May 2015	121,670	567,793
Bell Road	June 2017	-	-
Seaview	September 2009		

15. Finance leases

	30/06/10	30/06/09
Total minimum lease payments payable:		
Less than 1 year	33,063	-
1 – 2 years	33,063	-
2 – 5 years	41,328	-
5+ years	-	-
	107,454	-
Future finance charges	17,991	
Present value of minimum lease payments	89,463	
Present value of minimum lease payments payable		
Less than 1 year	31,111	-
1 – 2 years	27,777	-
2 – 5 years	30,575	-
5+ years	-	-
Total present value of minimum lease payments	89,463	-
Represented by:		
Current	31,111	-
Non-current	58,352	-
	89,463	-

The Commission has entered into a finance lease for various items equipment from Fuji Xerox. The net carrying amount of the leased items is shown in note 4.

The finance lease is spread over a term of 45 months. The present value of the lease payments has been calculated using an interest rate of 12%.

The finance lease can be renewed at the Commission's option, with rents set by reference to current market rates for items of equivalent age and condition. The Commission does not have the option to purchase the assets at the end of the lease terms.

There are no restrictions placed in the Commission by any of the finance leasing arrangements.

Finance lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default in payment.

16. Statement of contingencies

Contingent liabilities

There are no contingent liabilities existing at balance date. (2009: Nil.)

Contingent assets

There are no contingent assets existing at balance date. (2009: Nil.)

17. Subsequent events

There were no significant events after the balance sheet date.

18. Categories of financial assets and liabilities

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	30/06/10	30/06/09
Loans and receivables		
Cash and cash equivalents	1,359,275	696,399
Debtors and other receivables	11,745	12,448
Total loans and receivables	1,371,020	708,847
Financial liabilities measured at amortised cost		
Creditors and other payables	141,447	140,848
Finance lease	89,463	-
	230,910	140,848

19. Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) financial instruments with quoted prices with identical instruments in active market.
- Valuation technique using observable inputs (level 2) financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets or financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) financial instruments valued using models where one or more significant inputs are observable.

All financial assets and financial liabilities disclosed on the Commission's statement of financial position are level 1 on the hierarchy. There have been no transfers between different levels of the fair value hierarchy.

20. Capital management

The Commission's capital is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

The Commission is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisitions of securities, issuing guarantees and indemnities and the use of derivatives.

The Commission manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure the Commission effectively achieves its objectives and purpose, whilst remaining a going concern.

21. Explanation of significant variance against budget

Explanations for significant variations from the Commission's budgeted figures in the statement of intent are as follows:

Statement of comprehensive income

Personnel costs

Personnel costs were $192,005 (-8%) under budget due to position vacancies.

Other operating costs
Other operating costs were $120,286 (16%) over budget driven by the Commission's involvement in overseas inquiries. Costs have been recovered as shown separately under other income in these statements.

Statement of financial position

Cash and cash equivalents
Cash and cash equivalents is $796,275 over budget due to the AIIMS expenditure lower at the front end of the project plan.

Property, plant and equipment and intangible assets
Property, plant and equipment and intangible assets are $571,899 under budget due to the AIIMS project. This project will be complete by the end of 2010/11 financial year.

Statement of changes in cash flows
The statement of changes in cash flows shows a net movement in cash for the period $662,876 better than budgeted due to AIIMS project and personnel recruitment. This was partially offset by the increased payments to suppliers.

Audit report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Audit Report

To the readers of the
Transport Accident Investigation Commission's
financial statements and statement of service performance
for the year ended 30 June 2010

The Auditor-General is the auditor of the Transport Accident Investigation Commission (the Commission). The Auditor-General has appointed me, Kelly Rushton, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Commission for the year ended 30 June 2010.

Unqualified opinion

In our opinion:

- The financial statements of the Commission on pages 22 to 38:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the Commission's financial position as at 30 June 2010; and
    - the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the Commission on page 18:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects for each class of outputs:
    - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
    - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 29 October 2010, and is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

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

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

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

Responsibilities of the Board and the Auditor

The Board is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Commission as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Commission's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Board's responsibilities arise from the Crown Entities Act 2004.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

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

Other than the audit, we have no relationship with or interests in the Commission.

Kelly Rushton
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements and statement of service performance

This audit report relates to the financial statements and statement of service performance of the Transport Accident Investigation Commission (the Commission) for the year ended 30 June 2010 included on the Commission's website. The Commission's Commissioners are responsible for the maintenance and integrity of the Commission's website. We have not been engaged to report on the integrity of the Commission's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance as well as the related audit report dated 29 October 2010 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

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