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*Te Komihana Tirotiro Aitua Waka*  
Transport Accident Investigation Commission

# Statement of Intent 2010 - 2013

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## About the Commission

### Our purpose

*The Commission's vision is "safer transport through investigation learning and influence".*

The Transport Accident Investigation Commission (the Commission) is a standing Commission of Inquiry established under the Transport Accident Investigation Commission Act 1990 (the Act). It has three Commissioners appointed by the Governor-General in Council, who are supported by a chief executive and a team of investigators and corporate staff.

The Commission's purpose, as set out in its Act, is to determine the circumstances and causes of aviation, rail and maritime accidents and incidents with a view to avoiding similar occurrences in the future, rather than to ascribe blame to any person. It does this by conducting inquiries, which aim to inform members of the transport sector and the wider community about the lessons that can be learnt from transport occurrences. The knowledge gained from these inquiries helps transport sector participants to improve safety systems.

### Our function

The Commission's main function is to inquire into maritime, aviation and rail accidents and incidents within New Zealand and, if asked, to co-ordinate and co-operate with other accident investigation organisations overseas. Its day-to-day operations, therefore, focus almost exclusively on inquiring into accidents and incidents.

In conducting its inquiries, the Commission examines those actions which are the most proximate to the accident or incident and which are generally associated with front line operations such as the decision-making of a skipper or pilot. These are typically known as active safety factors. The Commission also examines those matters which are not contemporaneous to the event, but which may arise during manufacture, system design, maintenance, and management decision-making. These are typically known as latent safety factors, and include matters like the regulatory system concerned, survey and certificate decisions, and the culture of the operator organisation. These errors may lie dormant for many years and may not be identified as posing a risk to an operation until they are associated in time with some active safety factors. Once combined, active and latent factors may then give rise to a catastrophic event such as the capsizing and sinking of a ship<sup>1</sup>.

### Our independence

It is important that the public has confidence in the Commission's inquiries into the circumstances and causes of occurrences. Public confidence can only be maintained if the Commission is seen to carry out its inquiries independently - free from actual or perceived bias, conflict of interest, or threat of sanction. New Zealand's international obligations also require that the Commission carries out its inquiries independently. For these reasons the Commission is established with the legal mandate of a Commission of Inquiry and, as an independent Crown entity, is independent of Government control in the conduct of its inquiries.

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<sup>1</sup> James Reason, "Collective Mistakes in Aviation: The Last Great Frontier" Flight Dec, Summer 1992, Issue 4.

## Our international obligations

New Zealand has international civil aviation and maritime obligations to meet. Some of these obligations are met through the Commission.

New Zealand is a signatory to the Convention on International Civil Aviation (the Chicago Convention). Article 26 of the Chicago Convention requires signatory States to investigate accidents and serious incidents involving foreign state aircraft. Annex 13 to the Chicago Convention sets out the international standards and recommended practices for investigating aircraft accidents and incidents.

Similarly, New Zealand is a signatory to the Convention on the International Maritime Organization (IMO) and the many supporting maritime conventions such as the International Convention for the Safety of Life at Sea (SOLAS), supported by the Code of International Standards and Recommended Practices for a Safety Investigation into a Marine Casualty or a Marine Incident (Casualty Investigation Code).

The Chicago Convention and the Casualty Investigation code require that signatories undertake independent accident and incident investigations. The Commission undertakes this role in New Zealand and conducts its investigations in accordance with the Conventions' standards and operating procedures.

## Our relationship with others

### The New Zealand government transport sector

While the Commission is an independent Crown entity it is also part of the New Zealand Government transport sector. The Commission has a role in working with other agencies in the sector to contribute towards the New Zealand Government's strategies and objectives.

The sector comprises the Minister of Transport, the Ministry of Transport, four Crown entities, three state-owned enterprises, one Crown established Trust, and the New Zealand Police.

The Commission is statutorily linked to the Civil Aviation Authority, the New Zealand Transport Agency and Maritime New Zealand through its own Act and the empowering legislation of each of the other entities. These entities regulate (respectively) the aviation, rail and maritime sectors. The Commission receives notification of occurrences from these transport regulators and may, in the course of making inquiries, investigate the role of the regulator in relation to an occurrence. The Commission has memoranda of understanding with these agencies to clearly set out how it will work with each agency.

The Commission is the only agency in the transport sector charged with inquiring into accidents and incidents to prevent similar accidents occurring in the future. By comparison, transport regulators investigate some maritime, aviation and rail accidents and incidents with a view to taking regulatory action, such as suspending or revoking transport documents or prosecuting for transport offences. The Police also investigate some serious transport occurrences where an offence is suspected.

### Other New Zealand agencies

The Commission has links with coroners. Coroners investigate sudden deaths with a view to determining the causes of death. The fact that the vast majority of transport-related fatalities are sudden means that coroners are very likely to investigate these occurrences. As a coroner and the Commission may both inquire into some fatal occurrences the Commission is working with coroners to establish protocols surrounding such cases.

### International cooperation and assistance

The Commission is part of an international community of transport accident investigation bodies, and reciprocal assistance is a vital part of the Commission's relationship with these other entities. The Commission assists overseas agencies by conducting investigations on their behalf or by helping them with their own investigations. A recent example involves an air incident off the coast of Norfolk Island, which the Commission is helping the Australian Transport Safety Bureau (the lead agency) to investigate.

In return, the Commission receives assistance with its own inquiries overseas, and with technical assistance where required. A recent example involves the Commission's involvement in the Princess Ashika Royal Commission of Inquiry in Tonga, in which the Commission received assistance from the Australian Transport Safety Bureau, the Transportation Safety Board of Canada and the Japan Transport Safety Board.

### Role in the Pacific

As part of New Zealand's role in the Pacific, the Commission has been asked on several occasions to investigate occurrences on behalf of the governments of Pacific nations. This is a new extension of the Commission's international role, which could well continue if further incidents like the Princess Ashika tragedy occur again. The likelihood of this occurring is moderate to high, with the Commission's investigation in the Princess Ashika case showing how ships entering the Pacific are often aged and poorly maintained, and how Pacific countries accept and operate substandard shipping vessels. As long as this situation continues to exist, a higher than acceptable number of incidents and accidents can be expected.

## The Commission's operating environment

### The international context

The Commission exists as part of a global network of transport accident investigation bodies and is obliged to be in a state of preparedness for occurrences, large and small, wherever and whenever they occur. These obligations arise in part from New Zealand's international treaty agreements such as the Chicago Convention or Marine Casualty Investigation Code where it is incumbent on signatory states to provide for a common standard of independent aviation accident investigation.

New Zealand, as an island state with a small population and few near neighbours, is reliant upon access to other accident management systems to ensure sufficient practices and capabilities to handle the next significant event. Also, as with other jurisdictions, it is recognised that for bigger accident events no one state necessarily has the investigative resources to manage its own response efficiently. Our investigators may be called upon to assist in other countries, and we in turn may call for help when required. Co-operating with international investigatory bodies, therefore, allows the Commission to participate in overseas investigations in which there is a New Zealand interest, and gives the Commission access to international expertise and resources, as well as providing benchmarking and development opportunities.

### Impact of the economic downturn

Some thirty-five million travellers each year in New Zealand rely, in part, on the Commission to contribute to transport safety through rigorous inquiries into incidents, which may be precursors of possible serious accidents:

- For rail, some 20 million paying passengers use trains each year, principally in the greater Wellington region and in suburban Auckland with major upgrading projects in both these cities over the next three years involving a new generation of trains and state of the art electrical equipment.
- For air, some 10 million paying passengers use scheduled air services within the country each year. Another half million people are involved as passengers or crew in general aviation, agriculture and tourism flights.
- For ferry services, more than 5 million paying passengers travel on our waters each year. Perhaps ten thousand people are employed in ocean fishing and tourism.

The Commission is alert to the risk that during periods of economic instability, there may be a tendency for transport operators to dilute safety systems and their application. As a guardian of transport safety for the New Zealand public, the Commission will assist transport sector participants to maintain a safe and effective transport system in the face of these challenges by maintaining vigilance for this potential dynamic.

### Government priorities and policies

Infrastructure development is a key goal for the New Zealand Government, and transport safety is an important element of that. The National Infrastructure Plan released on March 2010 presents a high-level view of the state of New Zealand's infrastructure and includes a stock-take of existing infrastructure and anticipated future requirements. In responding to this plan, changes made by government agencies, local government and the private sector to the transport environment will be inevitable. With these changes could be consequences for transport safety and accident investigation.

### Changing transport industry

The rail industry continues to change. The Government purchase of TollRail was completed in 2008. This has impacted on the notification practices of the rail industry, and the Commission has experienced an increase in notifications of rail occurrences. This is a positive development, but there are other implications that will require further monitoring, such as the status of safety recommendations issued to TollRail prior to its purchase.



## Commission's direction

### The Government's Goal

The government's overall goal is "to grow the New Zealand economy to deliver greater prosperity, security, and opportunities for all New Zealanders". Within that, the government has four specific outcomes for the transport sector, two of which are relevant to the role of the Commission. These are "an efficient transport system that supports high levels of economic productivity, provides strong international connections for freight, business and tourism, and meets international obligations." and "an accessible and safe transport system that contributes positively to the nation's economic, social and environmental welfare".

### The Commission's contribution

The Commission contributes to the government's transport goals by assisting front-line transport participants to improve transport safety. The Commission's inquiries create knowledge about safety issues, and its recommendations suggest action to improve transport safety. The Commission also directly fulfils several international obligations, and contributes to international relationships by assisting overseas investigations and exchanging knowledge with overseas peers.

### Strategic direction

The Commission's function and activities are mandated by its Act. The Commission's sole output, inquiries, is its strategic focus. The Commission's vision, its interpretation of its role, is "safer transport through investigation, learning, and influence". This vision is supported by four strategic goals which ensure the Commission continues to fulfil its function and achieve its vision. These are:

- The Commission's inquiries influence the safety behaviour of the transport sector
- The Commission is able to launch inquiries where it believes there will be valuable lessons
- The Commission's findings are accurate and its recommendations effective
- The Commission complies with its act and with international obligations

To deliver on these strategic goals the Commission has identified four shorter-term objectives for the coming period. These short-term objectives focus on the Commission's priority to **continuously improve** key areas of its function. They are:

- increase the Commission's expertise by building its corporate and inquiry capability;
- better intelligence, information and evidence; turn information into intelligence at the Commission's finger-tips and strengthen its evidence base;
- optimise delivery of the Commission's statutory mandate through better targeting of its resources, and optimise its approaches to inquiries; and
- effectively communicate its findings and recommendations to the sector; get the Commission's message across so that the lessons are acted on.

Specific actions planned for the 2010-13 period regarding these strategic objectives are discussed in the section on "*Building an Effective, Capable Commission*".

## Commission's outcome

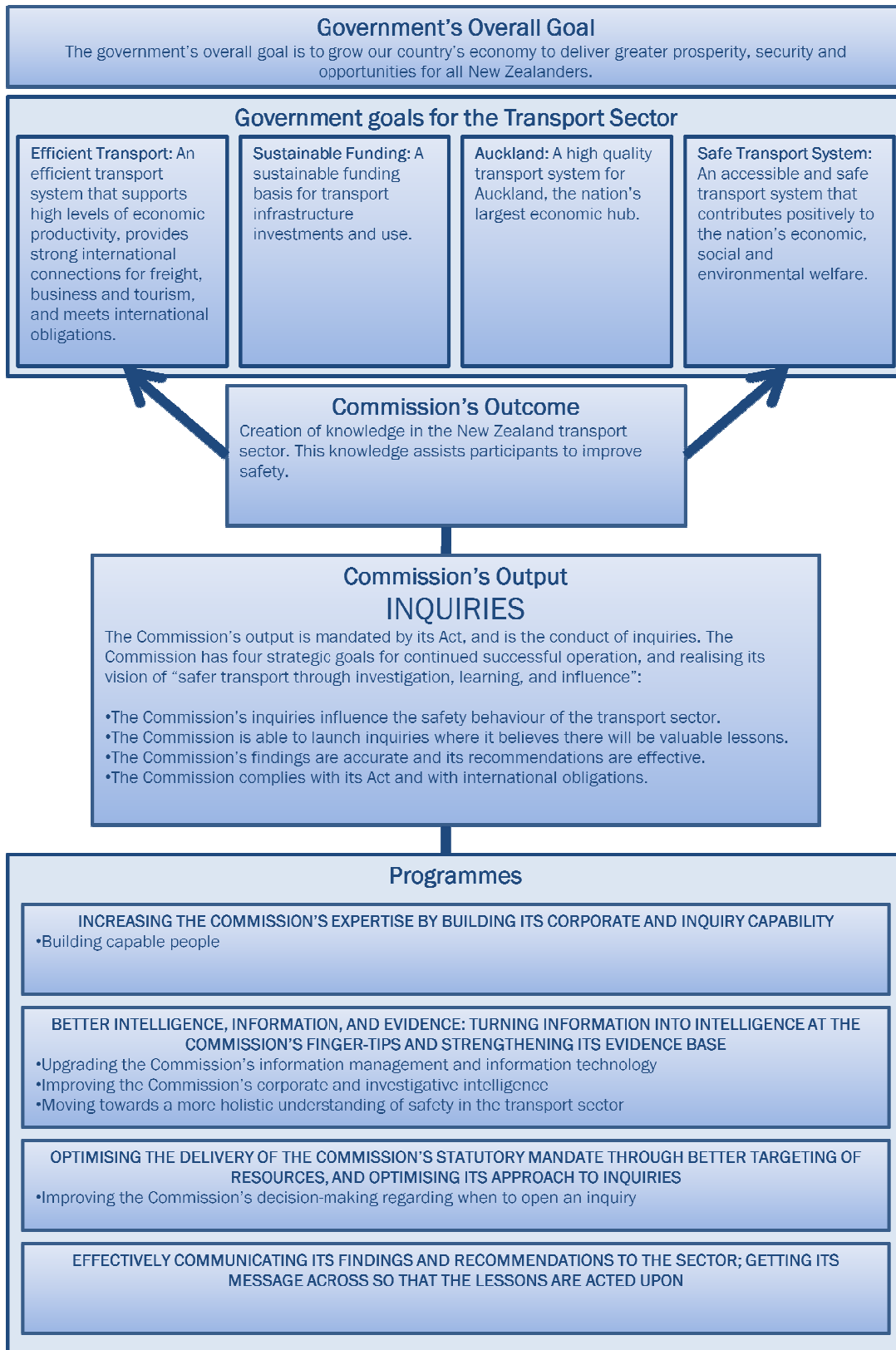
The Commission has limited ability to directly effect change in safety in the New Zealand transport sector. Rather, by focusing on the above four short-term objectives the Commission believes it will deliver on its principle outcome, that of 'the creation of knowledge in the New Zealand transport sector' The Commission has no power to enforce its recommendations, and no responsibility for creating safety systems. Instead, the Commission's role is to influence safety behaviour through its inquiries, to give transport sector participants knowledge that will assist them in building and maintaining a safe transport system.

As a result the Commission has developed 'the creation of knowledge in the New Zealand transport sector' as a measurable outcome it can affect. This outcome is derived from the Commission's vision of "safer transport through investigation, learning and influence.

## Impact

The desired impact of the Commission's operation is a reduction in the rate and severity of accidents in New Zealand. However, as the Commission has an indirect relationship to the safety sector, and because transport safety is a complex system with multiple influencing factors, the Commission cannot measure this impact. Instead, the Commission focuses on the creation of knowledge to influence safety systems design and operation. There is no ideal tool for measuring this, but the Commission uses several proxy-measures, looking at the quality and timeliness of its reports. This year the Commission has also begun a new procedure for measuring its impact. This is "historical impact review", which involves taking a sample of specific reports and conducting a detailed review and analysis of changes in the rates of similar accidents over time, in the context of other changes in the transport sector.

The table below illustrates the contribution of the Commission to the Government's goals, and the contribution of the Commission's strategic direction to its role and function.



## The Commission's operating intentions

### Commission's objective

The Commission's operating intentions all focus on improving the Commission's ability to fulfil its statutory function. The Commission will increase its contribution to its objective by improving its operation in its core business.

The Commission has been through a substantial amount of organisational change over the past year because of the capability building programme it commenced in 2008/09 following a review by Pricewaterhouse Coopers in November 2007. A pivotal finding of that review was that the Commission's capability to perform its statutory functions was limited by funding and resources.

Over the past two years, the Commission has focused on progressively building its capability by:

- recruiting new staff with communications, research, policy, legal, and governance expertise;
- improving its internal corporate and investigative policies, procedures and practices, with a comprehensive review of most corporate policies and procedures now completed;
- improving its support to its Commissioners by updating its Commission and Board processes, improving the quality of information going to Commissioners, and developing appropriate governance policies including a new remuneration policy for Commissioners;
- strengthening its infrastructure, with a focus on improving its information management and information technology.

The Commission is now coming to the end of its capability building programme. Over the next three years, the Commission will continue to build on these initiatives so that it has better internal capability to fulfil its statutory function and to deliver on the government's priorities of achieving cost effectiveness and value for money. Its focus, therefore, will be on the **continuous improvement** of its people, infrastructure, systems, information management, and information technology.

Continuous improvement will involve work within the Commission's four identified objectives. The following table summarises the Commission's work programmes for the coming three years, and each programme is then discussed in greater detail.

Objective	Programme	Description	Intended Outcome	Measure
Expertise	Building Capable People	Develop and adopt a broader recruitment strategy to seek people with skills and knowledge which are currently not strongly represented within the Commission (to be completed by end of 2010)	The Commission has a broad base of expertise and can deliver its services more reliably and effectively.	The Commission expects to see: Improvement in timeliness figures; Increase in invitations to present papers at national and international conferences.
Intelligence	Upgrading Information Management	New accident information management system will provide staff with immediate access to investigation and corporate related information and work processes. (to be completed in 2010)	The Commission is able to more effectively and efficiently manage and process the significant volume and types of information that it gathers as a result of its inquiries into transport related accidents and incidents.	The Commission expects to see: Improvement in timeliness figures.
	Corporate and investigative intelligence	Reviewing corporate and investigative policies and procedures, reviewing its assessor function; developing a strategy for assisting overseas transport investigation agencies or other governments (both to be completed by end of 2010/11 period); and reviewing its major accident protocols (beginning in 2010).	The Commission is compliant with relevant legislation, more responsive and flexible, and able to respond effectively to a major accident.	The Commission expects to see: Full compliance with legislative requirements; successful performance in three-yearly major accident simulations.
	Holistic understanding of safety	Introducing a suite of research activities to improve the quality of its work and its effectiveness. This includes trend analysis to help identify changes in the frequency of specific accident types or accident causes (full suite of activities enabled by end of 2010/11 period)	Commission is able to monitor changes in the safety situation of the transport sector and to respond to emerging threats to transport safety.	The Commission expects to see: Increase in safety actions resulting from inquiries; demonstrable positive impact in future historical impact reviews.
Delivery	Improving decision-making	Developing and finalising new revised criteria for launching an inquiry (new criteria implemented by end of 2010/11 period).	Commission is better able to identify investigations that will add value to the lessons already learnt, and that will not waste scarce resources through duplication of effort where there is nothing more to be gained.	The Commission expects to see: Increase in safety actions resulting from inquiries.
Communication		Communication strategy to be developed and discussed in future accountability documents.		

## **Increase the Commission's expertise by building its corporate and inquiry capability**

**Building capable people.** For it to succeed the Commission needs capable people who are committed to doing great work. How the Commission recruits and develops its people, therefore, is critical to this success.

In the past, the Commission's investigative services have been delivered by people with strong modal experience, e.g. former aviation pilots, master mariners, locomotive engineers and controllers. Looking forward, the Commission will adopt a broader recruitment strategy to seek people with skills and knowledge which are not strongly represented within the Commission such as people skilled at intervention logic, inductive logic, human factors, and critical analysis. This may mean recruiting investigative expertise from outside the transport modes, which the Commission has never done; however, it will also mean that the Commission is better able to provide a multi-discipline approach to its inquiries. This development is critical to successful systemic investigations ranging beyond identifying proximate safety factors.

The Commission's completion target for this initiative is to develop a new recruitment strategy by the end of 2010.

To measure success in this programme, the Commission will monitor timeliness figures, and expects to see an improvement in timeliness over the long term. In the short term, completion times are expected to increase as a backlog of old rail cases are cleared. This measure is sensitive to changes in the Commission's operating environment. A major accident or several overseas inquiries could cause timeliness to deteriorate.

The Commission will also use the number of papers (or similar contributions) which the Commission's staff are invited to present as a proxy measure for the international and national recognition of the Commission's expertise. An increase in such invitations is expected.

## **Better intelligence, information and evidence; turn information into intelligence at the Commission's finger-tips and strengthen its evidence base**

**Upgrading the Commission's information management and information technology** to enable it to more effectively and efficiently manage and process the significant volume and types of information that it gathers as a result of its inquiries into transport related accidents and incidents. At present the Commission largely depends on a paper-based information system and generic office software applications, which makes it difficult to manage its inquiry and corporate-related information. Its new accident information management system will be completed in 2010 and, when fully operational, will provide staff with immediate access to investigation and corporate related information and work processes.

The Commission expects to see an improvement in timeliness figures as a result of this programme.

**Improving the Commission's corporate and investigative intelligence**, which includes reviewing its corporate and investigative policies and procedures, reviewing its assessor function, including its current membership and the tasks required of assessors; developing a strategy for assisting overseas transport investigation agencies or other governments with their own transport investigations or inquiries; and reviewing its major accident protocols.

Completion targets for these initiatives include:

- developing an assessor's framework, which will clearly describe the assessors' role and responsibilities, and will set out the procedures for monitoring and assessing their performance, to be completed by the end of the 2010/11 financial period;
- developing an international investigative participation strategy, to be completed by the end of the 2010/11 financial period;
- developing a revised major accident manual, to be commenced in 2010.

To measure the success of these policy initiatives, the Commission will assess its compliance with legislative requirements for crown entities and expects to see full compliance.

To gauge the effectiveness of the Commission's major accident manual, the Commission intends to resume simulations of major accidents, and schedule its first simulation within the next three years.

**Moving towards a more holistic understanding of safety in the transport sector.** The Commission is introducing a suite of research activities to improve the quality of its work and its effectiveness. This includes trend analysis to help identify changes in the frequency of specific accident types or accident causes. This type of analysis will allow the Commission to monitor lead indicators for low frequency, high consequence accidents, typical of the occurrences investigated by the Commission. This will allow the Commission to be more pro-active in its interventions.

Another research activity is literature reviews of national and international reports on accident and incident trends. Such reports can provide early warning systems for potential factors that may be of future relevance to New Zealand, as well as to improve and maintain contemporary knowledge within the organisation.

The Commission's completion target for this initiative is to have its full range of research activities fully implemented by the end of the 2010/11 financial period.

To measure the success of this programme, the Commission will count the "safety actions" taken by operators and regulators during the course of its inquiries. Safety actions are actions taken voluntarily by transport participants during an inquiry to improve safety, at the prompting of the Commission. The Commission's assumption is that high-value inquiries will yield more safety actions, and more valuable safety actions. An important caveat to this is that the Commission does not enforce safety actions, and they rely on good-faith participation by the transport sector.

The Commission also expects that future historical impact reviews will reveal the Commission's inquiries to have had a positive impact on safety. This is a long-term forecast however.

**Optimise delivery of the Commission's statutory mandate through better targeting of its resources, and optimise its approaches to inquiries; and**

**Improving the Commission's decision-making regarding when to open an inquiry.** In 2009 the Commission developed new revised criteria, termed a logic guide, to inform decision making whether to launch an inquiry. Stakeholder input was being sought on the proposed tool before it was finalised for introduction in 2010.

The Commission expects that better launch criteria will lead to more valuable inquiries, indicated by safety actions, findings and recommendations.

**Effectively communicate its findings and recommendations to the sector; get the Commission's message across so that the lessons are acted on**

The Commission does not have a comprehensive policy framework and strategy for guiding and improving its communications activities. This will be developed in the coming year and reported in future accountability documents. It is expected that this strategy will encompass improvements to the Commission's website, relationships with transport stakeholders, and publication formats for reports.

## Managing challenges

*The Commission has two primary challenges – consistently meeting its service performance targets and meeting the costs of a major accident*

**Service performance** over the past couple of years has been lower than the expected targets with fewer investigations opened than planned (i.e. 28/40 for the period ending 30 June 2009 and 27/39 for the period ending June 2008). This has largely been due to a more focused approach to opening inquiries, with inquiries launched only where it is clear that they will have significant safety lessons, and that they will not waste resources through duplication of effort.

Timeliness is also a recurring problem for the Commission. The time taken to produce reports often exceeds the Commission's own internal target of 220 days. This in turn impacts on the number of reports that the Commission publishes. The reasons for this problem are varied and include the high case load within the Commission's rail team resulting from the historically high launch rate in that mode, and the number of complex investigations that the Commission has been involved in, particularly overseas investigations which often claim priority and push out existing domestic work.

**To manage this challenge**, the Commission is applying a number of strategies, including the focused approach mentioned earlier, where the number of inquiries opened is strictly controlled so that the system is not loaded with cases beyond the Commission's capacity to deal with them. The new launch decision tool will greatly help this process by enabling the Commission to better identify those inquiries that will provide significant safety learnings for the transport sector, both domestically and internationally.

In addition, the Commission is using short form reporting as a way to improve the timeliness of reports and to increase the number of reports produced. This is used for inquiries that are not complex and do not require extended analysis write-up will be published in a shorter form. However, because the Commission must still assemble evidence, conduct analysis, and consult with interested persons, there is a limit to the time savings possible from shorter reporting.

A **major transport accident** within New Zealand could occur at any time and, if it does, pressure on the Commission's resources and finances is likely to be significant. As with other jurisdictions, the Commission will not necessarily have the investigative resources to manage its response efficiently and effectively and, instead, it will need to access other overseas accident management systems, capabilities and expertise, as well as work closely with key emergency and accident agencies in New Zealand, including the New Zealand Police, Civil Defence, the New Zealand Defence Force, and Coroner. The cost of such an inquiry is likely to be significant.

**To manage this challenge**, the Commission would need to implement strategies to manage the budgetary pressures that it is likely to face such as slowing down the number of new investigations entering the system, reviewing its investigation programme, deferring or cancelling any non-priority expenditure, and seeking shared cost arrangements with other agencies such as the police and defence force. However, even with all of these strategies, additional Crown funding would still be required.



## Reporting to the Minister and other information

### Reporting to the Minister

The Commission will continue reporting quarterly to the Minister of Transport on the following matters:

- key achievements and events for the reporting period, and emerging issues;
- actual progress for the reporting period against the financial and non-financial output measures set out in the following section, including explanation of any significant variances from these measures and any impact on the expected delivery of the related outputs;
- actual financial performance for the reporting period against the forecast financial statements, including explanation of any significant variances from those forecasts and the impact on the expected year-end outturn;
- an explanation of the changes and the supporting rationale whenever financial and/or non-financial performance is reforecast substantively by the Commission during the reporting period (e.g. a revised budget is adopted), an explanation of the changes and the supporting rationale. Future reporting will then state the reforecast measures, reference the explanation, and report against the reforecast measure levels; and
- any significant issues or risks arising during the reporting period, or anticipated, the impacts of these issues or risks and the ways these are being managed by the Commission. This reporting will include consideration of issues or risks for organisational capability.

### Other information required by the Act

The Transport Accident Investigation Commission Act 1990 requires the Commission to include in its statement of intent any new borrowings, financial leases or similar liabilities that it intends incurring during the year. The Commission does not intend incurring any such new borrowings, financial leases or similar liabilities during the year.

## Non-financial measures

The following three tables show the Commission's output performance measures and standards

### Capacity

Performance Measures	2009/10	2010/11	2011/12	2011/13
Open Inquiries (1)	35	35	35	35
New Inquires Opened	45	50	50	50
Projected Domestic Inquiries (2) (of opened inquiries)	36	40	40	40
Projected International Inquiries (3) (of opened inquiries)	4.5	5	5	5
Projected Special Inquiries (4) (of opened inquiries)	4.5	5	5	5

### Timeliness

Performance Measures	2009/10	2010/11	2011/12	2011/13
Standard Inquiries (5)	220 days	220 days	220 days	220 days
Complex Inquiries (6)	440 days	440 days	440 days	440 days

### Quality

Performance Measures	2009/10	2010/11	2011/12	2011/13
Inquiries subject to successful judicial review (7)	0	0	0	0
Inquiries failing ICAO audit	0	0	0	0
Historical Report Impact Reviews (8)	1-3	1-3	1-3	1-3

## Explanatory notes

1. This figure is predicated on the Commission launching a mixture of full-scale and shorter inquiries. The Commission is currently exploring formats for shorter report formats and preliminary inquiries.
2. *Domestic inquiries* are Commission inquiries involving accidents and incidents in New Zealand.
3. *International inquiries* are inquiries that the Commission participates in with other States as a result of New Zealand's international obligations arising from the Chicago Convention and the International Maritime Organisation Convention. The Commission may sometimes be the lead inquiry body for events overseas involving a New Zealand registered aircraft or ship.
4. *Special inquiries* are inquiries that the Commission conducts in the Pacific or neighbouring countries at the invitation of a foreign government.
5. *Standard inquiries* are inquiries that follow the typical pattern for the Commission's inquiries, with no particular complicating factors.
6. *Complex inquiries* are those inquiries which are likely to require more expertise and external resources, and/or have complicating factors that extend the timeline of the report.
7. Inquiries are considered to have been conducted in accordance with statutory mandates if they are not successfully contested.
8. *Historical Report Impact Reviews* are an in-depth analysis of groups of Commission reports, looking at the impact of the Commission's activities (as part of a transport safety network) on specific occurrence "themes" - groups of similar accidents and incidents. These reports include both trend analysis and qualitative review.

## Assumptions about Service Performance

The above targets are highly sensitive to unplanned events such as a high number of complex inquiries at any given time, extended leave by an investigator or an investigator's resignation. Therefore, if an investigator takes extended sick leave or decides to resign, the above targets will be difficult to meet.

The output performance measures and standards set out in the above tables are also based on the assumption that the Commission will be asked to participate in international and special inquiries each financial year. This is something beyond the Commission's control as its participation is purely at the discretion of other States. However, recent experience with assisting Pacific countries suggests that the Commission's involvement in international and special inquiries will continue.

## Statement of accounting policies

### Reporting entity

The Commission is an independent Crown entity established under the Transport Accident Investigation Commission Act 1990. The Commission is also a Public Benefit Entity (PBE) for the Purposes of NZIFRS.

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 in order to avoid similar occurrences in the future.

The Commission also represents New Zealand at accident investigations conducted by overseas authorities 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 accident investigation capability is occasionally extended, on a cost recovery basis, to Pacific Island states with no similar agency.

The Financial Forecasts of the Commission are for the years 2009-2013. The Financial Forecasts were authorised for issue by the Board on 31 March 2009.

### Accounting policies and changes in accounting policies

#### *Accounting policies*

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

The Financial Forecasts have been prepared on a historical cost basis.

The Financial Forecast statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

#### *Changes in accounting policies*

The financial forecasts have been 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").

The Commission has adopted and presented a single statement of comprehensive income with subtotals. 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".

## Critical judgments in applying the Commission's accounting policies

Management has exercised the following critical judgments in applying the Commission's accounting policies:

### *Lease classification*

Determining whether a lease agreement is a finance or an operating lease requires judgment as to whether the agreement transfers substantially all the risks and rewards of ownership to the Commission. Judgment 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 recognized 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 judgment on the appropriate classification of equipment leases and has determined that no lease arrangements are finance leases.

### *Particular accounting policies*

The following particular accounting policies that materially affect the measurement of financial performance and financial position have been applied:

(a) *Budget figures*

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 Forecasts.

(b) *Revenue*

Revenue from Crown

The Commission derives revenue through the provision of outputs to the Crown 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) *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.

(d) *Trade and other receivables*

Trade and other 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.

(e) *Fixed assets are shown at cost less accumulated depreciation and impairment losses*

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.

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 Forecast of Financial Position.

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

Fixed Asset Type	Useful Life (Years)	Depreciation Rate %
Buildings (store)	33 - 50	2% to 8.4%
Computer equipment	2.1 - 10	10% to 48%
Furniture and equipment	2.1 - 20	5% to 48%
Software (AIMS)	3--5	25% to 33%

(f) *Intangible assets*

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.

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 Forecast of Financial Performance.

(g) *GST*

All items in the Financial Forecast 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 Forecast 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 Forecast of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

(h) *Forecast 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) *Provision for employee leave entitlements*

Employee benefits 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 financial performance as incurred.

(k) *Taxation*

The Commission is a public authority in terms of the Income Tax Act 2004 and consequently is exempt from income tax.

(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 financial performance.

Lease incentives received are recognised in the Forecast of Financial Performance over the lease term as an integral part of the total lease term.

The Commission has a lease for Level 11, Cigna House which is surplus to requirement. The Commission has a tenant signed until the expiry of the lease, in May 2015. As a result of the sub-lease the Commission will incur a loss. A provision of \$190,396 has been provided for in the financial statement to cover the net present value of this loss. The provision is for the future discounted rental payments not of anticipated rental 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.

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

#### *(n) Critical accounting estimates and assumptions*

In preparing these Financial Forecasts 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 Cigna House has been estimated and included in the current year's lease, rental and outgoings expense. This cost has been 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 Forecast of Financial Performance, and carrying amount of the asset in the Forecast of Financial Position. The Commission minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- analysis of prior asset sales.



The Commission has not made any significant changes to past assumptions concerning useful lives and residual values.

#### Lease Classification

Determining whether a lease agreement is finance or an operating lease requires judgment as to whether the agreement transfers substantially all the risks and rewards of ownership to the Commission. Judgment 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 recognized in the statement of financial position as property, plant and equipment, whereas for an operating lease no such asset is recognized.

The commission has exercised its judgment on the appropriate classification of equipment leases and, has determined that no lease arrangements are finance leases.

**TRANSPORT ACCIDENT INVESTIGATION COMMISSION**  
**2010 Forecast and Projection to 2014**  
**Cash flow projection**  
**Figures exclude gst unless specified**  
**Statement of comprehensive income**

Year ending:	Actual Jun-09 \$000	Forecast Jun-10 \$000	Forecast Jun-11 \$000	Forecast Jun-12 \$000	Forecast Jun-13 \$000	Forecast Jul-14 \$000
Revenue:						
Crown	3,938	3,938	3,938	3,938	3,938	3,938
Other/lease <sub>1</sub>	48	62	126	126	126	126
Cost recoveries <sub>2</sub>		120				
Profit on sale of fixed assets	-	0	0	0	0	0
Interest on deposits	39	30	47	37	30	29
<b>Total revenue</b>	<b>4,025</b>	<b>4,150</b>	<b>4,111</b>	<b>4,101</b>	<b>4,094</b>	<b>4,093</b>
Expenses:						
Audit	12	12	13	13	13	13
Capital Charge	26	33	82	82	82	82
Commissioners' fees <sub>3</sub> (excluding expenses)	116	143	134	138	140	141
Depreciation <sub>4</sub>	37	50	112	261	214	180
Personnel costs	2,005	2,077	2,243	2,178	2,181	2,195
Lease, rentals and outgoings <sub>5</sub>	909	820	806	810	810	815
Loss on sale of fixed assets	16	-	-	-	-	-
Other operating costs	1,053	996	721	619	653	667
<b>Total expenses</b>	<b>4,174</b>	<b>4,131</b>	<b>4,111</b>	<b>4,101</b>	<b>4,094</b>	<b>4,093</b>
<b>Surplus (deficit)</b>	<b>-149</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other comprehensive income: Total other comprehensive income	0	0	0	0	0	0
<b>Total Comprehensive Income</b>	<b>-149</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Surplus (deficit) attributable to:						
Commission	-149	19	0	0	0	0
Minority Interest	0	0	0	0	0	0
<b>Crown Revenue including GST</b>	<b>4,430</b>	<b>4,430</b>	<b>4,430</b>	<b>4,430</b>	<b>4,430</b>	<b>4,430</b>

**2010 Forecast and Projection to 2014**  
**Statement of Financial Position**

Year ending:	Actual Jun-09 \$000	Forecast Jun-10 \$000	Forecast Jun-11 \$000	Forecast Jun-12 \$000	Forecast Jun-13 \$000	Forecast Jun-14 \$000
Assets						
Cash and Cash Equivalent	696	918	386	541	664	748
Prepayments	10	15	20	20	20	20
Trade and other Receivables	12	10	10	10	10	10
Total Non-Current Assets	237	582	1,064	873	729	619
Total Assets	955	1,525	1,480	1,444	1,423	1,397
Liabilities						
Trade and other payables	141	140	118	110	110	110
Employee benefits	179	180	180	175	175	170
Provision for rental loss	190	106	83	61	40	19
Total liabilities	510	426	381	346	325	299
Taxpayers' funds	445	1,099	1,099	1,098	1,098	1,098
Taxpayer's funds as a percentage of total assets.	0	72%	74%	76%	77%	79%
Ratio of current assets to current liabilities	1	2.2	1.1	1.7	2.1	2.6
Ratio of fixed assets to total assets.	0.2	0.4	0.7	0.6	0.5	0.4
Taxpayers' funds:						
Taxpayers' funds at beginning of year <sup>6</sup>	344	445	1,099	1,099	1,098	1,098
Surplus (deficit) for year	-149	19	0	0	0	0
Capital injection <sup>7</sup>	250	635	0	0	0	0
Taxpayers' funds at end of year	445	1,099	1,099	1,098	1,098	1,098

**2010 Forecast and Projection to 2014**  
**Cash flow statement**

<b>Year ending:</b>	<b>Actual Jun-09</b>	<b>Forecast Jun-10</b>	<b>Forecast Jun-11</b>	<b>Forecast Jun-12</b>	<b>Forecast Jun-13</b>	<b>Forecast Jul-14</b>
Cash flows from operating activities:	\$000	\$000	\$000	\$000	\$000	\$000
Cash provided from:						
Supply of outputs - to Crown	3,938	3,938	3,938	3,938	3,938	3,938
Supply of outputs - to other	48	184	126	126	126	126
Interest	42	30	47	37	30	29
Cash disbursed to:						
Cost of producing outputs	-3,841	-4,137	-3,967	-3,793	-3,818	-3,857
Payment of capital charge to Crown	-26	-33	-82	-82	-82	-82
Net cash flows from operating activities	161	-18	62	226	193	154
Cash flows from investing activities:						
Cash provided from:						
Sale of investments	154	0	0	0	0	0
Cash disbursed to:						
Purchase of fixed assets	-175	-395	-594	-70	-70	-70
Net cash flows from investing activities	-21	-395	-594	-70	-70	-70
Cash flows from financing activities:						
Cash provided from:						
Capital contribution from Crown	250	635	0	0	0	0
Cash disbursed to:						
Payment of surplus to Crown	0	0	0	0	0	0
Net cash flows from financing activities	250	635	0	0	0	0
Net increase (decrease) in cash held -	390	222	-532	156	123	84
Cash at beginning of period	306	696	918	386	541	664
Gain (loss) effect of exchange rate changes	0	0	0	0	0	0
Cash at end of period	696	918	386	541	664	748

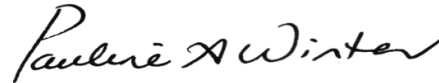
## 2010 Forecast and Projection to 2014

### Capital expenditure

Year ending:	Forecast Jun-09	Forecast Jun-10	Forecast Jun-11	Forecast Jun-12	Forecast Jun-13	Forecast Jul-14
<b>Fixed asset programme</b>	\$000	\$000	\$000	\$000	\$000	\$000
<b>Revenue Capital</b>	250	635	0	0	0	0
<b>Depreciation</b>	40	50	112	261	214	180
AIMS Hardware and Software	0	300	534	0	0	0
Computer equipment	10	35	15	30	30	40
Investigation, Furniture & fittings, office equipment	30	60	45	40	40	30
<b>Total acquisition cost</b>	40	395	594	70	70	70



John Marshall QC  
Chief Commissioner



Pauline Winter  
Deputy Chief Commissioner

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

#### <sup>1</sup>Notes:

- <sup>1</sup> Revenue from subleasing Cigna House both head lease and sublease runs out 2015 shown as other /lease revenue.
- <sup>2</sup> Cost recoveries include expenses recovered from MFAT/NZAid for the Tongan Ferry disaster Investigation for 2009/10.
- <sup>3</sup> Commissioners fees include overlap for 2009/10/ changes imposed by Remuneration Authority Determination~2%.
- <sup>4</sup> Depreciation increase allows for AIMS – new IT system after roll out.
- <sup>5</sup> Lease expenditure includes Cigna House.
- <sup>6</sup> Taxpayer fund increase due to AIMS (IT System) built.
- <sup>7</sup> Capital injections for AIMS out of the Capability and Resource Review by PricewaterhouseCoopers 2007
- <sup>8</sup> Project AIMS started 2009 and anticipated finish and roll out 2011.





**Transport Accident Investigation Commission**  
www.taic.org.nz | inquiries@taic.org.nz  
Phone +64 4 473 3112 or 0800 188 926  
Level 16 | AXA Centre | 80 The Terrace  
PO Box 10 323 | Wellington 6143 | New Zealand