



Transport Accident Investigation Commission
Te Komihana Tirotiro Aitua Waka

Statement of Intent 2013 – 2016

June 2013

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

CA-2013-501

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About this Statement of Intent

This Statement of Intent has been prepared in accordance with requirements of the Crown Entities Act 2004. It sets out the Commission's medium term intentions and undertakings for the House of Representatives, and provides performance indicators for the 2013/14 fiscal year against which performance can be measured. The statement has been developed as part of the Commission's annual strategic planning cycle. It takes into account the Commission's legislated status and purpose, its operating environment, current risks and challenges, and stakeholder wants and needs including the Minister of Transport's Four Year Plan for Transport, and the Minister's annual letter of expectations.

Corporate strategy - alignment with transport sector four-year plan, statutory purpose, and main measures

<p>Alignment with transport sector four-year plan (extracts)</p> <p>Transport system overall goal</p> <p>A transport system that maximises economic and social benefits and minimises harms</p>	<p>Alignment with statutory purpose (read up from bottom)</p>	<p>Corporate strategy</p>		<p>Main measures (detailed from page 13)</p>
<p>Long term outcomes</p> <p>Safe - Reduces the harms from transport Resilient - Meets future transport needs and endures shocks</p>	<p>... avoiding similar occurrences in future...</p>	<p>Vision - the goal we contribute to</p>	<p>No repeat accidents – ever!</p>	<p>Outcome measures</p> <p>Incidence rates of selected occurrence types previously investigated</p>
<p>Medium term outcomes</p> <ul style="list-style-type: none"> Fewer transport incidents and other harms Improved transport agencies' performance <ul style="list-style-type: none"> Better quality regulation Improved planning and investment in infrastructure and services 	<p>...with a view to...</p>	<p>Mission - our particular contribution to the vision</p>	<p>Safer transport through investigation, learning and influence</p>	<p>Impact Measures</p> <p>Safety recommendation statistics. Stakeholder assessment of Commission's impact.</p>
<p>[Investigate when] believes ... circumstances have, or are likely to have, significant implications for transport safety, or may allow ... findings or ... recommendations which may increase transport safety</p>	<p>...[T]o determine the circumstances and causes of accidents and incidents ...</p>	<p>Stakeholder wants and needs - to be satisfied to accomplish our mission</p>	<ul style="list-style-type: none"> Inquiries properly conducted Sound, cost-effective Crown entity performance Inquiry and entity information shared and accessible <ul style="list-style-type: none"> Capable staff developed and maintained Responsive, reciprocal stakeholder relationships developed and maintained 	<p>Output measures</p> <p>Inquiry completions, timeliness, and statutory compliance</p>
<p>[Investigate when] believes ... circumstances have, or are likely to have, significant implications for transport safety, or may allow ... findings or ... recommendations which may increase transport safety</p>	<p>...[T]o determine the circumstances and causes of accidents and incidents ...</p>	<p>Operating intentions - focus areas to ensure stakeholders' wants and needs met</p>	<ul style="list-style-type: none"> Develop and maintain inquiry and investigation best practice <ul style="list-style-type: none"> Continuously improve operating efficiency Communicate more about what we do, learn and recommend to help improve transport safety <ul style="list-style-type: none"> Major accident preparedness Grow stakeholder relationships for their mutual benefit. 	<p>Input measures</p> <p>Inquiry cost</p>
<p>[Investigate when] believes ... circumstances have, or are likely to have, significant implications for transport safety, or may allow ... findings or ... recommendations which may increase transport safety</p>	<p>...[T]o determine the circumstances and causes of accidents and incidents ...</p>	<p>Values - drivers for the way we work</p>	<ul style="list-style-type: none"> Fairness Impartiality Independence Competence Integrity Accessibility Timeliness Certainty 	<p>Values measures</p>

Strategy overview

In preparing this Statement of Intent the Commission has reviewed progress, revalidated the strategy adopted last year, and strengthened and focused it with reference to three guiding documents:

1. The first of these is the Minister of Transport's Four Year Plan for Transport prepared in conjunction with Budget 2013. The plan sets **"A transport system that maximises economic and social benefits and minimises harms"** as transport's goal. This plan provides clear contextual linkages and alignment for the Commission's work to that of other sector participants and to some of the medium term outcomes sought by the plan – such as fewer incidents and other harms, improved agencies' performance, better quality regulation, and improved preparedness for shocks.
2. The plan's priorities are also reflected in the Minister's annual letter of expectations to the Commission. The Minister has asked the Commission, among other things, to:
 - Consider how the framing of its safety recommendations can contribute to better quality regulation
 - Continue to deliver quality inquiries and demonstrate how its work contributes to creating a safer transport system
 - Continue to look for opportunities to utilise shared services and other public sector cost efficiency and service improvement initiatives
 - Maintain and refresh expertise, and assure itself of quality and appropriateness of its methods
 - Ensure organisational resilience, including through succession planning and transport emergency preparedness.
3. The third has been the Commission's recent adoption of an internationally recognised values-driven framework for court excellence¹ which is applicable to quasi-judicial bodies such as the Commission. The **values of "fairness, impartiality, independence, competence, integrity accessibility, timeliness and certainty"** provide a driving ethos. The framework's suggested methodology for self-assessment and improvement will provide additional challenge and measure for corporate and individual planning and action.

The chart facing demonstrates how the elements of the Commission's corporate strategy set out in this document build towards this vision, and how these strategy elements align with the Four Year Plan, the Commission's statutory purpose, and with the main measures of its performance at each level of the strategy.

The Transport Accident Investigation Commission seeks to contribute to a vision (outcome) of: **"No repeat accidents – ever!"** Like any vision, it is an aspirational one as it is unlikely to be achieved due to accident risk that is either deliberately accepted or cannot be eliminated. It can only be realised by the concerted efforts of individuals and private and public sector entities involved in transport.

The Commission's particular contribution towards its vision is captured by its mission statement of **"Safer transport through investigation, learning and influence."** The vision and mission statements are consistent with the Commission's statutory purpose **"...to determine the circumstances and causes of accidents and incidents with a view to avoiding similar occurrences in future..."** The legislation empowers the Commission to investigate where it **"...believes that the circumstances of the accident or incident have, or are likely to have, significant implications for transport safety, or may allow the Commission to establish findings or make recommendations which may increase transport safety."**²

¹ International Framework for Court Excellence <http://www.courtexcellence.com/>

² Transport Accident Investigation Commission Act 1990, s4, s13.

Operating intentions are organising themes setting management priorities for the Commission’s daily operations and on-going organisational development. Delivering on these intentions should see the wants and needs of stakeholders met as well as the Commission delivering independent safety-focused investigation in keeping with its legislation and operating environment described further on page 5. The Commission’s operating intentions are unchanged from last year; however work under each has been focused to acknowledge the strategic drivers explained above, and current significant challenges or risks as set out on page 6. This work is set out as organisational capacity priorities from page 8.

Stakeholders’ wants and needs	Operating intentions
<ul style="list-style-type: none"> • Inquiries properly conducted • Sound, cost-effective Crown entity performance • Capable staff developed and maintained • Inquiry and entity information shared and accessible • Responsive, reciprocal stakeholder relationships developed and maintained 	<ul style="list-style-type: none"> • Develop and maintain inquiry and investigation best practice • Major accident preparedness • Continuously improve operating efficiency • Communicate more about what we do, learn and recommend to improve transport safety • Grow stakeholder relationships for their mutual benefit

In terms of the core business output - completed inquiries - we believe that we have established more realistic and useful measures than in recent years. The previous target of working towards completion of all inquiries within 220 working days (one year) was unrealistic, particularly given the complexity of some cases, an increased focus on systemic investigations, the Commission improving the robustness of evidence based conclusions, and the increased use of hearings. Assuming a bell curve distribution of inquiries by time, we are now working to complete half our cases in between 220 and 440 working days (two years³). This should ordinarily be achievable with an average caseload of 30 open inquiries being worked on by a full complement of 10 fully-effective investigators which should result in between 20 and 25 inquiries being completed in a year. Actual numbers completed are extremely sensitive to investigator availability (for instance the low numbers completed in 2012-13 have been due in part to two modes operating at two-thirds capacity as new staff are brought on and trained), and case clustering or complexity (particularly in the marine and aviation modes over recent years). We hope that a Canadian-led international benchmarking project, also involving Australia, will provide useful comparative data. This project is one component of a comprehensive organisational performance measurement framework set out in Annex A designed to help the Commission measure and improve the quality of its performance where required.

The Prospective Financial Statements of the Commission for the years 2013-2016 complete this Statement of Intent. The Commission is forecasting a breakeven position for year-end; however this result is likely to be a significant challenge to maintain in the medium term without affecting output.



John Marshall QC
Chief Commissioner

³ The International Civil Aviation Organization’s ideal maximum duration for an investigation.

The Transport Accident Investigation Commission

The principal purpose of the Transport Accident Investigation Commission (the Commission) is “to determine the circumstances and causes of accidents and incidents with a view to avoiding similar occurrences in the future, rather than to ascribe blame to any person” - Transport Accident Investigation Commission Act 1990 (the Act).

The Act gives the Commission powers and protections to enable accident investigation as its primary inquiry tool, supported by the general powers and processes of the Commissions of Inquiry Act 1908, including the use of submission and hearing processes, and provisions to ensure the observance of natural justice. The Commission decides which aviation, marine or rail occurrences it enquires into based on the circumstances of an event and the likelihood of safety-related findings or recommendations to emerge (although the Minister of Transport may also direct it to open an inquiry). The Commission determines how it conducts its inquiries and is independent in deliberations.

The Commission is also an independent Crown entity under the Crown Entities Act 2004. The Commission operates independent of executive government and other government agencies, while fostering no-surprises and collegial relationships in the transport and other sectors consistent with its mandate; and with a state sector ethos, governance and management styles.

The Commission is the primary means by which New Zealand fulfils international aviation and maritime obligations⁴ to conduct safety and prevention focused investigations of qualifying incidents and accidents that are independent of other responses to an event, particularly the apportionment of blame or liability.

The Wellington-based Commission is headed by a board of three Commissioners which employs the Chief Executive who in turn employs a Chief Investigator of Accidents, nine investigators, and eight corporate staff. Specialist expertise and corporate services are contracted in as required.

Operating environment

The Commission is a very small component of the New Zealand transport sector. It has the unique and important role of conducting investigations independently of any other interest – including those of state entities - for the purpose of helping to improve safety, and not to attribute blame or liability.

Safer operation of the transport system is a complex product of many influences including: human preparedness and performance; technological advances including in vehicle design, construction, maintenance and performance; and physical, policy, regulatory, social and economic environments. The responsibility for transport safety and its improvement is shared between the many state, commercial and community entities involved in it, as well as individuals including transport professionals, recreational transport users, passengers, and the consignors of freight.

Transport is an international enterprise and system. Transport safety issues and their identification and rectification are shared through reasons of trade, systems, vehicles, participants, training and experience (including in accident investigation), international convention, and foreign policy (including aid and development assistance risks and priorities).

⁴ Annex 13 to the charter of the International Civil Aviation Organization. Casualty Code of the International Maritime Organization.

Current significant challenges or risks

The operating environment and organisational management pose several significant challenges or risks which are either addressed in the setting of operating intentions or which may impact on the achievement of these intentions.

- When a new inquiry is opened its timing is largely outside the Commission's control, and the immediate investigation needs of a new inquiry can disrupt work on existing ones. Similarly, random clustering or a string of more complex inquiries (particularly within a single transport mode) impacts on organisational work flow.
- The Commission has three investigator positions in each transport mode. While staff turnover has normally been low, occasional vacancies and the subsequent need to reassign investigations and to recruit, induct and train new staff can disrupt organisational workflow and output within a mode. It takes several years for a new investigator to become sufficiently trained and experienced to be fully effective. A number of investigators may retire over the next few years, and other senior executive staff members have been long-serving.
- The current economic climate means that all routine cost pressures on the Commission must continue to be managed within existing funding with a focus on making cost efficiencies (including through all-of-Government purchasing and shared services arrangements). However, the challenges of a changing operating environment, continual advances in investigation tools and techniques, the likely staff turnover described above, and the expectations held of inquiries may all mean this ability to manage is unlikely to be sustainable in the medium term.
- A major transport accident in New Zealand involving mass-fatalities would strain public services, including those of the Commission, and provide significant co-ordination challenges particularly around the handling of fatalities, their families, and public information needs. Such an event and its handling in all respects would have significant domestic and international implications – including for the perception and conduct of a Commission inquiry.
- An expensive investigation challenge (such as an aircraft jet engine strip-down), or a major inquiry (such as a mass fatality event), or an inquiry which required extensive hearing processes might require a reprioritisation of existing resources away from other work and/or application to the government for supplementary funding.
- Some Coroners have appeared to have allowed inquests into deaths associated with accidents investigated by the Commission to duplicate the Commission's inquiry or to operate as an appellate court for the Commission's inquiry processes and decisions. The Commission's inquiry has already generally considered similar evidence and submissions before making its determinations in accordance with its legislation, and any review of the Commission's processes or decisions are properly the role of the High Court. This situation has created confusion as to the status of the Commission's inquiry, duplication of effort, and wasted public and private resources. The Commission welcomes Government proposals announced in late June 2013 to address this matter, among others, following a review of the Coroners Act 2006.
- The Commission routinely provides liaison and gathers evidence for overseas jurisdictions investigating occurrences with a New Zealand connection. It also receives requests for international assistance to provide support to other jurisdictions without sufficient capacity to conduct inquiries into significant events themselves. The Government's decision announced in May 2012 to require vessels fishing New Zealand quota to be New Zealand-flagged within four years was driven in part by safety concerns arising from past fatal accidents, and the change will bring future occurrences involving such vessels under the Commission's jurisdiction.

- The continuing computerisation of transport related activities and their monitoring provides the opportunity for more sophisticated data modelling to analyse safety-related indicators, occurrences and to help establish emerging risks. The continuing internationalisation of transport operations provides the opportunity for more readily transferable knowledge. Public sector transport agencies, including the Commission, need to ensure they have an appropriate level of knowledge management and research capability.
- The realisation of safety improvements flowing from the Commission's inquiries can only be achieved by the actions of a wider range of transport sector participants. This challenges the Commission to ensure it builds and maintains appropriate relationships with stakeholders to facilitate this, in addition to securing optimal co-operation during an inquiry.
- The collection, analysis and use of data to identify trends, inform policy analysis, and focus regulatory effort and safety management, as well as to measure the success or otherwise of safety efforts, have not kept pace in the public sector with the availability of technologies to facilitate this. As well as the system generally missing opportunities to improve safety, the Commission's inquiries into occurrences and monitoring of its own contribution to safety improvements are being hampered by this situation.

Organisational capacity priorities

In response to, and mindful of, the strategic context and challenges and risks described above, the Commission intends to continue to develop the capacity of the organisation with a focus on improving policies, processes and capabilities so that organisational efficiency and effectiveness can be enhanced, and routine cost pressures met, from within existing resources in the short-term. The Commission will use an internationally recognised values-driven framework for achieving court excellence, as a management planning and evaluation tool – as well as encouraging consideration of the values in staff members’ daily work. The Strategy Overview, earlier, also described how these pieces relate to each other. The organisational capacity priorities grouped under each of the operating intentions named earlier are:

Organisational capacity priority	Measure for 2013-14
<p>Develop and maintain inquiry and investigation best practice</p>	
<p><i>Self-assessment against International Civil Aviation Organization (ICAO) Annex 13 requirements for independent safety focused accident investigation</i></p> <p>ICAO maintains an assessment inventory to assess a State’s compliance and preparedness to deliver safety focused investigations in accordance with Annex 13 to the ICAO convention. The Commission will conduct a self-assessment using the tool.</p>	<p>Investigation policies and practices reviewed against Annex 13 and revised as appropriate, by 30 June 2014.</p>
<p><i>Ensure on-going expertise</i></p> <p>The Commission needs to develop a workforce succession and development plan to ensure maintenance of capability and service in the event of retirements or resignations, and adaptation of staff capacity and configuration to changes in expectations of transport safety investigation and public sector management.</p>	<p>Succession and development plan completed, by 31 December 2013.</p>
<p>Communicate more about what we do, learn and recommend in order to help improve transport safety</p>	
<p><i>Watchlist</i></p> <p>The Commission maintains and publicises a Watchlist of safety issues identified through its inquiries which it believes need to be given more attention.</p>	<p>Watchlist confirmed and publicised, by 30 September 2013.</p>

Grow stakeholder relationships for their mutual benefit, particularly in achieving safer transport*Inquiry stakeholder communications*

A project will review the amount and quality of contact stakeholders related to an individual inquiry receive. The project will include consideration of stakeholder feedback sought and received.

Inquiry stakeholder contact programme developed and implemented, by 31 March 2014

Continuously improve operating efficiency*Benchmarking performance against relevant peers*

In 2012-13 the Commission identified a benchmarking programme led by the Transportation Safety Board of Canada (TSB) as an appropriate one to join to help assess its performance as a safety-focused investigation entity. It will join this programme from 2013-14.

Participation in TSB-led international benchmarking exercise, by 30 September 2013.

Benchmarking results considered in strategic and business planning, by 31 December 2014.

Reprioritising and maintaining sufficient financial resources

The Commission expects to manage all routine cost pressures from within its current baseline funding in the short-term. It continuously seeks efficiencies to meet cost pressures and to improve service delivery where possible. It has joined a number of all-of-government purchasing contracts when these are of benefit, and this year it intends to continue to pursue purchasing and shared services initiatives when these are appropriate.

All-of-government purchasing opportunities evaluated and implemented when appropriate, by 30 June 2014.

Shared services opportunities evaluated and implemented when appropriate, by 30 June 2014.

Major Accident Preparedness*Multi-agency response preparation*

This year, the Commission will continue to work with other agencies to ensure that New Zealand is well placed to deal with the needs of victims of a major transport accident, and with victims' families, and the need for co-ordinated information management for government and external stakeholders, including news media.

Participation in inter-agency steering group for development of NZ mass fatalities plan, by 30 June 2014.

Major accident exercise

The Commission will conduct an exercise of aspects of its own major accident response planning, or integrate this into a wider sector exercise if appropriate.

Planning, delivery and review of an exercise of aspects of the Commission's major accident response planning (standalone or integrated into a wider exercise) is completed, by 31 March 2014.

Relationship with the Ministers of Transport

The Commission maintains a “no surprises” relationship with the Minister of Transport and Associate Minister of Transport consistent with its statutory independence. Standard elements of the relationship include the:

- Receipt of an annual letter of expectations from the Minister, Statement of Intent preparation, and subsequent quarterly and annual reporting against the Statement of Intent.
- Meetings of the Chief Commissioner with the Associate Minister quarterly or as required.
- Briefings to the Ministers about significant recent or forthcoming activity.

Indicators of success

This section sets out the main measures used by the Commission to assess its performance at Outcome and Impact levels. The Statement of Forecast Service Performance which follows sets out the main measures at Output and Input levels. More description of these and other measures used by the Commission to review its performance are included at Annex A.

Outcome

The Commission is hoping to use four indicators as main measures of whether its vision (outcome statement) and statutory purpose are being realised. These indicators relate to safety issues which have featured in Commission inquiries over recent years. The Commission will be working with the Ministry and regulators to confirm the availability and interpretation of data to use for these indicators, or to establish alternative indicators if this is not possible.

Main measures: Outcome

Indicator	Target 2013-16	Current 2012-15
The incidence of aircraft involved in pilot training nearly colliding or colliding with other aircraft.	Incidence trend (per pilot training flying hour) declines.	Actual collision data was identified for the Inquiry into Civil Flying Training Safety completed in 2012-13. (The Commission will need to work with the Civil Aviation Authority to see whether reliable near collision data is available for aircraft involved in pilot training.)
The incidence of rail safety occurrences involving trains or rail maintenance vehicles where visible mapped or computed GPS positions at train control could have helped avoid a conflict or track warrant breach.	Incidence trend declines.	(The Commission will need to work with the Ministry of Transport, the New Zealand Transport Agency, and Kiwirail to confirm the extent to which the occurrence database can support this measurement.)
The incidence of recreational boating accidents involving serious injury or loss of life where a lack of demonstrated knowledge by the skipper appears to have been a factor.	Incidence trend declines.	(The Commission will need to work with the Ministry of Transport and Maritime New Zealand to confirm the extent to which the occurrence database can support this measurement.)
The incidence of the presence of performance impairing substances in persons performing safety critical tasks in the aviation, marine and rail transport modes.	Incidence baseline is established.	(The Commission will need to work with the Ministry of Transport and to confirm what data is available to establish this baseline, from which trend monitoring can commence. Current data collection relates to fatalities and, in limited instances, where post incident testing is an employment condition.)

Impact

The Commission has three instruments which provide main measures indicating the impact the Commission's work is having:

- Safety recommendations may be made by the Commission in the course, or at the conclusion, of an inquiry. Statistics relating to the age and closure of open recommendations are indicators of the extent to which the Commission's inquiry output is being taken heed of.
- The annual stakeholder survey of government and transport sector stakeholders, as well as inquiry participants, invites respondents' views on the extent to which the Commission is having a positive impact on transport safety.
- Historical Impact Reviews are conducted annually and generally use a qualitative research method, supported by quantitative information where available, in a specific modal-specific or multi-modal topic which has recurred across a number of inquiries.

Main measures: Impact

Indicator	Target 2013-14	Current 2012-13
Average age of open safety recommendations.	Average age declines.	Unknown. (An analysis of the safety recommendations data set will be made early in the year, following the appointment of a new researcher / analyst to a vacancy.)
Stakeholders believe that the Commission's work is contributing to an improvement in transport safety	Most stakeholders have this belief.	Most. (The survey, analysed by an independent researcher, is a qualitative instrument - not quantitative.)
Historical Impact Review includes research addressing the impact on transport safety of the Commission's work in the chosen topic area.	Review determines that the Commission has had an impact.	Review determines that the Commission has had an impact. (Qualitative measure.)

Statement of Forecast Service Performance

The Transport Accident Investigation Commission is funded for a single output. This involves conducting inquiries into qualifying transport incidents and accidents in accordance with its empowering legislation. Over the past few years the Commission has reduced the number of inquiries undertaken to allow for increasing case complexity and systemically-focused inquiries. The table below sets out the targets and measures the Commission will use to gauge its performance in 2013-14 and beyond. Further information about these measures is at Annex A.

Measure	Projected 2012-13	2013-14	2014-15	2015-16	Comment
Cost					
Average cost of domestic inquiries closed		New			Formula to be developed by 31 Dec 13 and applied to full year's output
Quantity					
Number of domestic inquiries completed	12	20 - 25	20 - 25	20 - 25	Performance in 2012-13 was constrained by two-third investigator strength in two modes, and prioritisation of several significant cases.
Number of inquiries by overseas jurisdictions assisted	7	4 - 8	4 - 8	4 - 8	Demand driven activity with some impact on investigator availability for domestic caseload.
12 month rolling average of number of domestic inquiries in progress at each month's end	29.9	30.0	30.0	30.0	30 cases is system capacity with a fully effective investigator complement.

(Table continues overleaf.)

Measure	Projected 2012-13	2013-14	2014-15	2015-16	Comment
Timeliness					
12 month rolling average of age (working days) of domestic inquiries in progress at each month's end	298	330	330	330	330 days would be the average for the system operating at capacity for satisfactory performance with 30 cases open on average at month end, and completing 50% of cases between 220 and 440 working days (1 and 2 years).
Quality / Impact					
Stakeholders believe that the Commission's work is contributing to an improvement in transport safety	Most stakeholders believe Commission having positive impact.				
Successful judicial review of Commission inquiry process or decision	0	0	0	0	
Successful challenge to an Ombudsman, the Privacy Commissioner, or Human Rights Commission of an administrative decision or action	0	0	0	0	

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 New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

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 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, and exchanges incident and accident information with overseas government accident investigation authorities.

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

The Prospective Financial Statements of the Commission are for the years 2013-2016. The Prospective Financial Statements were authorised for issue by the Board on 23 May 2013.

Accounting policies and changes in accounting policies

Accounting policies

Overall considerations

The Prospective Financial Statements 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 Prospective Financial Statements have been prepared on a historical cost basis.

The Prospective Financial Statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars.

Changes in accounting policies

The accounting policies are consistent with those used in previous Prospective Financial Statements.

It should be noted that the External Reporting Board is consulting on a new accounting standards framework for public benefit entities.

It is expected that all new NZ IFRS and amendments to existing NZ IFRS with a mandatory effective date for annual reporting periods commencing on or after 1 January 2014 will not be applicable to full public benefit entities. This means that the financial reporting requirements for public benefit entities are expected to be effectively frozen in the short term. Accordingly, no disclosure has been made about new or amended NZ IFRS.

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 Prospective Financial Statements.

(b) *Revenue*

Revenue from 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) 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.

(f) 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 Prospective Statement of Comprehensive Income.

Depreciation

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 estimated as follows:

Fixed Asset Type	Useful Life (Years)	Depreciation Rate %
Buildings (store)	5 - 50	2% to 20%
Computer equipment	2.0 - 10	10% to 67%
Furniture and equipment	1.24 - 14.28	7% to 80.4%
Software (AIIMS)	10	10%

(g) *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 Prospective Statement of Comprehensive Income.

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 Prospective 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 Prospective 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 Prospective Statement 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) *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, and retiring and long service leave entitlements expected to be settled within the next 12 months.

(j) *Superannuation scheme*

Defined contribution scheme

Obligations for contributions to Kiwisaver are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the Prospective Statement of Comprehensive Income 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 Prospective Statement of Comprehensive Income.

Lease incentives received are recognised in the Prospective Statement of Comprehensive Income 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 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 net 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 and other 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 Kiwibank, ANZ Bank New Zealand, and Bank of New Zealand.

Critical accounting estimates and assumptions

In preparing these Prospective 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 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 Prospective Statement of Comprehensive Income, and carrying amount of the asset in the Prospective

Statement 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.

Critical judgements in applying the Commission's accounting policies

Management has exercised the following critical judgements in applying the Commission's accounting policies.

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 Prospective 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 the lease arrangement with Fuji Xerox (which expires in September 2013) is a finance lease.

2013 Forecasts and Projection to 2016

2013 forecast and projection to 2016					
Prospective statement of comprehensive income					
<i>Figures exclude GST unless specified</i>					
	Actual	Forecast	Forecast	Forecast	Forecast
Year ending:	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16
Revenue:	\$000	\$000	\$000	\$000	\$000
Crown	3,865	3,865	3,865	3,865	3,865
Rental income	123	123	123	82	-
Cost recoveries	-	5	5	5	5
Other Income	25	4	5	5	5
Interest Income	31	23	23	23	23
Profit on sale of fixed assets	-	-	-	-	-
Total revenue	4,044	4,020	4,021	3,980	3,898
Expenses:					
Audit	17	18	18	18	19
Commissioners' fees	149	116	164	166	168
Depreciation	125	148	163	170	159
Personnel costs	2,092	1,993	2,064	2,085	2,106
Lease, rentals and outgoings	786	775	775	746	652
Other losses (Fraud and costs)	31	-	-	-	-
Loss on sale of fixed assets	-	-	-	-	-
Other operating costs	770	966	837	795	794
Total expenses	3,970	4,016	4,021	3,980	3,898
Surplus (deficit)	74	4	-	-	-

2013 forecast and projection to 2016

Prospective statement of financial position

Year ending:	Actual Jun-12	Forecast Jun-13	Forecast Jun-14	Forecast Jun-15	Forecast Jun-16
	\$000	\$000	\$000	\$000	\$000
Assets					
Current Assets					
Cash and Cash Equivalent	1,061	863	875	912	1,022
Prepayments	25	24	24	24	24
Trade and other Receivables	11	-	-	-	-
Non-Current Assets					
Total Non-Current Assets	1,009	957	896	799	689
Total Assets	2,106	1,844	1,795	1,735	1,735
Liabilities					
Current Liabilities					
Trade and other payables	287	125	125	125	125
Employee benefits	192	155	155	155	155
Finance Lease	25	6	-	-	-
Provision for rental loss	43	43	60	-	-
Non-Current Liabilities					
Finance Lease	6	-	-	-	-
Provision for rental loss	102	60	-	-	-
Total liabilities	655	389	340	280	280
Taxpayers' funds	1,451	1,455	1,455	1,455	1,455
Taxpayer's funds as a percentage of total assets.	69%	79%	81%	84%	84%
Ratio of current assets to current liabilities	2.0	2.7	2.6	3.3	3.7
Ratio of fixed assets to total assets.	0.5	0.5	0.5	0.5	0.4
Taxpayers' funds:					
Taxpayers' funds at beginning of year	1,377	1,451	1,455	1,455	1,455
Surplus (deficit) for year	74	4	-	-	-
Capital injection	-	-	-	-	-
Taxpayers' funds at end of year	1,451	1,455	1,455	1,455	1,455

2013 forecast and projection to 2016

Prospective statement of cash flow

Year ending:	Actual Jun-12	Forecast Jun-13	Forecast Jun-14	Forecast Jun-15	Forecast Jun-16
Cash flows from operating activities:	\$000	\$000	\$000	\$000	\$000
Cash provided from:					
Supply of outputs - to Crown	3,865	3,865	3,865	3,865	3,865
Supply of outputs - to other	184	132	133	92	10
Interest	28	23	23	23	23
Cash disbursed to:					
Cost of producing outputs	(3,726)	(4,097)	(3,900)	(3,870)	(3,738)
Payment of capital charge to Crown	-	-	-	-	-
Net cash flows from operating activities	351	(77)	121	110	160
Cash flows from investing activities:	-	-	-	-	-
Cash provided from:	-	-	-	-	-
Sale of investments	-	-	-	-	-
Cash disbursed to:	-	-	-	-	-
Purchase of fixed assets	(285)	(96)	(103)	(73)	(50)
Net cash flows from investing activities	(285)	(96)	(103)	(73)	(50)
Cash flows from financing activities:	-	-	-	-	-
Cash provided from:	-	-	-	-	-
Capital contribution from Crown	-	-	-	-	-
Cash disbursed to:	-	-	-	-	-
Payment to finance lease	(33)	(25)	(6)	-	-
Net cash flows from financing activities	(33)	(25)	(6)	-	-
Net increase (decrease) in cash held -	33	(198)	12	37	110
Cash at beginning of period	1,028	1,061	863	875	912
Gain (loss) effect of exchange rate changes	-	-	-	-	-
Cash at end of period	1,061	863	875	912	1,022

2013 forecast and projection to 2016

Prospective capital expenditure

	Actual	Forecast	Forecast	Forecast	Forecast
Year ending:	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16
	\$000	\$000	\$000	\$000	\$000
Fixed asset programme					
Revenue Capital	-	-	-	-	-
Depreciation	125	148	163	170	159
AIIMS Hardware and Software	-	67	93	-	-
Computer equipment	27	24	9	63	-
Investigation, Furniture & fittings, office equipment	-	5	-	10	50
Total acquisition cost	27	96	102	73	50
Average total acquisition cost over forecast 5 years	-	-	-	-	70
Capital expenditure as a percentage of fixed assets	3%	10%	11%	9%	7%
Average capital expenditure as a % of fixed assets over forecast 5 years					8%
Sale value of surplus capital items	-	-	-	-	-
Profit/(loss) on sale of surplus capital items	-	-	-	-	-
Average sale value over forecast 5 years	-	-	-	-	-
Average net cost of fixed assets					70



John Marshall QC
Chief Commissioner



Helen Cull QC
Deputy Chief Commissioner

Performance measurement framework elements

Main measures (detailed from page 13)		Measurement instruments (detailed in Annex A)						
Outcome measures	Incidence rates of selected occurrence types previously investigated	International Framework for Court Excellence self-assessment questionnaire	Stakeholder Survey	Historical Impact Review	Staff performance management system	International benchmarking / ICAO standards / completed case review	Lack of successful challenge to Commission inquiry process or decision	External and internal policy, procedure and compliance reviews and audits
Impact Measures	Safety recommendation statistics. Stakeholder assessment of Commission's impact.							
Output measures	Inquiry completions, timeliness, and statutory compliance							
Input measures	Inquiry cost							
Values measures								

This chart shows the range of main and other measures used by the Commission to measure its performance, and the range of measurement instruments used to gather the performance information. These instruments are described in more detail below.

Relevant accident/incident (occurrence) rates

The outcome that the Commission seeks to contribute to is a reduction in incident and accident rates; however the organisation is a very small component of the total transport safety environment, as noted in the strategic overview. The Commission does not collect occurrence data itself. It hopes to work with the Ministry of Transport and the regulators to identify data sets that give an overview of the safety profile of the transport modes the Commission works in that is also relevant to measuring outcomes identified in the Four Year Plan and the regulators' statements of intent. The Commission has not been able to make progress in this area in the past two years due, in part, to having to keep the researcher/analyst position vacant.

Notification rates

Transport regulators are required to notify the Commission of qualifying occurrences which the Commission might then choose to open an inquiry for. Ratios of openings to notifications are potentially useful metrics; however some work is required to clean up the data (by deleting notifications of non-qualifying occurrences, for instance).

Safety issues related data (safety issues, safety actions, safety recommendations, and watchlist issues)

These elements, and the resolution of them, give indications of the impact that the Commission's inquiries are having on the transport safety environment. Safety issues are matters of concern found during inquiries, actions are those things relevant parties have done to address the issues while the inquiry was underway, and recommendations are made for issues to be addressed if suitable actions have not already been taken. Watchlist issues are safety issues which the Commission gives extra prominence to due to a lack of progress. The Commission will be registering safety issues, actions and watchlist items as data entities, alongside recommendations as previously.

Inquiry closure numbers, and caseload profile data such as average age and number open

The Commission's workload and output fluctuates. The Commission can control its launch rates, but only to a small degree, as it assesses cases on their potential to contribute to safety improvements or a requirement to investigation in accordance with international convention. Completed inquiries comprise the funded output of the Commission. System capacity is about 10 inquiries open per mode and a rolling average of about 30 inquiries open for all modes when operating at full investigator strength. In terms of timeliness, the Commission aims to complete 75% of inquiries in under 440 working days (or two years as set by ICAO as the desirable maximum for completion of an investigation), and to maintain a rolling average age of inquiries open of 330 working days (18 months). Maintaining an open caseload of 30 with an average age of 330 days would see a quantity of 20-25 inquiries closed in a year. The actual number completed has been lower in recent years due to reduced investigator capacity following vacancies and subsequent recruitment and training requirements. The number and the age of cases open are measured as rolling averages to mitigate the false impression that clustering of openings or closures near a measurement date could give.

Inquiry cost

The significant resource expenditure on almost every Commission inquiry is staff and Commissioner time and corporate overheads, with external expenditure on investigation support – such as laboratory services or expert opinions – generally a smaller component. A previous formula for assessing inquiry cost assigned labour cost based on the time an inquiry was open, rather than actual staff time expended (which was not then being captured in a satisfactory way) and this exaggerated actual cost for inquiries open for longer and un-reported cost for (often higher priority) cases completed quickly. A new electronic timesheet system means more realistic costing will be possible.

Historical impact review

An historical impact review is a research project using a relevant academic approach to explore a specific occurrence type or safety issue within a single mode with multi-modal dimensions. The Commission conducts one review each year. As well as assessing the impact of the Commission's inquiries, a review attempts to reflect on the quality of the inquiries by reviewing the Commission's output, such as findings and recommendations (and their take-up) with the benefit of hindsight.

International Framework for Court Excellence self-assessment questionnaire

This assessment tool assembles values, input, output and impact related performance information to inform strategic and business planning and operations. The first part of the tool helps determine whether the Commission has developed and deployed approaches in the seven key performance areas described in the strategic diagram, while the second part help assess whether what is in place is working.

Stakeholder survey

The Commission's stakeholder survey comprises indicators of input, output and impact performance. It uses a mix of online and telephone survey tools to assess the Commission's interaction with inquiry participants and general stakeholders in terms of communication, access, and fairness – as well as the extent to which the Commission is perceived to be having an impact on improving transport safety.

International Civil Aviation Organization (ICAO) Annex 13 investigation standards

ICAO maintains an assessment inventory to assess a State's compliance and preparedness to deliver safety focused investigations in accordance with Annex 13 to the ICAO convention. The Commission will conduct a self-assessment using the tool.

International benchmarking

The Transportation Safety Board of Canada, a peer organisation, has developed a benchmarking programme which the Commission is joining from this year. It covers both inputs and outputs.

Staff performance management system

The staff performance management system relates individual's performance and development requirements to the Commission's output, values, policies and procedures, business plans, and strategy. Thus it gives performance information relevant to values, inputs, outputs and impacts.

Lack of successful challenge to Commission inquiry process or decision, or administrative action

The Commission is charged with exercising specific statutory and general administrative powers, particularly relating to the conduct and findings of inquiries. A lack of successful judicial or ombudsman review of Commission processes, decisions and administrative practice is considered to be evidence of statutory compliance being achieved. A successful review might also damage trust and confidence in the integrity, accuracy and legitimacy of the Commission's work.

External and internal audits

The Commission conducts internal checks, and is also subject to a variety of routine audits or checks of aspects of the Commission's infrastructure and operations. These all give indicators of input quality. Significant audits will receive mention in the Annual Report.

TAIC: CA-2013-501

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