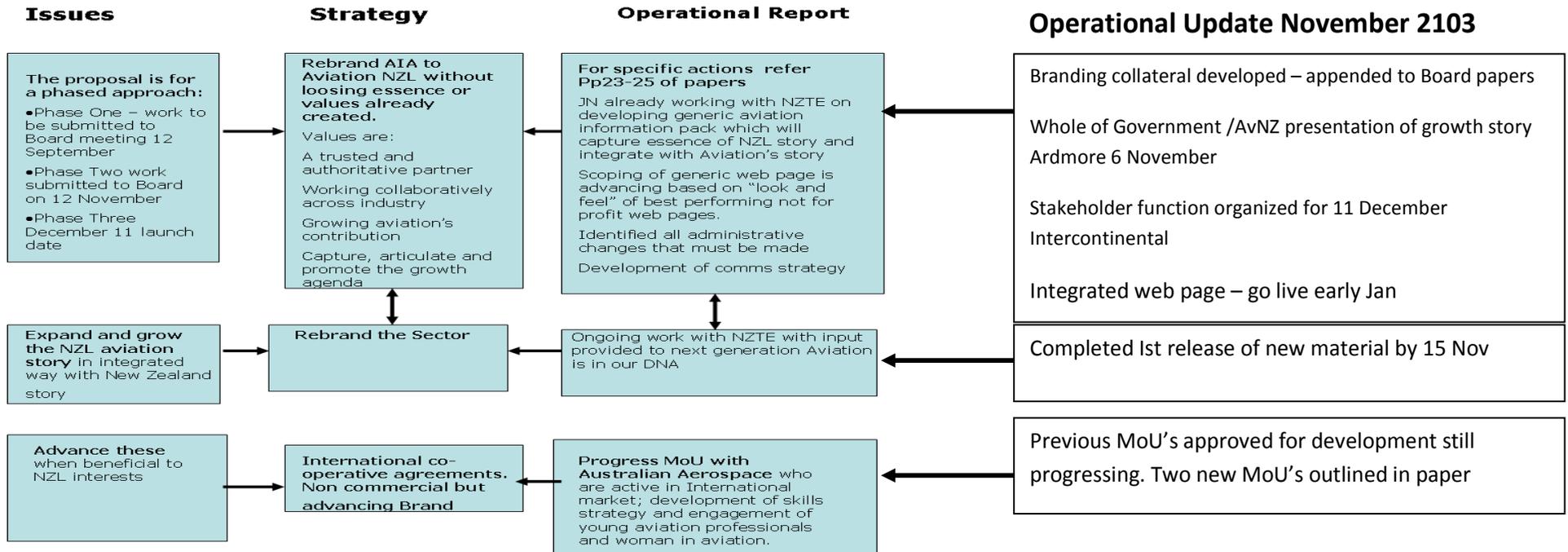


Item 5 Operational Report Strategy One Telling the Storey

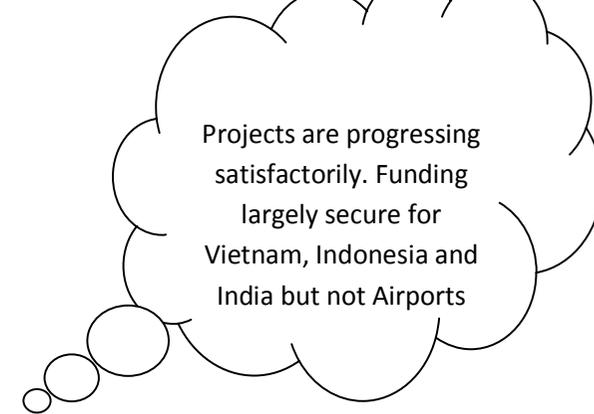
We have been delivering the Aviation New Zealand story internationally for three years now the challenge is to "domesticate" the brand and engender excitement and ownership of the growth agenda



Comment – Airwaves (Australia) article published in October on design capabilities and one to be published on Helicopter industry; Investor Magazine seeking strategic relationship. Kiwiflyer impressed with our newsletter format and see that now as major opportunity

Strategy Two Growing the Pie

Target Opportunities and Markets – part of a long term strategy to grow New Zealand’s presence in key markets



Operational Update November 2013

Issues

We agree 6 month max programmes with NZTE – too short term.

Success takes time and we need to have long term commitment.

We are proactive but coys are reactive. Need more proactive coys contributing more to programmes and programme development.

Financial constraints and time to get NZTE approval.

Strategy

Target opportunities in markets by:

- Focus on India, Indonesia, South Pacific and Vietnam with long term programmes
- key relationships
- two way visits
- NZ stands at shows
- Publicity
- Govt agencies aligned
- NZ Inc approach

Operational Report

Developing mission to India and check out visit to Vietnam with NZTE for completion pre-Christmas.

Developing integrated airports approach following Indonesian May mission.

Developing inward airports mission concept with AP1 and DGCA from Indonesia, with NZTE, for delivery in October.

Developing South Pacific approach for Airports and MRO. MFAT Partnership registration process starting.

Round of email contacts with key customers in India and Indonesia Completed.

Initial discussion with Education NZ over support for NZ Stand at Indian Aviation Show, March 2014.

- ← Vietnam - this month, India deferred to March 2014 – Indian Aviation Show + mission
- ← Programme developing. But maior funding risk 
- ← Deferred to March 2104 because timing unsuitable for Indonesians
- ← Decision date by MFAT 6 December.
- ← Completed. India NZ Aviation Arrangement praised.
- ← Potential and progressing

Comment Major South Pacific project with World Bank emerging through to 2018 with different parts going to tender. Plan is to form consortia and new collaboratives. Tenders are in packages. Project info received 4 November. Companies would need to pay for our involvement. Our role is to aggregate like minded parties and market.

Ensuring the domestic regulatory framework is pro growth is integral to and is the primary stimulus to achieving a more competitive sector

Projects highly technical in nature. Where divisions are strong we receive excellent feedback

Issues

The speed of change is glacial

The hourly rate charges are really starting to bite and go around solutions developed

HSE – the outcome is still very confusing. The taskforce however appear to accept our recommendation but not yet captured in a Bill



Strategy

Every change to the framework is measured as a positive stimulant of growth. Our objective is to eliminate regulatory drag and create a high performance regulatory environment

Operational Report

CAA :-

Lowering Pilot charges we have target of 50% reduction

UAV promote an efficient environment

LIB 4 the CAA's interpretation costs industry well over \$1m+. Agreed their interpretation not right

Rule 61,141 and new 147 to be amended to reflect growth opportunities

Regulatory barriers associated with pilot training to be addressed

135,505 costing Helicopter industry over \$200K pa

Operational Update November 2013

- ← Project captured by Doctors – urgent need to rethink as it is becoming “bigger” than Benhur
- ← Progressing group coming within Av NZ in conjunction with Callaghan. CAA have stopped approvals
- ← CAA not progressing despite many reminders – they acknowledge they are creating risk
- ← Pt 147 on track. Pt 141 devolved into development of policy document and now progressing
- ← Major red flag MoE are now pressing for results
- ← Solution emerging
- ← Major work is with Regulations review Committee. Confirmed

Comment – New HSE legislation released. Removes CAA coverage of Aircrew. Urgent comments 15 November.

Strategy Three Making the Plan Fly Faster

On 90% of potential decisions impacting on sector we are consulted prior to public documents being issued

Making the Plane Fly Further and Faster

Issues

Some agencies adopt a unilateral approach to regulation development which impacts adversely on industry development and inhibits international competitiveness.

Hard data should inform policy development but we don't always have it.

Our regulatory regime is based on FAA but EASA is becoming more preferred in priority markets.

We have limited benchmarking data available for companies to assess performance internally or externally.

Strategy

We adopt an internationally focused, best practice regulatory framework to improve industry efficiency and competitiveness:

- The ability to enhance international growth through 'smart regulation' should be a key driver
- Aligning with the most appropriate regulatory frameworks should enhance competitiveness
- Our frameworks should encourage company to company and sector to benchmarking
- Close and constructive relationships should exist with agencies

Operational Report

We have ongoing engagement with:

- CAA on a wide variety of matters. While senior management 'gets' the Growth Agenda, this has yet to permeate the whole agency and recent discussions reaffirm the strength of the FAA relationship Vis-à-vis EASA
- TEC/NZQA on EFTs for pilot training
- NZIS for student visas (the first student coming to HFT on a company to company contract was declined. There are also issues with the fees paid up front before a visa is issued)
- IRD on GST on services (regulatory change on B2B contracts, following a Budget 2012 announcement should be effective from 1 April 2014)

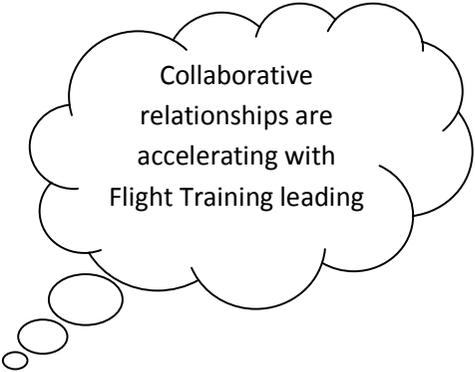
Operational update November 2013

Next major push is to ensure CAA reinforce views on voluntary compliance as key method of improving operational standards across sectors

TEC/MOE – both seeking our input but the problem is resourcing. TEC strategy review underway, comment by 15 November plus HSE Bill same date.

This will have major beneficial impact on Training Industry but very bureaucratic processes to be implemented. Following up with Business NZ.

Making the Plane Fly further and Faster



Issues

There is a strong 'independent' ethic in NZ
 There is insufficient knowledge of the strength and diversity of the industry, and its achievements within NZ
 As the industry becomes more knowledgeable about itself, we see collaboration increasing further
 International opportunities encourage collaboration – we need to identify more
 Commercial collaboration requires new business models, relationships and practices e.g. limited liability partnerships

Strategy

Facilitate collaboration and networking between companies to improve capabilities and competence, and target qualified international opportunities
 •More engagement through divisions
 •More qualified business opportunities
 •More proactive work by companies

Operational Report

Aviation NZ has been encouraging This concept for some time. It is a philosophy behind its work.
 Collaborative work has been Progressed:
 •Indonesia follow up, especially in training where a more formal structure is being considered for substantive follow up
 •Airports approach for Indonesia and India
 •Approach to South Pacific market, relationship with Min of Foreign Affairs and some prime contractors
 •Realignment of parts of the pilot training industry

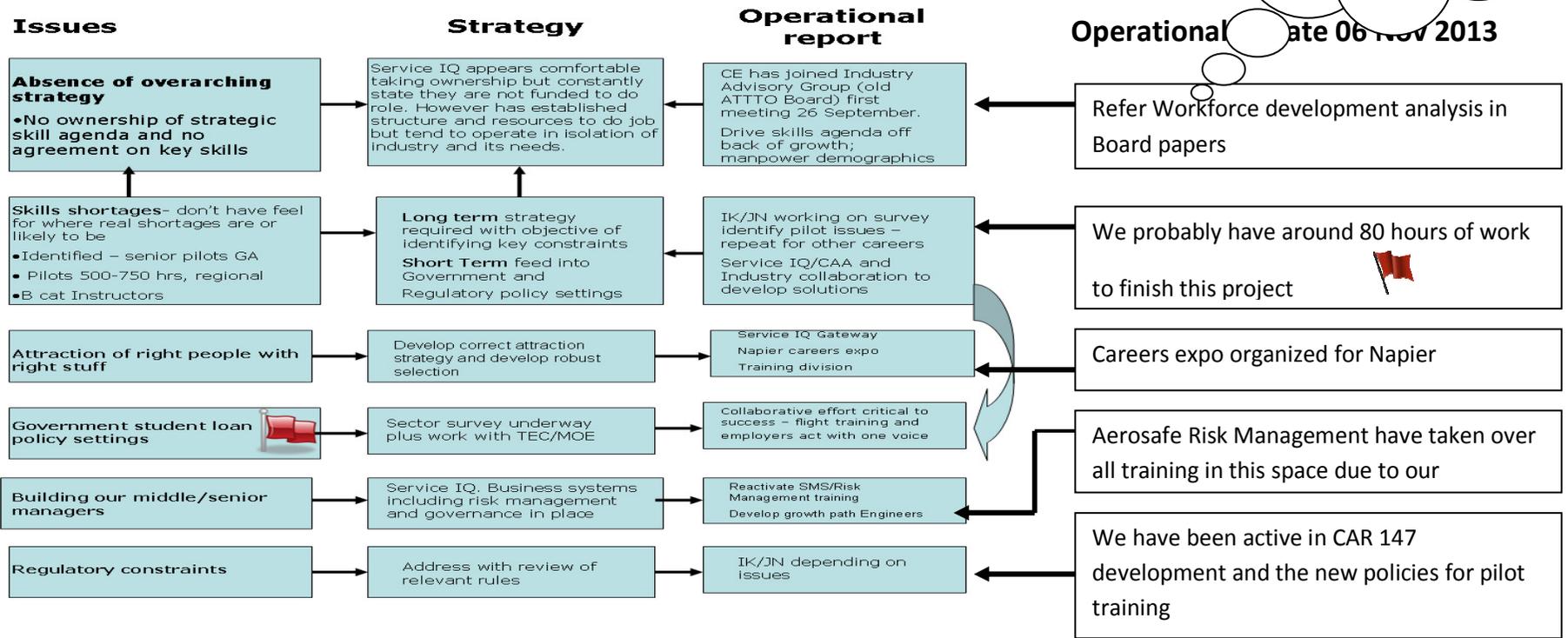
Operational Update November 2103

- Group of trainers under ASPEQ developing approach to professional airline pilot training.
- Input to NZ Inc airports trade show entry in Jakarta 13&14 Nov and follow up workshop 18 Nov.
- No progress on Indonesian MoU although Indonesians in NZ imminently

Comment – Pilot Training collaboration progressing. Collaborative concepts being developed through inaugural Logistics Divn and Training and Development Divisions.

Strategy Four Building Tomorrow's Plane – right people, right stuff

The pilot's survey work has been compromised by debtor collection



Comment Board needs to consider clarity around the working relationships with Service IQ



Strategy Five Value for members

There is a trade off between adding value and ensuring the business continues operating. This is the point at which resource constraints really bite !!!!

