

## **Part Two**

### **The CAA is undergoing a major change management programme what is it that you are trying to achieve and how will you know when you're there?**

It's complicated because we are doing a number of things at the same time. At the highest level we are introducing the concept of the 'Authority' as a single organisation performing two sets of legislative responsibilities (those relating to the CAA and the Aviation Security Service) while still providing the operational separation required by the current legislative framework. There are capability and efficiency drivers for doing this.

If we just talk about the CAA for a moment, the change had its genesis in the Office of the Auditor General's (OAG). These findings identified deficiencies in the organisation and the way in which it performed some of its core regulatory functions. The objectives may have morphed slightly after we received the 2011 Value for Money report, but in essence they have always been about improving effectiveness, efficiency, quality and capability. All these elements are important but the work we are currently doing around risk-based regulation and the introduction of SMS are core themes in the drive for effectiveness. And so too is an associated drive to move away from the traditional compliance based regulatory approach to one that builds on the compliance framework and adds the use of a range of other regulatory tools aimed at achieving desired outcomes. Compliance with regulatory standards is important (particularly in a high hazard industry like aviation) but I think that while the regulatory framework that we have had in the past (and which existed internationally as well) has served us well and produced significant improvements in safety over time, it needs to change if we are to see significant future improvements.

How will I know when we've got there? Let me share with you the fact that measuring the effectiveness of safety intervention (with any degree of absolute certainty) is exceptionally difficult. This is particularly the case with aviation in New Zealand where the size of the sector is so small it makes statistical analysis quite unreliable. Until we discover the holy grail - or somebody else around the world does - we will continue to use and improve on the basket of impact measures we currently use. Our latest Statement of Intent for the 2013-16 period will be published soon and you can see how we are currently measuring impacts when it appears on our website. It is recommended reading.

### **What's your personal leadership style and how do you lead by example?**

You're asking the wrong person! Experience tells me that the managers in an organisation are absolutely the last people you should turn to for an accurate opinion of things such as the quality of leadership, morale, how things are running in the organisation, etc.

I can tell you what I'd like to be doing. I'm a bit of a proponent of the 'goal-path' and situational leadership models. This isn't the place to go into detail on what they mean - and I'm sure many of your readers know more about them than I

do – but I can give you a quick idea of the primary themes within them that I think are valuable.

By and large, I see practical leadership being about setting a goal for people (in terms of an aim or direction or way of working) and then assisting and supporting them along the path to achieving that goal. I take from the situational leadership model the knowledge that there is no single right way or leading or managing; the appropriate approach is determined by the context. If you were more cynical you could suggest that I'm attracted to the situational model because it gives me license for inconsistency, but that wouldn't be fair.

**What do you think the industry's response has been thus far to the change?**

Largely positive, although I'm realistic in my expectation that there will always be hiccups with the relationship on particular issues. The fundamental tension that exists is that while we work with the aviation sector we are not part of it – we are part of the state sector – and we exist to serve the public interest in aviation and to give effect to government priorities. There will certainly be times when there is a conflict between that role and the interests of individuals in the sector, or potentially even the sector as a whole. What I'd like to see is a relationship that is sufficiently mature and robust to deal with the conflicts that may arise from time to time while, at the same time working together to achieve the safety and security objectives we have in common. I don't think that we are too far away from having that relationship with the industry.

**When you commenced in the role there was a major review of charges proceeding and some fairly hefty price increases for industry – what are you doing about those increase and how is the impact being managed?**

Yes, starting when I did (when those increases were about to be implemented) was probably a great example of bad timing. That said, I benefitted in that too. I got to lead an organisation which, with the prior injection of \$7.5 million cash by government, has been allowed to begin building the additional capability and capacity identified as being necessary in the Martin Jenkins Value for Money Review and the OAG's 2010 Performance Audit Report. As you say, some of the increases were significant – but they were necessary if we were to make the required improvements and start reducing the reliance on the passenger safety levy to cross subsidise some activities that state sector charging principles dictate should be self-funded. It is also worth noting that that the increases in fees and charges resulted in a slight decrease in the domestic passenger safety levy.

Given that the organisation gets the benefit of the increased revenue, I feel a personal obligation to use it wisely – to strive for effectiveness and efficiency. Consistent with that aim, I'd like to minimise future increases that are not already committed and to reduce costs where possible. A classic example is in the area of medical certification where a lack of investment in the past has left us with a labour intensive paper-based regime. The adoption of an on-line system similar to that used in a number of other countries has the potential to save costs while at the same time improving consistency and quality. We already have work underway in this space as a matter of priority.

**How is the organisation trading now? Have you seen any drop off in participation rates?**

The last figures I saw showed actual revenue to be within about 1% of budget and we were under budget in terms of expenditure. I think that the under expenditure will carry through to year end and that there is a good chance of us getting close to break-even rather than having a \$2.4 million deficit as budgeted. Having said that, the under expenditure is largely related to the speed with which additional capacity and capability is added to the organisation, so I don't expect it to be sustainable in the long term. You can expect to see a fairly significant increase in expenditure next year as added investment in people and systems is made. It is worth noting that it is important not to look at our expenditure in isolation. Now that we provide support services to the Aviation Security Service and IT infrastructure to Maritime NZ, there will be revenue related to the expenses incurred in providing those services.

As for participation rates, we haven't noted any long-term reductions that we could link in any way to the increase in fees and charges.

**We hear you have commenced the next review of prices why have you done that and how will industry be engaged?**

That's not quite correct. Just by way of explanation, one of the contributing factors to the significance of the changes to fees and charges last year was the fact that they hadn't been adjusted for the previous 15 years. Effectively the organisation had relied upon increasing passenger numbers to cover cost inflation and growth in expenditure during that period. As part of the approval for the November 2012 changes, we were committed to a triennial review of funding in part to avoid such large increases in the future. We have started to plan that work but it hasn't yet started. Once we have a timeline and the necessary approvals to get underway we will certainly engage with the aviation sector in the process.

**There's a strong move to risk based regulation what does this mean and how are you bringing this about?**

Can I answer the WHY question first? For me there are two primary factors for why we are doing this. Firstly, it is being driven by the high expectations created by our past success in improving safety. There are a couple of facets to this. As an example, one of the US Federal Aviation Administration's safety performance measures for air transport is 'the number of fatalities per 100 million persons on board'. If you graph actual performance against that measure during the past 65 or so years you see a very steep reduction from the mid-to-late 1950's to the mid-80's, where the rate plateaus.

**There's a lot of work going on risk profiling what's this all about and what is your vision for the future? Are there other sectors that could potentially benefit other than Ag aviation?**

I see this work as being something of an experiment for us in a new way of working and think it has real potential to improve safety outcomes - although time will tell on that. Put simply, it is about working with a particular discrete part

of the sector – in this case the Ag sector – to identify and agree on the primary safety risks relating to the sector. Different activities clearly have different risks, although there will no doubt be an element of commonality. Once identified, the risk mitigations are developed – once again working with the sector. Part of developing the risk mitigations is to determine who is best placed to implement them. Who should own the risk? Is it something that is best dealt with by the sector, should the regulator deal with it, is Rules development required? Etc.

We will be discussing and holding workshops on the Ag review at the AAA conference in Dunedin so it will be interesting to see what the outcomes from the process are. As for applying the process in other sectors, I'm sure that we should do so, but I suggest we should wait until we are in a position to apply any lessons learned during the Ag sector work.

**It seems to have been a particularly nightmarish time to become DCA – can you tell us what you really thought about the 60 minutes interview on the Fox accident?**

I think the first proposition is wrong. Overall I regard my first year as Director as being immensely satisfying and rewarding. We can always do better, but I'm privileged to lead a highly talented Executive Management team that I think do an excellent job; they really do serve the country well. I'm also really impressed by the increasing capability of the organisation and the outstanding work that staff do on a daily basis. We live in a world that focusses on the negative but I frequently get industry members bringing the good work of CAA staff to my attention.

As for the 60 minutes interview: it's history. I learned a lot from it and you got to see the worst 2-3 minutes of a very aggressive hour and a half long interview. Interestingly, I met up with a former Director shortly after the interview and shared my experience. He told me that years earlier he had once walked out of a 60 minutes interview. Perhaps I should have done the same. The interview is a detail, however, and we should all really focus on the accident itself, which was a terrible tragedy. I'm not particularly sure that the most proximate causal factors have been clearly identified, but what is clear that precursor opportunities to identify and deal with the eventual failure existed but were missed. Changes to the way in which major design alterations to aircraft are handled, the increased regulation of the adventure aviation sector and the implementation of TAIC and Coroners recommendations should help reduce the likelihood of a recurrence. But, it would be good to get to the stage where we – as regulator and industry as well – are being more proactive rather than reacting to tragedy.

**What is your view of the industry's growth agenda?**

I'm very supportive. Economic growth is a government priority and whenever possible the CAA should perform its safety and security roles in a way that gives effect to that priority. I have to be clear, however, that as reflected in the Civil Aviation Act, safety and security are our primary drivers. There is a good deal of historical evidence that suggests regulators with a 'dual mandate' – say 'promoting industry activity' or 'economic growth' in addition to safety don't have a good record in the safety field. It is the reason the FAA's governing

legislation was changed in 1996; the arrangements for safety regulation of oil extraction in the Gulf of Mexico were changed following the recent Deepwater Horizon disaster; and it is a lesson to come out of Pike River mine accident. I'm sure that there are many other examples. The point is that while we are fortunate in having a sole mandate, I certainly don't regard that as a reason not to support the growth agenda when it can be done without compromising safety or security. If you look at the Authority's objectives as specified in the Civil Aviation Act, it is about performing its functions in a way that contribute toward the aim of achieving an integrated, safe, responsive, and sustainable transport system.

### **How do you define a responsible operator?**

One that willingly complies with all regulatory requirements and systematically attempts to manage risk.

### **Where do you think safety regulation is going in this country?**

Really good and topical question following Pike River – but difficult to provide a short answer to. What do I see? Very briefly:

- an increasing societal intolerance for safety failure along, with increasing demands for 'accountability';
- a need for regulators to improve the effectiveness of their interventions – and to be able to demonstrate that effectiveness;
- in technical and high hazard fields such as aviation a demand - driven by lessons from disasters such as Pike River and Deepwater Horizon - for highly technically skilled regulatory staff to be rigorously testing operator's safety systems (in both these cases there appears to have been an almost complete disconnect between the regulator's high level of confidence in the operator and what was actually happening on the site);
- more standardisation of regulatory approach and philosophy across government combined with improved data sharing;
- development of common data sets and definitions with the information used to more proactively target risk reduction.

I highly recommend that your readers go on to the web and find the reports of the Pike River Royal Commission and of the HSE Taskforce. Those reports will, and should, have a significant effect on future safety regulation in NZ. We really must take advantage of the lessons provided by this disaster – and also the lessons from similar safety failures overseas. This is a topic I'm quite passionate about so we should discuss it more sometime in the future.

### **Why does CAA attend the AIA's conference week in such force? Is this part of the culture change?**

If you're talking about this year, it's because my home town of Dunedin is such a wonderful place to visit and you gave us such a good price to attend! Actually it's partly about evolving and improving our regulatory approach. It is easier to work collaboratively with people and to influence their behaviours if you know and

understand them. The conference is also a way of establishing and renewing relationships. Significantly, it is also a forum for exchanging views and information – for eliminating the speculation that tends to fill an information vacuum.