



AIRSERVICES AUSTRALIA



Annual Report 2002 – 2003

AIRSERVICES AUSTRALIA
ANNUAL REPORT

2002-03

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LETTER OF TRANSMITTAL

September 2003

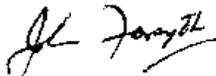
The Hon. John Anderson MP
Deputy Prime Minister and
Minister for Transport and Regional Services
Parliament House
CANBERRA ACT 2600

Dear Minister

The Airservices Australia Board of Directors hereby submits to you the Airservices Australia Annual Report for the period 1 July 2002 to 30 June 2003.

The Report of Operations and financial statements have been prepared in accordance with the *Air Services Act 1995* and the provisions of the *Commonwealth Authorities and Companies Act 1997*.

Yours sincerely



John P C Forsyth
Chairman

CHAIRMAN'S YEAR IN REVIEW

In the year we celebrate the 100th anniversary of the first controlled manned flight by Wilbur and Orville Wright, the aviation industry faced enormous challenges posed by unprecedented events.

Airservices Australia's story for the past 12 months bears similar characteristics to those heady days of flight in 1903. Innovation, persistence, resilience and people who care and contribute all combined to maintain our position as a world leading air navigation service provider.

We have maintained our place in the market

Events, largely outside the control of the aviation industry, continued to shape the sector and our own business recovery and growth over the past 12 months.

Activity levels were slightly less this year than last. The expected recovery following the impact of the collapse of the Ansett Group and the effects of the terrorist attacks in the United States on the 2001–2002 results, failed to materialise due to ongoing concerns over terrorism, the Iraq war and the outbreak of Severe Acute Respiratory Syndrome.

The corporation identified many opportunities for profitable growth, but was hampered in converting them to new business because of restrictive legislation. I am pleased to report that this issue will be addressed early in the new financial year, with Parliament considering changes to the Airservices Act which will remove some of these barriers. This will result in higher conversion rates from opportunity to business won, both domestically and internationally.

We have nonetheless pursued our business growth strategy nationally and internationally. The corporation renewed a partnership contract with the Government of the Solomon Islands for the provision of upper level airspace management and is currently finalising negotiations with Nauru for a similar upper level airspace management contract. We are actively pursuing opportunities in India, South Africa and Asia and exploring a closer relationship with New Zealand's Airways Corporation. The following operations report details the full extent of the corporation's expansion and activities worldwide.

The corporation continued its technological innovation with the successful completion of major upgrades or replacements of our operating systems, the most pleasing being the successful rollout of a suite of SAP and other software for all of our administrative and financial functions. The trial of Automatic Dependent Surveillance – Broadcast, which will provide radar-like coverage across continental Australia at a fraction of the cost of radar, has drawn considerable international interest as well as interest from the Defence Department.

We have delivered excellent results

The corporation's expertise and skill in innovative financial management was again showcased during the reporting period. Airservices Australia received an international award for commercial excellence for completion of a United States cross-border lease. The lease realised gross revenue of \$46.4 million with the benefits from the transaction underpinning the corporation's ability to insulate its customers from higher charges.

Total revenue including the abovementioned \$46.4 million for the year ended 30 June 2003 was \$617.5 million, showing a 20.7 per cent increase compared to the prior year's \$511.4 million.

The corporation had to contend with additional payments totalling more than \$37 million made to AvSuper, the corporation's employer sponsored superannuation fund. This was due to the poor performance of international investment markets. It also absorbed \$14.6 million relating to two tax adjustments for prior years.

Improvements to domestic and international air routes, implementation of Reduced Vertical Separation Minima, User Preferred Routes and air traffic flow management technology have reduced our customers' fuel burn, resulting in more efficient operations, millions of dollars in reduced costs and cutting carbon dioxide emissions by an estimated 890,000 tonnes per annum.

Independent efficiency analysis by Eurocontrol and the Federal Aviation Administration during the past 12 months comparing Airservices Australia, European providers and the United States' Federal Aviation Administration has shown the corporation to be the most efficient operator in all but one key productivity indicator.

In July 2002, the Australian Competition and Consumer Commission (ACCC) approved an average 5.1 per cent price increase (2.2 per cent in real terms) as a temporary measure until 30 June 2003, with extension beyond that date subject to a further submission.

On 1 January 2003, the corporation reversed its price increase relating to en route charges. In weighted average terms, this constituted a 2.1 per cent price reduction. As a result, the effective price increase applying during 2002-03 was only 3.6 per cent (0.7 per cent real) – significantly below the 5.1 per cent headline increase approved by the ACCC.

In light of our voluntary and extensive track record of price reductions, independently verified efficiency, and reduced throughput caused by turmoil in the aviation industry, we were surprised and disappointed when our proposed minimal and temporary price increase for the next financial year was rejected by the ACCC. The rejection will impact on the corporation's flexibility and ability to commit to programs which reduce operating costs for our customers.

We are looking forward

As I write this review, the aviation industry is showing the early signs of a sustainable recovery. Unfortunately, as has been shown during the past 12 months, the industry remains volatile and easy prey to an unsettled and troubled world.

Against this backdrop, Airservices Australia continues to believe its anticipatory style of business planning and financial management provides the most value and

biggest contribution to supporting the aviation industry. We have demonstrated over several years our success in realising real price reductions to customers whilst continuing to invest in the business and new technology.

Further consolidation of air navigation service providers appears likely. The corporation will continue to position itself as a leader in the region and a long-term participant in the evolving globalisation of the industry.

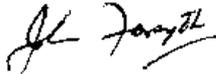
It is my sincere hope that the Government's commitment to the corporatisation of Airservices Australia will become a reality before I report next year.

Our people are the keys to our success

The diversity, creativity and experience of our committed and dedicated staff remains a cornerstone of the corporation and we are developing our aspiration by empowering our people to lead through excellence and innovation.

The achievements listed in the following pages are some of the highlights of the extraordinary input that our people have contributed to achieving success over the past 12 months.

I extend my sincere appreciation to Chief Executive Bernie Smith and his management team, my fellow Board Directors and, most importantly, the corporation's staff for their motivated efforts in keeping Airservices Australia a global leader in air navigation service provision.



John PC Forsyth
Chairman
Airservices Australia Board of Directors
30 June 2003

INTRODUCTION

Annual reporting requirements

Under the *Air Services Act 1995* and section 9 of the *Commonwealth Authorities and Companies Act 1997* (CAC Act), Airservices Australia is required to provide an annual report for tabling in Parliament. The Airservices Australia Annual Report 2002–03 has been prepared in accordance with those requirements and the Finance Minister's Orders.

Powers and functions

Airservices Australia was established under the *Air Services Act 1995* on 6 July 1995, with reporting and accountability arrangements set out in the CAC Act.

In 1997, Airservices Australia's status was amended to that of a Commonwealth authority. This had some minor implications for the application of the CAC Act and had an impact on the corporation's governance and operations. In 1999 the Government announced its intention to further corporatise Airservices Australia. Securing the status and enhanced business opportunities of a Government Business Enterprise remains a high priority for the corporation.

Under the *Air Services Act 1995* (as amended), the corporation is responsible for performing the following functions:

- providing facilities to permit safe navigation of aircraft within Australian administered airspace
- promoting and fostering civil aviation in Australia
- providing the following services, for the purpose of giving effect to the Chicago Convention or otherwise for purposes relating to the safety, regularity or efficiency of air navigation
 - air traffic services
 - an aeronautical information service
 - rescue and fire fighting services
 - an aeronautical radio navigation service
 - an aeronautical telecommunications service
- cooperating with the Australian Transport Safety Bureau (ATSB) in relation to the investigation of aircraft accidents and/or incidents
- performing activities to protect the environment from the effects of, and the effects associated with, the operation of Commonwealth jurisdiction aircraft
- performing any functions prescribed by the regulations in relation to the effects of, and effects associated with, the operation of Commonwealth jurisdiction aircraft

- performing any functions conferred under the *Air Navigation Act 1920*
- performing any other functions prescribed by the regulations
- providing consultancy and management services relating to any of the above matters.

In June 2003 the Government introduced a legislative amendment Bill to broaden the scope of the powers under section 8 of the *Air Services Act 1995*. The proposed amendment will expand some of Airservices Australia's functions and enable the corporation to engage in a wider range of external business opportunities.

Directorship and governance

Airservices Australia is wholly owned by the Australian Government and is governed by a Board of Directors appointed by the Minister for Transport and Regional Services.

The Board is responsible for deciding the objectives, strategies and policies to be followed by Airservices Australia. The Board ensures that Airservices Australia performs its functions in a proper, effective and safe manner, and delegates responsibility for the management of the corporation to the Chief Executive Officer (CEO), who is also a director of the Board.

The Board has five standing committees to increase its effectiveness. Meeting and membership information for each committee is shown in Appendix 1. Each committee listed below functions in accordance with a charter approved and reviewed annually by the full Board.

Audit Committee

The Audit Committee comprises three non-executive directors. The Board Chairman is an ex-officio member of the committee. The Audit Committee advises the Board on all aspects of internal and external audit and the adequacy of compliance, controls and financial reporting.

Safety and Environment Committee

The Safety and Environment Committee consists of four non-executive directors and the Board Chairman and CEO, who are ex-officio members. The committee reports to the Board on the management of the corporation's safety and environmental responsibilities.

Remuneration Committee

The Remuneration Committee comprises the Board Chairman, as Committee Chairman, a Board member and the CEO. The committee conducts annual reviews of Executive Director remuneration (including the CEO's) and provides guidance to the CEO on the remuneration of Executive Committee members. In addition, the committee develops recommendations to the Board on CEO succession and is responsible for monitoring the establishment of succession plans for members of the Executive Committee (described below under 'Structure').

Security Committee

The Security Committee comprises two non-executive directors and the CEO. Airservices Australia is responsible for protecting its people, facilities and operations from external physical, electronic and other possible threats. This committee monitors the corporation's development and implementation of strategies, policies and procedures to counter such threats.

New Business Committee

The New Business Committee comprises the Board Chairman and the CEO, plus the Deputy Chairman in an ex-officio capacity for defence matters. The committee considers new business proposals and reviews the commercial integrity of proposals requiring urgent approval out of session. Where appropriate, the New Business Committee approves the execution by the CEO of contracts in excess of his \$5 million financial delegation.

Corporate risk management

In discharging its obligations to the corporation's owner, the Board is responsible for establishing policy, processes and practices, to manage all risks associated with the corporation's operations, and is required to keep the Minister informed of risk management strategies.

The Board's Audit Committee oversees the application of the approved policy and supporting corporate risk management system, based on the Australian/New Zealand Risk Management Standard 4360:1999. A Risk Management Coordination Committee, established by the Executive, ensures risk management integration and consistency across the corporation.

Risk management is a key part of the corporation's strategic planning process, and regular reports on risks and management strategies are provided to the Executive and Board.

In the fourth quarter an independent consultant reviewed the corporation's risk management system, delivering a rating of four out of five on a recognised scale for risk management capability.

The review showed a number of areas requiring further enhancement and measures to address these have been endorsed and are being implemented.

Responsible Minister

Airservices Australia reports to the Deputy Prime Minister and Minister for Transport and Regional Services, the Hon. John Anderson MP.

Structure

Airservices Australia's current business structure (established in March 2001) is shown in Figure 1. The structure is built around three market oriented business groups, each with a distinct business portfolio containing business or profit centres. The three groups – Air Traffic Management, Airport Services and Infrastructure

Support Services – are assisted by a Corporate Services group and a small Head Office. The managers of these groups, including Corporate and Head Office, form the Executive Committee.

Executive Committee

The Executive Committee advises the CEO on the management of Airservices Australia and makes policy and strategy recommendations to the Board. In 2002–03 the Executive Committee comprised:

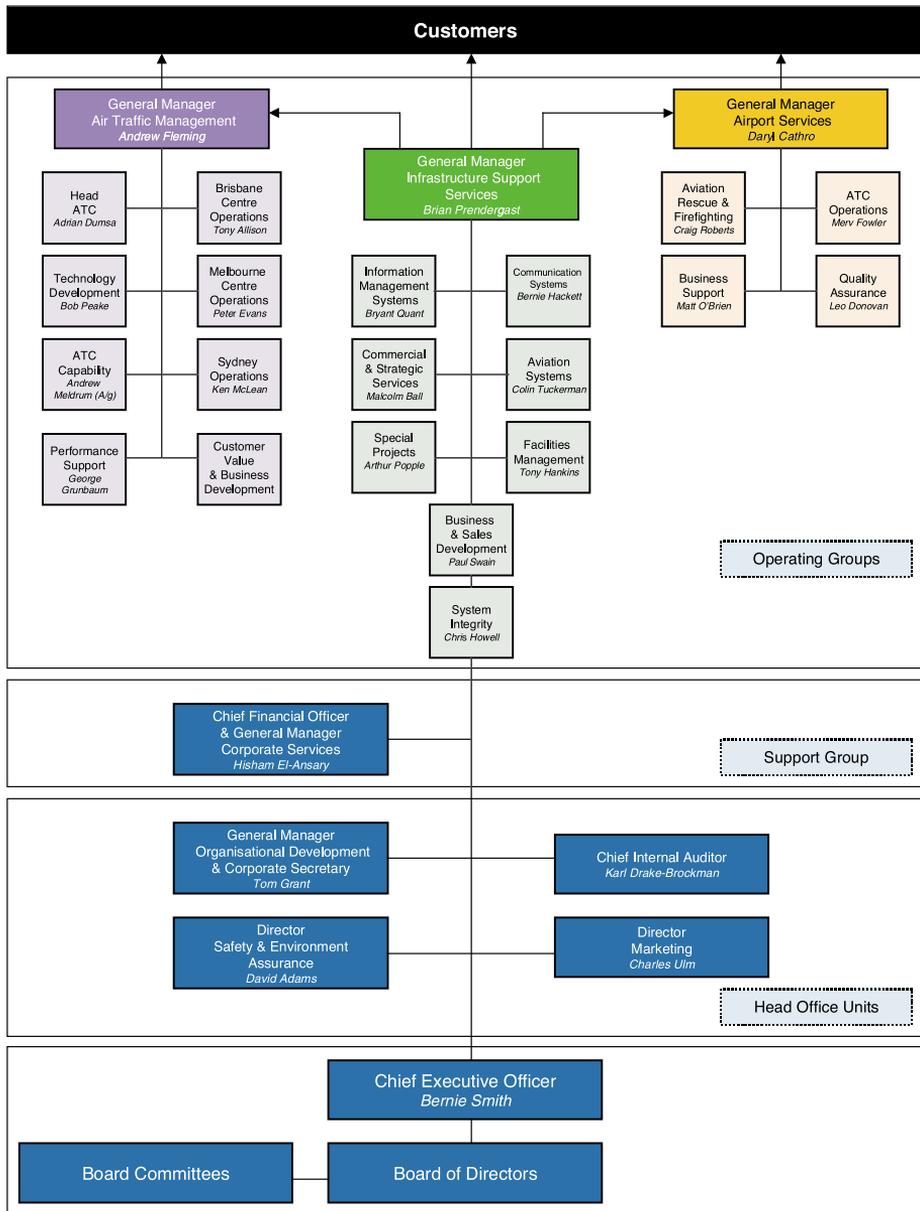
- Chief Executive Officer and Managing Director, Mr Bernard Smith
- General Manager Air Traffic Management, Mr Andrew Fleming
- General Manager Infrastructure Support Services, Mr Brian Prendergast
- General Manager Organisation Development and Corporate Secretary, Mr Tom Grant
- Chief Financial Officer and General Manager Corporate Services, Mr Hisham El-Ansary
- General Manager Airport Services, Mr Daryl Cathro.

The Director Safety and Environment Assurance, the Director Marketing and the Chief Internal Auditor are co-opted to the Executive Committee whenever the CEO considers it necessary.

Staff

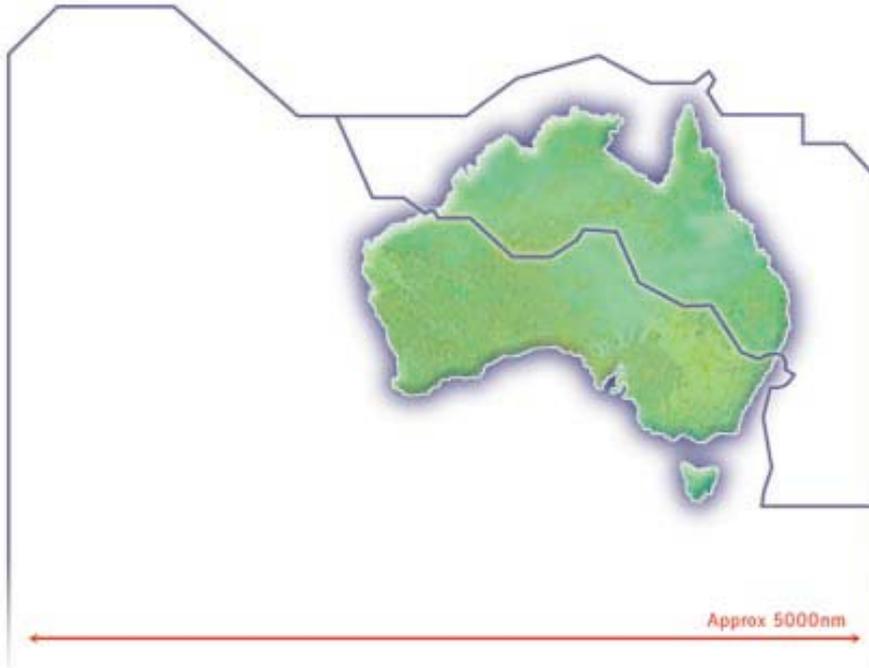
At 30 June 2003, Airservices Australia employed 2885 people across Australia. The corporation's diverse workforce included specialists in air traffic control, aviation rescue and fire fighting, engineering, technical services, information technology, human resource management, communication, financial management and administration. Appendix 6 includes staffing statistics.

Figure 1 Airservices Australia business structure



CORPORATE PROFILE

Figure 2 Australian Flight Information Region



Airservices Australia is a government owned body corporate responsible for the provision of safe and environmentally sound air traffic management and related services to the aviation industry in the Australian Flight Information Region. This region, which includes not only Australia's sovereign airspace but also international airspace over the Pacific and Indian oceans, encompasses over 11 per cent of the world's airspace.

corporation services include:

- en route and terminal air traffic services
- aeronautical data services, such as charts and departure and approach procedures
- tower services at 26 airports
- aviation rescue and fire fighting services at Australia's 16 busiest international and domestic regular public transport airports
- design and management of airspace usage
- management of the Australian national air navigation infrastructure.

In providing services to over three million aircraft movements annually, the corporation maintains a \$360 million fixed asset base across some 600 sites around Australia.

Corporation customers include airlines, the general aviation industry (including sport and recreational flyers), the Australian military, and airport owners.

As a world leader in the technological development of advanced, satellite based communication, navigation and surveillance systems, the corporation works with a range of partners and customers. Together with the International Civil Aviation Organization (ICAO) and its counterparts in the Asia Pacific region, the corporation strives to ensure the maintenance of appropriate global aviation safety standards and the sharing of information or advances in aviation technology.

The corporation works closely with a number of other government organisations concerned with aviation safety and regulation in Australia, namely the Department of Transport and Regional Services, the Civil Aviation Safety Authority and the Air Transport Safety Bureau.

Further information about Airservices Australia can be found on the corporation's website <www.airservicesaustralia.com>.

REPORT FROM THE CHIEF EXECUTIVE OFFICER

Airservices Australia's success is measured by the success of our customers and stakeholders. So it is with great pride and satisfaction I report on our results of the past year and, importantly, the significant contributions we made to industry in the face of unprecedented and prolonged pressure.

Safety

While overall the corporation's safety performance was maintained over the reporting period, two serious incidents in April and May 2003 prompted a full systemic review of breakdown of separation (BOS) incidents that occurred in the last three and a half years. The Systemic Review of Breakdown of Separation Occurrences was completed in June 2003, and an action plan aimed at addressing root level causal factors across the system is being implemented with the highest priority.

Staff worked tirelessly to ensure corporation compliance with the new Civil Aviation Safety Regulations which came into effect on 1 May 2003. Thanks to their efforts, the Civil Aviation Safety Authority issued Air Operators Certificates (AOCs) to the corporation in four key areas. The AOCs regulate organisations providing, operating and maintaining air traffic service telecommunications and radio navigation services; the provision of air traffic services; air traffic controller training; and aviation rescue and fire fighting services at Australian aerodromes. This aligned the regulatory oversight of our corporation with that of other AOC holders such as airlines, maintenance providers and other aviation industry service suppliers.

Environment

Our customers and the community continued to benefit from our considerable ongoing success in environmental management.

Our continuing introduction of new technologies to increase air traffic flow efficiency, redesigning of air routes, and other activities to reduce customers' fuel burn, increased the corporation's carbon dioxide emissions savings to 890,000 tonnes per annum. For example, in November 2002, following significant corporation input, new streamlined air routes between Australasia and Europe came into effect – the use of those routes was estimated to reduce annual aviation fuel use by at least 25,000 tonnes.

Financial performance

Recovery from the impacts of the events of 11 September 2001 and the collapse of the Ansett Group impacted positively on revenue during the first half of 2002–03.

This enabled the corporation on 1 January 2003 to return to customers a 2.1 per cent weighted average price reduction by way of lower en route charges. This price reduction was maintained despite the rapid onset of further debilitating

events including the continuing threat of terrorism, the Iraq war, and the outbreak of Severe Acute Respiratory Syndrome (SARS) during the second half of the year.

As a result, the effective price increase applied during 2002–03 was only 3.6 per cent (or 0.7 per cent in real terms), which was significantly below the 5.1 per cent increase approved by the Australian Competition and Consumer Commission.

Through innovation and competent financial management we were able to further insulate customers from substantial price increases.

Total revenue for the year ended 30 June 2003 was \$617.5 million, 20.7 per cent greater than the 2002 result of \$511.4 million. Airways revenue was \$496.7 million, 3.9 per cent higher than in the previous year, and was up across all service lines. International en route rose by \$1.0 million, domestic en route by \$7.4 million, terminal navigation by \$6.7 million and aviation rescue and fire fighting by \$3.3 million. Other revenue increased by \$7.3 million, or 43.7 per cent.

Revaluation of one third of our property, plant and equipment, resulted in a reversal of previous asset devaluations of \$24.0 million, which was accounted for as revenue.

Our financial performance was also affected during the year by two significant issues which reduced our reported profit:

Due to poor investment returns during the last 12 months, two additional payments totalling \$37.3 million were made to AvSuper, the corporation's employer sponsored superannuation fund. These payments were required to ensure the fund's Defined Benefits Plan assets continued to exceed vested benefit liabilities. Also, two errors relating to prior year tax adjustments were identified. One related to the tax effect of a previous write-down of non-current assets not previously recognised (reducing profit by \$12.6 million) and the other to an overclaiming of depreciation deductions over a number of years (reducing profit by \$2.0 million).

Operational excellence

We completed the technology upgrade program for The Australian Advanced Air Traffic System (TAAATS), aimed at maintaining the corporation's air traffic management system at the leading edge of technology. The upgrade enables us to meet our customers' requirements for further efficiencies, and anticipate their needs for new services in the future.

We also continued to move ahead with establishing strategic partnering charters with a number of customers and stakeholders. These arrangements facilitate us working together with partners to identify needs and goals, providing mutual support to optimise safety and operating efficiency.

Through our participation in ICAO programs, the corporation led the development of new ADS-B (Automatic Dependent Surveillance – Broadcast) standards, and the implementation of Revised Vertical Separation Minima into Asia.

Customers and markets

During a difficult period in Australian aviation, Airservices Australia experienced a slight reduction in customer satisfaction levels, which dropped to a rating of 3.9 out of a total of 5 in 2002–03 from 4.0 in 2001–02. The ongoing development of a number of customer focused initiatives and a more concentrated effort in consulting with our key customers contributed to our ability to maintain a relatively high score.

Our non-monopoly commercial revenue grew by 43.7 per cent in comparison to 2001–02 figures, and we continued to provide expert consultancy services, training, airspace management and aeronautical information services to customers in Australia, Papua New Guinea, Taiwan, Mauritius, Indonesia, Fiji, Solomon Islands, Sweden, the Philippines, the People's Republic of China and the United States.

Employees

The 2002 employee satisfaction survey returned a satisfaction score of 3.3 (out of a total of 5.0) for all employees and resulted in a redoubled effort to increase communication across the organisation. The Executive Committee and I embarked on significant visitation programs, providing staff with direct, face to face contact opportunities, and further developed other communication channels and vehicles.

An executive communication plan and other initiatives to improve staff participation in the achievement of corporate objectives were implemented, and improvement is anticipated in the next employee satisfaction survey, in July 2003.

Improvements in fatigue management, policy development in relation to problematic substance use, and the endorsement of new occupational health and safety agreements were also highlights of 2002–03.

Owner

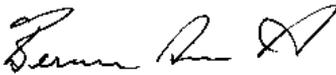
As I write this report, final changes are being made to amendments to the Air Services Act 1995. If approved by Parliament later this year, they will remove considerable legislative hurdles to our efforts to grow our business domestically and internationally. Our legal team worked closely with the Department of Transport and Regional Services, whose support and cooperation is appreciated, in compiling this draft legislation. The team will also work on the next step in growing our business, which is to corporatise the business. This will provide a flexible corporate governance structure in which to grow our business while addressing inconsistencies between our regulatory functions and commercial and operational objectives.

National Airspace System

The corporation continued to significantly support the Deputy Prime Minister's Aviation Reform Group and its charter to reform Australian airspace through the National Airspace System. During the reporting period considerable resources were assigned to assist with the planning and safe implementation of changes arising from the National Airspace System. It is expected this will continue into the next financial year.

I thank each and every staff member for their continuing contributions to ensuring we maintain our position as global leader. I also thank Chairman John Forsyth and other Board Directors for their continuing guidance and considerable investment in the wellbeing of the corporation, and look forward to continuing with them in achieving our exciting future goals.

We have come through an extraordinary period of industry hardship which has placed unprecedented burdens on Airservices Australia, and I hope you share my pride in the volume and quantity of effort that has allowed us to contribute so much to our industry, emerge in great shape, and ready for the future challenges which surely face us.

A handwritten signature in black ink, appearing to read 'BR Smith', with a stylized flourish at the end.

BR Smith
Chief Executive Officer
30 June 2003

CORPORATE SCORECARD

Corporate key performance indicators (KPIs) and targets are developed for each key result area. Taken from the Balanced Scorecard – Airservices Australia's performance management system – KPIs are continually reviewed and further developed as part of the annual strategic planning and budgeting cycle.

The corporation reviewed its performance against key business strategies and KPIs in its Corporate Plan 2002–07. Operational and financial achievements are outlined below.

Operational performance

Safety

Performance of the Air Traffic Service system

The corporation measures its safety performance primarily in terms of the safety performance of the Air Traffic Service (ATS) system. That is measured by three indices and relates to the three different types of service delivery – terminal manoeuvring area (TMA), tower and en route – undertaken by the corporation. The three safety KPIs (reported against in Figures 3 to 5) are based on the ratios of ATS incidents to given levels of certain activities. These KPIs are calculated as follows.

- TMA and tower performance are calculated on the basis of the number of incidents attributed to ATS delivery relative to the number of aircraft movements.
- En route performance is calculated on the basis of the number of incidents attributed to ATS delivery relative to the number of aircraft for which the Air Traffic Controller had jurisdiction.

Figures 3 to 5 show the ATS incident rates for each type of service delivery. Both the TMA and tower ATS incidents highlight an increase for 2002–03. The increase in the incident rate is of concern and a range of safety measures have been implemented to improve safety performance. En route ATS incident rates continued to be lower than targets.

Figure 3 Terminal manoeuvring area incidents

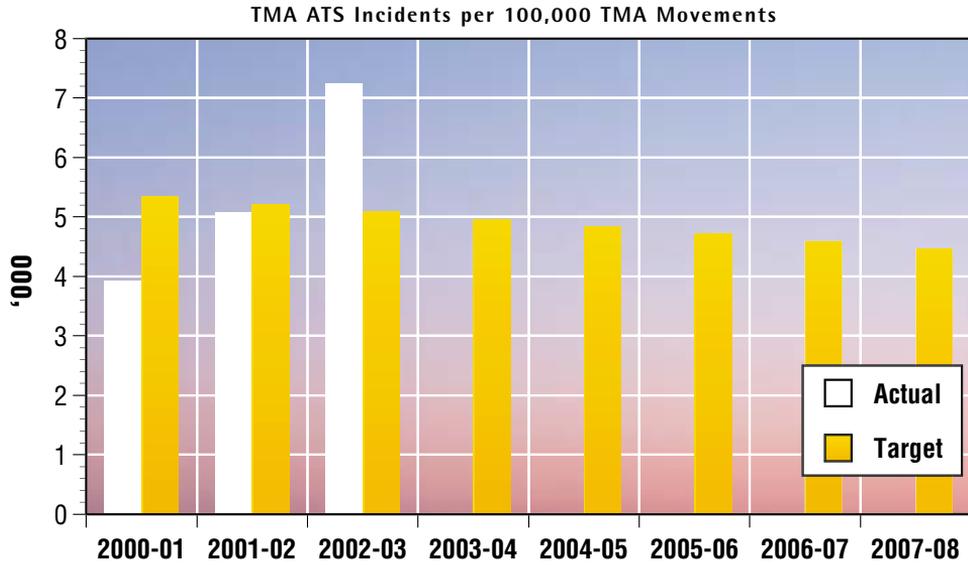


Figure 4 Tower incidents

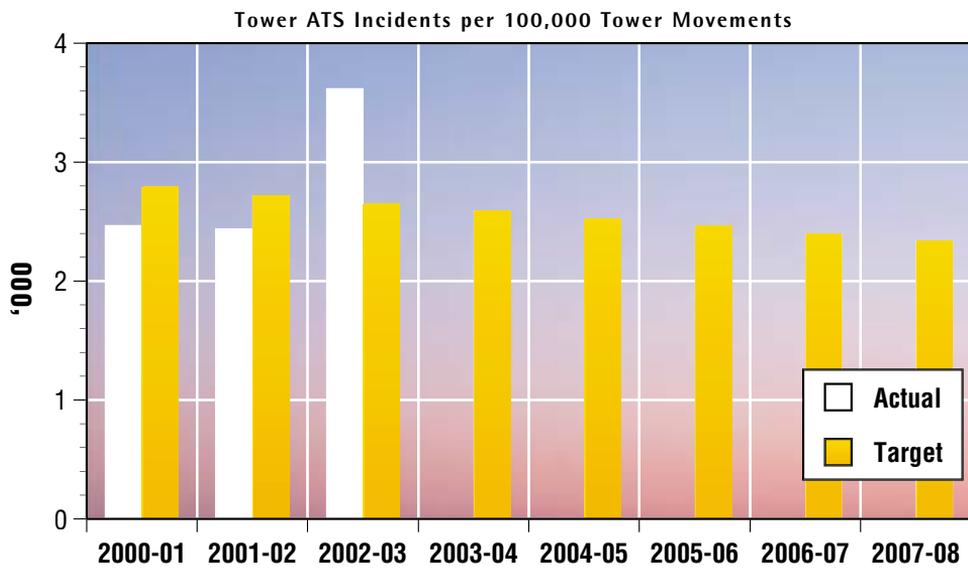
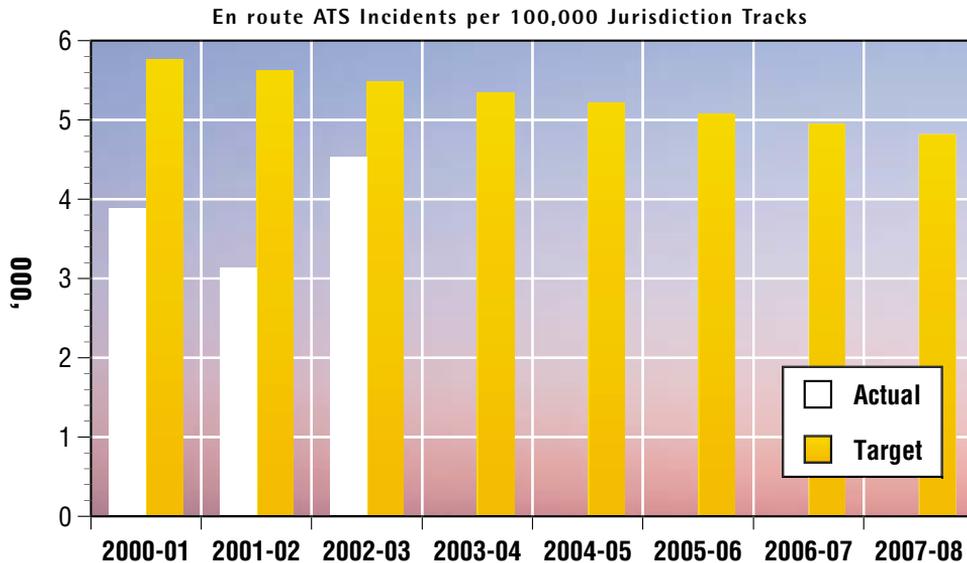


Figure 5 En route incidents



Environment

Sydney Long Term Operating Plan implementation

During 2002-03 the results of a review of aspects of the Sydney Airport Long Term Operating Plan (LTOP), directed by the Implementation and Monitoring Committee (IMC), reported on a series of recommendations relating to the High and Wide and Trident arrival flight paths. The report received support from the Sydney Airport Community Forum (SACF) and the IMC.

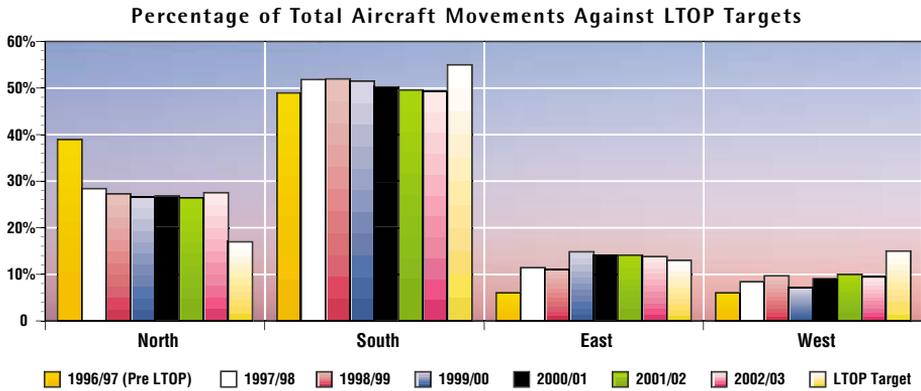
The SACF was established by the Commonwealth Government in 1996 and is the main community consultation body in relation to the Sydney Airport LTOP and operations of Sydney Airport. The forum includes representatives from the community, local councils, industry, and state and federal parliaments. The IMC monitors the distribution of noise, flight paths and runway movements arising from the implementation of LTOP.

The Minister for Transport and Regional Services was advised that the findings of the report were that further work was required to develop alternative flight paths that would meet the community's noise reduction and sharing objectives, and that the aviation industries desired more fuel efficient arrival flight paths.

The corporation continued working actively with industry and the community towards achieving the environmental objectives of work being undertaken by the Sydney Airspace Redesign Working Group. A report concerning High and Wide and Trident arrival flight paths was completed and received unanimous support from both the IMC and the SACF and final approval by the Minister. Implementation of the recommendations will begin in the 2003-04 reporting period.

Figure 6 shows performance against LTOP targets. Non-achievement of the Government's targets during 2002-03 is largely explained by adverse weather conditions and traffic volumes outside the assumptions made when the targets were set.

Figure 6 Compliance with Sydney Airport Long Term Operating Plan

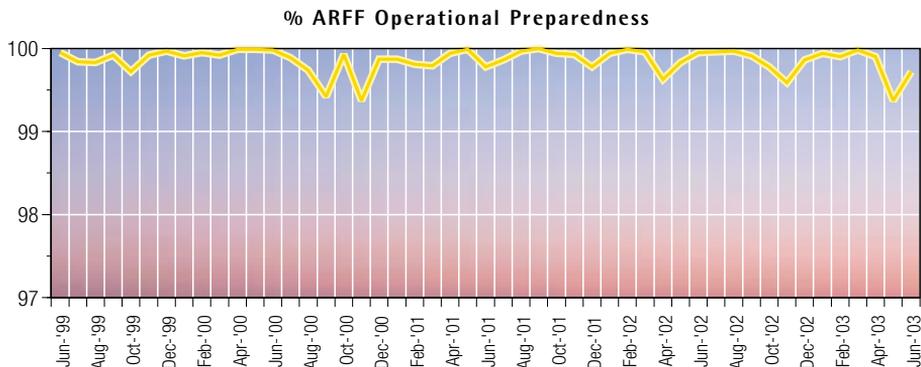


Operational excellence

Aviation Rescue and Fire Fighting operational preparedness

Aviation Rescue and Fire Fighting (ARFF) 'operational preparedness' is the measure of our ability to provide required levels of ARFF resources, within a three-minute response time, to a given point on an airfield. Levels of service are directly related to aircraft size and are determined by International Civil Aviation Organization recommendations and Civil Aviation Safety Authority requirements. As shown in Figure 7, Airservices Australia maintained an ARFF operational preparedness average of 99.8 per cent between July 2002 and June 2003.

Figure 7 Aviation Rescue and Fire Fighting effectiveness



Customers and markets

Other commercial revenue

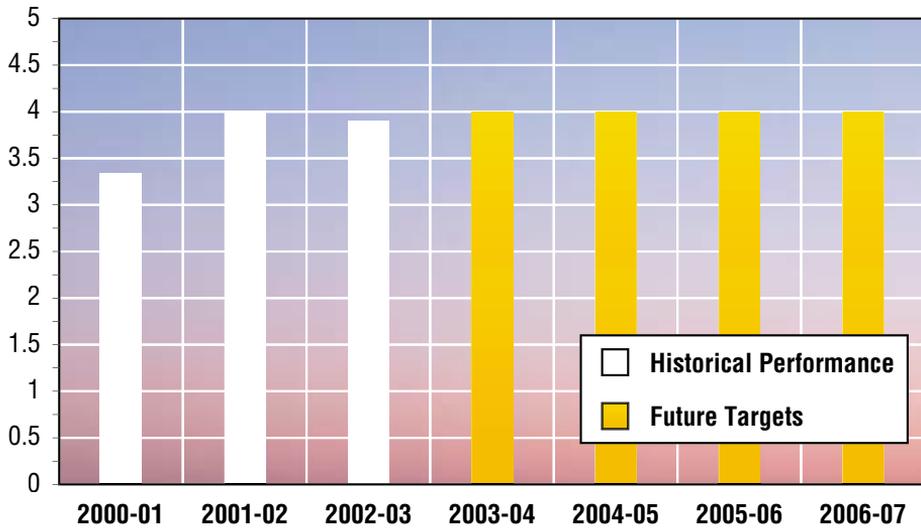
The sources of the corporation's 'other', or non-monopoly, commercial revenue are summarised in the Chief Executive Officer's Review. Other commercial revenue earned increased by 43.7 per cent or \$7.3 million during 2002-03, due to the greater priority given to growing new business revenues. However, the full potential for growth was hampered by restrictions on Airservices Australia's powers under its enabling legislation. This issue should be significantly addressed through the passage of amendments to the *Airservices Act 1995*.

Customer satisfaction

During 2002-03, a difficult period in Australian aviation, Airservices Australia experienced a slight reduction in customer satisfaction levels, which dropped from 4.0 in 2001-02 to 3.9, out of a possible 5.0. The ongoing development of a number of customer focused initiatives and a more concentrated effort in consulting with key customers contributed to an ability to maintain a relatively high score.

Customer initiatives that enabled satisfactory results in this area included the ongoing appointment of dedicated customer relationship managers, the adoption of strategic partnering charters, technology efficiencies and increased proficiency in air traffic management.

Figure 8 Customer satisfaction index

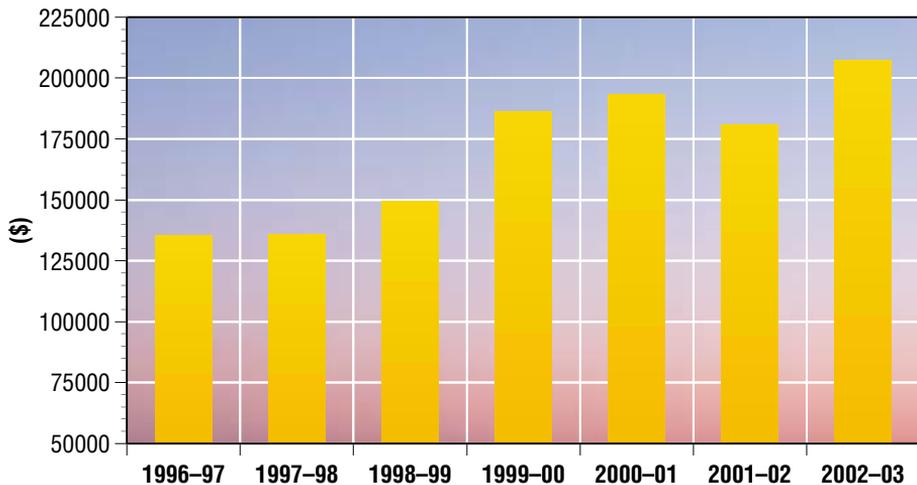


Employees

Revenue generated per employee

The collapse of the Ansett Group and the associated aviation industry downturn in 2001-02 led to a \$70 million decrease in revenue during that year. But this decline was reversed in 2002-03, assisted by a one-off gross benefit of \$46.4 million from the settlement of a United States cross border lease transaction. As a result, there was a significant increase in revenue per employee, as shown in Figure 9.

Figure 9 Revenue per employee

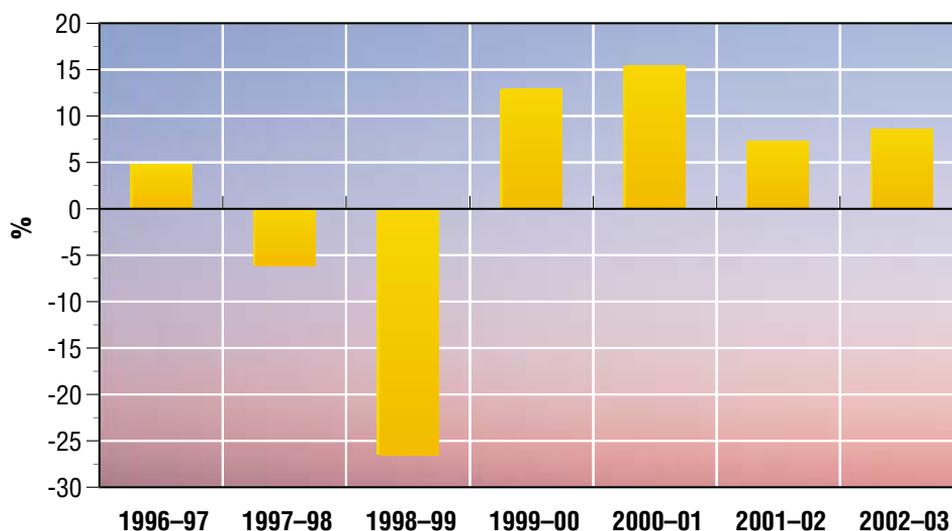


Owner

Earnings before interest and tax

Earnings before interest and tax (EBIT) as a percentage of revenue improved during 2002–03 as shown in Figure 10. However, the aviation industry downturn following September 11, the war in Iraq and the SARS outbreak kept the measure below the levels achieved in the lead up to the Sydney Olympics.

Figure 10 Earnings before interest and tax as a percentage of total revenue



Financial performance

An after tax return on average equity of 13.5 per cent was achieved, slightly below the 14.7 per cent provided for in the Corporate Plan 2002–07. This result was achieved in difficult trading conditions during the second half of the year.

Operating profit after tax increased by 31.5 per cent compared to last year's result, rising to \$32.7 million, as a consequence of a \$106.1 million improvement in total revenue, offset by a \$76.3 million increase in total expenses. There was also a significant increase in tax expense for the year, of \$21.9 million, due to the improved result and the impact of two errors relating to prior years. One related to the tax effect of a previous write-down of non-current assets (\$12.6 million) and the other to an over-claiming of depreciation deductions over a number of years (\$2.0 million).

Revenue

Total revenue for the year was \$617.5 million. This was \$106.1 million above the previous year's total, largely as a consequence of two significant events during the year. One related to the successful completion of a United States cross-border lease, which realised revenue of \$46.4 million and earned the corporation international recognition. There was also a revaluation of one third of our property, plant and equipment which resulted in \$24.0 million being recorded as revenue. Also, airways revenue increased to \$496.7 million, up by \$18.4 million compared to the previous year's total, primarily due to higher average airways prices.

Operating expenses

Operating expenses (including interest charges) increased by \$76.3 million compared to last year's, mainly due to two additional payments totalling \$37.3 million being made to AvSuper, the corporation's employer sponsored superannuation fund. These payments were required to ensure the fund's Defined Benefits Plan assets continued to exceed vested benefit liabilities. The balance of this increase is accounted for by higher staff related costs of \$38.7 million, which was in line with budget.

Unfunded direct costs

Included in operating expenses are unfunded direct costs (excluding overheads and profit margins) of community service activities, totalling \$25.1 million. The community service activities funded by Airservices Australia included price capping for the provision of air traffic services at regional and general aviation aerodrome procedures airports, provision of aviation rescue and fire fighting services at Port Hedland and Karratha airports, and environmental services (namely a noise and flight path monitoring system) and noise inquiry lines. A subsidy of \$7.0 million was contributed by the Commonwealth to fund the price capping.

STRATEGIC DIRECTION AND CORPORATE OBJECTIVES

Aspiration, mission and values

Our aspiration

Empowering people to lead through excellence and innovation

Our mission

To be the preferred global partner for air traffic and related aviation services

We will achieve this through:

- keeping safety first
- being an employer and service provider of choice
- world best operations
- profitable growth of commercial activities
- responsible environmental management.

Our values

In achieving our ambitious goals, we recognise the need for honesty, accountability and strong leadership to engender a spirit of unity and trust.

Corporate objectives

Our key result areas and corporate objectives, which are shown in Table 1, are aimed at supporting our aspiration and mission while creating value for our stakeholders.

Table 1 Corporate key result areas and objectives

Key result area	Corporate objective
Safety	To maintain world leading safety performance by keeping safety first in the efficient delivery of all our services and by understanding and managing our risks.
Environment	To foster environmental management standards that are recognised as best practice in the global aviation industry.
Operational excellence	To achieve sustainable competitive advantage through customer focused and efficient processes and systems and leadership in innovation and technology.
Customers and markets	To maximise our domestic market share and extend market reach in our core businesses by delivering superior customer value.
Employees	To achieve a skilled, motivated, flexible and customer focused workforce committed to continuous improvement in our business.
Owner	To meet the Government's requirements for financial returns, increasing value in the business and maintaining positive relationships with key industry, regulatory and community groups.

The Report of Operations outlines the achievements made during the year against each key result area and its supporting corporate objective.

REPORT OF OPERATIONS

Key result area: Safety

To maintain world leading safety performance by keeping safety first in the efficient delivery of all our services and by understanding and managing our risks.

Airservices Australia's world leading safety performance is crucial to our continued business success.

During 2002–03 the Civil Aviation Safety Authority (CASA) audit program identified fewer 'requests for corrective action' (RCAs) against our legislative or internal safety requirements, but the number of RCAs was still higher than preferred. Tower and terminal area incident rates were also higher than the agreed key performance indicator for 2002–03. This increasing trend is of concern and a range of safety measures, including those identified below, have been implemented to improve safety performance.

Two incidents, in April and May 2003, prompted a full system review of all breakdown of separation incidents that occurred in the last three and a half years. The review was completed in June 2003, making a number of recommendations regarding actions required to address root level causal factors across the system. A plan to address the recommendations was endorsed by the Board Safety and Environment Committee, and is currently being implemented.

A project was started to improve the effectiveness of defence and alert mechanisms in The Australian Advanced Air Traffic System (TAAATS). The project will also focus on the development of new tools for controller support and system safety.

The corporation's Safety Management System was benchmarked against International Civil Aviation Organization (ICAO) requirements, and Australia's new Civil Aviation Safety Regulations (CASRs). The corporation met or exceeded the requirements of both. The CASRs, which are structured into parts in the same way as the United States Federal Aviation Regulations, codify the standards to be met by existing and future operators in the industry.

Under these new regulations, which came into effect on 1 May 2003, CASA issued four Air Operators Certificates (AOCs) to the corporation. These AOCs cover the provision of air traffic services; operating and maintaining telecommunications and radio navigation services; training air traffic controllers; and Aviation Rescue and Fire Fighting (ARFF) services at aerodromes, including interface arrangements with civil fire brigades.

The Advanced Risk Management System (ARMS) was adopted as the corporate system for tracking and managing risks. ARMS will replace a number of smaller systems, improving efficiency through the use of a single risk management tool.

The corporation continued its safety surveillance program, completing 14 safety audits and seven reviews. In addition, surveillance activity was expanded to cover Infrastructure Support Services and ARFF functions.

Extensive safety awareness and education programs were implemented, including a comprehensive survey to gauge employee awareness and understanding of safety issues. Coverage of safety issues was enhanced in all internal communications and other programs were implemented, including the production and distribution of a safety and environment awareness video titled *Making it Work* to all staff members and their families. An online safety and environment training program was also developed and implemented during the reporting period.

Externally, the corporation assisted in the delivery to pilots of educational material about the risks associated with violations of controlled airspace, and hosted two safety forums involving domestic and international airlines to exchange safety related information and identify and resolve safety issues. Safety and coordination meetings with neighbouring air navigation service providers, including those of Papua New Guinea and Indonesia, were also held during the year to further improve safety performance, particularly across Flight Information Region boundaries.

A Safety Panel reviews all safety data monthly and determines appropriate actions to manage safety. This has enabled rapid responses to identified issues and serious incidents.

A Runway Incursion Review Group was formed to review and actively minimise runway incursions through improving data collection and dissemination and increasing awareness among key airport and airline stakeholders.

Key performance indicators for safety – including indicators prescribing the ability to respond to aircraft incidents on aerodromes within three minutes, and the containment of any structural fire to the room where it originates – were developed and introduced. Pressurised fuel use training aids were commissioned at Brisbane, Coolangatta and Canberra airports to improve staff fire fighting skills.

A safety review of fault processing in the National Technical Monitoring System was carried out to ensure the timely detection and remediation of system faults, while a detailed analysis of fault trends across the Australian airways system showed that performance could be improved by reducing the rate of human error in systems management. A training course in human error management was developed with the assistance of United States experts and was conducted for all engineering and maintenance staff.

In conjunction with the human error management training program, a Local Risk Assessment project was undertaken to allow staff to identify inherent risks in the airways system. This led to an extensive work program to reduce the factors that increase the risk of human error and to provide effective strategies to mitigate risk.

Key result area: Environment

To foster environmental management standards that are recognised as best practice in the global aviation industry.

The continuing introduction of new technologies to increase air traffic flow efficiency, redesigning of air routes and other activities to reduce airline fuel burn collectively increased the corporation's savings in carbon dioxide emissions to an estimated 890,000 tonnes per annum.

For example, following significant input from our specialists, new streamlined air routes between Australasia and Europe came into effect in November 2002 and are set to reduce annual aviation fuel use by at least 25,000 tonnes. The new 'green' routes, representing the first major route restructure between these destinations since World War II, will also cut greenhouse gas emissions, reduce travel times and improve aviation safety.

Airservices Australia applies its own Environmental Management System (EMS), in conjunction with our corporate Advanced Risk Management System, to monitor and improve the corporation's environmental performance. We are pursuing international certification for our EMS.

The Australian National Audit Office audited two aspects of the EMS (environmental impact assessment and environmentally sustainable development reporting) and recognised the corporation's system as a leading example of its kind.

One hundred and twelve new air traffic proposals were internally assessed for environmental impact during the year, with none found to be 'environmentally significant' as defined by Commonwealth environmental assessment law.

Four environmental audits in the Australian Capital Territory, three in the Sydney basin and two in regional New South Wales were also finalised.

Seventy-three new ground based risks were assessed during the year, bringing the total number of environmental risks identified to 822 across the corporation's operations. Fourteen pose a significant business risk and are appropriately managed. Seven of these relate to fuel spill potential, four to aviation noise and three to contaminated site management.

The construction of environmentally responsible hot-fire training aids for ARFF staff was completed at Darwin, Brisbane and Coolangatta airports.

Sydney Basin

After the June 2002 implementation of the Precision Runway Monitor (PRM) for northerly approaches to Sydney Airport in poor weather, a program to monitor the noise levels and flight paths of aircraft operating under PRM procedures was conducted from June to December 2002. The program was in accordance with recommendations of the Minister for Environment and Heritage. Reports on the results of the program, including comparisons with non-PRM northerly operations, were produced monthly, made available to the public via the Airservices Australia website, and reported to Environment Australia.

A review of PRM operations found that the PRM contributed to annual savings to industry of \$2.5 million (based on data to May 2003). Savings arose from reduced fuel burn through shorter air and ground delays in poor weather. Further cost savings to airlines by reduced delay are inestimable.

A tight focus was kept on the application of the noise-sharing principles in the Sydney Airport Long Term Operating Plan (LTOP), although one government target was difficult to achieve due to the impact of bad weather and the invalidity of traffic volume assumptions made when the targets were first set.

As discussed in the Corporate Scorecard, a review of the High and Wide flight path component of the Sydney Airport LTOP was concluded, and agreement was reached by all interested parties, including the community, industry and the corporation.

A total of 4,558 aircraft noise complaints received by the Sydney Customer and Community Relations Unit from 1 July 2002 to 30 June 2003 compares favourably with the 11,959 received in the 2001-02 financial year. The number of individual complainants was 1,265, similar to the 1,419 in the previous reporting period.

Key result area: Operational excellence

To achieve sustainable competitive advantage through customer focused and efficient processes and systems and leadership in innovation and technology.

The corporation was recognised in February at the annual Maastricht Air Traffic Control conference in the Netherlands for our service provision and in recognition of our contribution to safe and efficient airspace management.

A technology upgrade program for The Australian Advanced Air Traffic System (TAAATS) was completed, aimed at maintaining the corporation's air traffic management system at the leading edge of technology. The upgrade enables us to meet our customer requirements for further efficiencies and their need for new services in the future.

Infrastructure Support Services Group made a significant contribution to the Eurocat Hardware Upgrade project integral to TAAATS operation. The group was responsible for project activities including Eurocat software testing and acceptance, software release planning, hardware acceptance and delivery, hardware site installation, hardware commissioning, and system specialist support.

Through our participation in International Civil Aviation Organization (ICAO) programs, the corporation led the development of new Automatic Dependent Surveillance – Broadcast (ADS-B) standards, as well as the implementation of Revised Vertical Separation Minima (RVSM) in Asia, enabling more economical, efficient international services.

An operational trial of ADS-B continued during the reporting period. This new technology promises radar-like surveillance at significantly less cost than conventional air traffic control radar and, eventually, cockpit displays of adjacent aircraft. A ground station was installed near Bundaberg; avionics were delivered and installed in seven aircraft; and upgrades to the air traffic control system were implemented. Further aircraft installations and flight trials are planned for the second half of 2003.

ICAO's Global Navigation Satellite Systems (GNSS) Panel accepted the baseline standards and recommended practices for the Ground-based Regional Augmentation System designed by Airservices Australia.

At its November 2002 meeting, the Board determined a process for assessing, from a safety and cost/benefit perspective, whether Terminal Control Units (TCUs) at Perth, Adelaide and Sydney airports should be moved to the major centre in Melbourne. The TCU integration project team began preparing design safety cases and transition and implementation plans. The Board is expected to make a decision on the integration proposal in August 2003.

The Publications Unit was relocated from Melbourne to Canberra and restructured, reducing costs by \$1.1 million, or 21 per cent. The previously loss-making Publications Centre is now expected to make a significant turnaround. Arrangements are being finalised to license third party providers of corporation supplied aeronautical data. This will be a major undertaking early in the next financial year and is primarily aimed at improving safety, competition for the supply of new products and fostering a more equitable charging system.

Weekday morning peak hour arrival performance reporting at Sydney, Brisbane and Melbourne airports started during the year, comparing actual arrival rates with agreed rates as a measure of system efficiency. Reports of average and maximum airborne delay enable congestion trend analysis. The reports are sent daily to major customers and are also published on the corporation's website. They will form part of the Australian Competition and Consumer Commission (ACCC) monitoring process for airport performance.

In an initiative arising from the Integrated Operating Concept (a unified Australian air traffic management system integrating civil and military capabilities), Geoscience Australia, the Royal Australian Air Force Aeronautical Information Service, the Defence Imagery and Geospatial Organisation and the corporation began investigating the possibility of creating a joint obstructional database, which would record the locations of obstructions (such as towers, radio masts or tall buildings) in Australian airspace.

The operating hours of the airport tower at Camden, New South Wales were reduced following consideration of safety and risk. The tower began closing from Monday to Friday from 10 June 2003, while normal services were maintained during weekends.

The first changes to services under the new AOCs were made on 30 June 2003 when the Port Hedland and Karratha fire stations closed.

The corporation will acquire 18 new fire vehicles by May 2005, following the Board's approval of the Fire Vehicle Replacement Project.

ARFF personnel saved 10 lives during the year, through medical assistance utilising heart defibrillating equipment, and also saved assets worth more than \$250 million through their rapid response to airport building fires, including at the Melbourne International Airport Terminal.

A new ARFF training centre was commissioned in Brisbane with 32 recruits graduating during the year.

The Infrastructure Support Services Group retained its ISO 9001:2000 international certification following audits.

Stage 1 of the Information Management Transformation Program (IMTP) system, representing 80 per cent of the four-stage program, was completed on time and on budget. The SAP suite of business information software is being used to support financial management, payroll processing, human resource management, property management, procurement, billing, and project management business processes. The project will be completed by the end of 2003.

A new computer desktop, with supporting infrastructure and storage networks, was deployed to provide improved functionality, stability and performance for the new SAP business solution.

An alternative internet gateway was established to ensure internet traffic (including through the National Aeronautical Information Processing System) would continue to flow should the prime, Canberra based firewall facility be affected by communication carrier issues. Servers were also relocated from the Canberra central computer facility to a nearby site to increase the level of redundancy in the event of a disaster.

The Operational Data Warehouse (ODW) project was completed. The warehouse is a centralised repository of operational data drawn directly from air traffic management systems such as the Eurocat en route platforms in Brisbane and Melbourne, and from non-Eurocat equipped towers via the Electronic Flight Data Capture tool.

Video conferencing facilities were established in major centres to improve communication and reduce corporation travel costs.

The Aviation Information Centre successfully completed the migration of all its library data from the Data Research Associates library management system to Sirsi corporation's client/server based Unicorn library management system. This system supports key industry standards; includes a well defined application programming interface; and provides a single, intuitive staff graphical user interface (GUI) for all modules.

Key result area: Customers and markets

To maximise our domestic market share and extend market reach in our core businesses by delivering superior customer value.

As discussed in the Corporate Scorecard, Airservices Australia experienced a slight reduction in customer satisfaction levels from 4.0 in 2001–02 to 3.9 in 2002–03. The ongoing development of a number of customer focused initiatives and a more concentrated effort in consulting with our key customers contributed to our ability to maintain a relatively high score during a difficult period in Australian aviation.

Non-monopoly commercial revenue grew by 43.7 per cent during the year.

Strategic partnering charters involving airlines, airline representative groups and the Department of Defence were progressed during the year, articulating philosophy, ethics, business practices and activities for developing long-term strategic relationships.

Strategic partnering charters were recognised by the Civil Air Navigation Services Organisation as being an ideal tool for fostering collaborative relationships between air navigation service providers and their key airline customer groups.

In a 'win-win' for the environment and the industry, the corporation worked for over two years in collaboration with some 40 member nations of ICAO (a United Nations agency) and the International Air Transport Association (representing the world's major airlines) to develop a new, fuel-friendly, Australasia–Europe route structure. The structure capitalises on the advanced avionics aboard today's new generation of wide-bodied aircraft, boosting safety by reducing route congestion and simplifying the work of air traffic controllers.

Under the Airservices Australia Defence Support Initiative the corporation and the Department of Defence continue to work together to establish the Integrated Operating Concept discussed above, which is a shared vision of a future unified air traffic system for Australia. While a joint feasibility study conducted during 2002–03 highlighted a divergence of views on future staffing arrangements, favourable progress has been made in a joint approach to developing future air traffic management facilities such as ADS-B.

Commercial developments in 2002–03 included the following.

- A 10-year contract to manage the upper airspace in the Honiara Flight Information Region was signed with the Solomon Islands Government, and a similar contract is also likely to be signed with the Government of Nauru as a result of negotiations during 2002–03.

- New contracts were secured for the maintenance of international passenger handling equipment at Melbourne International Airport.
- A memorandum of cooperation was signed between the corporation and the Airports Authority of India (AAI), and opportunities were identified, including for the provision of assistance in the implementation of Reduced Vertical Separation Minima and provision of audit services based on new ICAO standards for international airports in India.
- Memorandums of cooperation were also signed between the corporation and Aerothai's Bangkok Centre and the Republic of Kiribati.
- The corporation assisted the Department of Civil Aviation (DCA) of Mauritius to successfully implement its new Area Control Centre (ACC), through our provision of operational support and training for the DCA's transition to new airspace, the new ACC and the Eurocat 2000 Air Traffic Management System. The new system will be commissioned in July 2003 and the ACC is poised to emerge as an integrated control centre, satisfying ICAO standards for the efficient management of air traffic in its region. Our involvement in this project has led to a stronger relationship with the Government of Mauritius and there are a number of opportunities for DCA Mauritius and the corporation to work together again on future training, support and other projects.
- ARFF staff were engaged by a private sector contractor to provide fire fighting and rescue services to the Department of Defence at Oakey, Queensland during December 2002.
- A Capacity and Service Improvement Forum was established, involving Airservices Australia, major and regional airlines and airports as founding members. The forum will monitor the efficiency and performance of the main Sydney, Brisbane and Melbourne airports, and of the Australian east coast air route structure. This will require analysis of results to identify, investigate and recommend capacity and service improvements, and service standardisation initiatives.
- The corporation provided expert consultancy services, training, airspace management and aeronautical information services to Papua New Guinea, Taiwan, Mauritius, Indonesia, Fiji, the Solomon Islands, Sweden, the Philippines, the People's Republic of China and the United States.
- Within Australia, environmental, GPS (Global Positioning System) procedures design, air traffic management and NOTAM (Notice to Airman) services were provided to the Department of Defence and a number of airport owners.
- After a preliminary award by Airports Fiji Limited, contract negotiations are continuing for tower refurbishment and construction. During the year, the corporation provided various aeronautical information management consultancies to Airports Fiji Limited.
- The corporation's collaboration with Sinclair Knight Mertz in entering the Chinese market moved ahead during the year, with the consortium securing a contract in Chengdu to provide total airport and airspace modelling services.
- Patents were successfully lodged by Airservices Australia for two pieces of ARFF 'smart' hardware which will be marketed in Australia and internationally.
- The corporation actively pursued the recovery of outstanding debts from a small but significant number of general aviation customers. These customers owed \$0.5 million (more than 90 days overdue) at the beginning of the financial year; that amount had been reduced to \$0.2 million by the end of the financial year.

Key result area: Employees

To achieve a skilled, motivated, flexible and customer focused workforce committed to continuous improvement in our business.

Airservices Australia values its employees as its greatest assets, and invests considerable resources in their health, safety, training and development.

In November, discussions were held at the National Consultative Council (NCC) Occupational Health and Safety (OHS) subcommittee meeting in Canberra about fatigue management, policy on problematic substance use, and endorsement of the new OHS Agreement.

A joint working group, comprising management and unions, was established to develop a fatigue management system for the corporation, working in conjunction with the Centre for Sleep Research of the University of South Australia.

A management and union Problematic Substance Use Working Group was established to oversee our approach to this important issue and to ensure that employees understand the effects of certain substances and do not work whilst their faculties are impaired. This committee will also present recommendations concerning drug testing in certain circumstances.

In response to the annual staff satisfaction survey, the corporation implemented an executive communication plan and other initiatives to improve staff participation in the achievement of corporate objectives. As part of this initiative, Business Groups established communication initiatives to address specific issues.

Focus groups were held in many locations to discuss the results of the employee opinion survey and develop strategies to improve survey results in future.

Additional inclusion programs covering business development, safety awareness and education and other projects were also implemented.

To further improve corporate communications and procedures, and consistent with the current certified agreements, a joint management and union reference group was established to develop a new workplace manual to replace the staff policy manual.

The Empowerment Challenge for staff was designed and introduced. Six local teams were established and given funds to initiate innovative projects that will help realise Airservices Australia's aspiration.

The corporation began developing new commercially based structures for engineering professionals and technical staff. The objective is to align technical and engineering staff to wider Australian industry organisation structures.

The corporation's 2002-03 training achievements included:

- the introduction of training in the use of 'plain English' and guidelines to improve communication
- the adoption of provisions in the new certified agreement for ARFF staff that provide for increasing staff skills through the Australian Fire Competency System
- the successful completion of Diplomas in Fire Fighting Management by seven ARFF employees, and of Advanced Diplomas in Fire Fighting Management by two employees

- the completion of project management training by 35 staff, with some completing the Advanced Diploma level
- the graduation from the Air Traffic Control College in June 2003 of 12 air traffic control students, who have since begun final field training as surface movement controllers in radar towers
- the implementation of a front-line managers' and supervisors' course, covering communications, negotiation, recognition and management of stress, and effective management of people.

On the industrial front, the Air Traffic Control and Supporting Air Traffic Services Certified Agreement was agreed to in October 2002.

Key result area: Owner

To meet the Government's requirements for financial returns, increasing value in the business and maintaining positive relationships with key industry, regulatory and community groups.

Better than anticipated en route activity levels in the first half of 2002–03 were short-lived, with the Bali bombings, the Iraq war, the outbreak of SARS seriously affecting financial projections.

In the wake of the problems that afflicted the aviation industry in 2001–02, the ACCC last year allowed the corporation's prices to increase by an average 5.1 per cent (2.2 per cent in real terms). The increase was temporary until 30 June 2003, with any extension beyond that date to be subject to a review of traffic levels. However, on 1 January 2003, a portion of the increase relating to en route services was voluntarily reversed by Airservices Australia, six months earlier than required. In weighted average terms, this constituted a 2.1 per cent price reduction. As a result, the effective price increase applying during 2002–03 was only 3.6 per cent (or 0.7 per cent in real terms) – significantly below the 5.1 per cent increase approved by the ACCC. Clearly this will affect profitability for the coming year.

The corporation received an international award for commercial excellence in the completion of a United States cross-border lease. The Asset Finance International Deals of 2002 Air Traffic Services Award acknowledges the commercial excellence of the corporation being able to conclude the largest lease of its type in Australia and the second largest lease of air traffic control assets in the world. The lease was innovative in its integration of an existing French cross-border lease, and realised gross revenue of \$46.4 million.

In keeping with Airservices Australia's strategic financial objective, the gains from this transaction were shared between key stakeholders. The benefits from the transaction underpinned the corporation's ability to insulate its customers from industry price increases in 2002–03.

The corporation's Office of Legal Counsel (OOLC) expanded to meet legal requirements, particularly in the areas of contracts, intellectual property and commercial business opportunities. The OOLC also adopted a legal compliance function.

The legal team worked closely with the Department of Transport and Regional Services in compiling draft legislation to amend the *Air Services Act 1995*. The

proposed amendment will expand some of Airservices Australia's functions and enable the corporation to engage in a wider range of external business opportunities.

New standard documentation was developed, and a legal awareness education program – including staff seminars on contract management, the regulatory environment and managing our intellectual property assets – was implemented.

The first presentation in the OOLC's legal compliance awareness program, aimed at raising the level of staff awareness of legal responsibilities related to day-to-day activities, is an interactive presentation entitled *A Bad Day in Air Traffic Control*. The program is run as part of the safety management training conducted by Air Traffic Management teams and has been delivered to more than 100 Air Traffic Service staff members across Australia.

Airservices Australia made a number of submissions to the Government and to parliamentary inquiries during the year, as set out in the table below.

Table 2 Contributions to parliamentary hearings and inquiries in 2002–03

Committee hearings attended		
Committee	Subject	Date
Senate Rural and Regional Affairs and Transport Legislation Committee	Consideration of supplementary budget estimates	20 November 2002
Senate Rural and Regional Affairs and Transport Legislation Committee	Consideration of additional budget estimates	11 February 2003
Senate Rural and Regional Affairs and Transport Legislation Committee	Aviation Transport Security Bill 2003 and Aviation Transport Security (Consequential Amendments and Transitional Provisions) Bill 2003	6 May 2003
Joint Parliamentary Committee on Public Accounts and Audit	Australian National Audit Office report on outcomes of its physical security audit	21 May 2003
Senate Rural and Regional Affairs and Transport Legislation Committee	Regional aviation	29 May 2003
House of Representatives Standing Committee on Transport and Regional Services References Committee	Commercial regional aviation services in Australia and alternative transport links to major populated islands	12 June 2003
Submissions presented to inquiries		
Committee	Inquiry	Date
Productivity Commission (through Department of Transport and Regional Services)	Review of cost recovery by Commonwealth agencies	21 August 2002
House of Representatives Standing Committee on Transport and Regional Services References Committee	Inquiry into regional aviation services	30 August 2002
The John Uhrig Review (through Department of Finance and Administration)	Review of corporate governance of statutory authorities and office holders	11 April 2003

Developments since the end of the financial year

Decision on integration of Terminal Control Units

Airservices Australia announced on 25 August 2003 that it would not proceed in the short term with a plan to centralise its air traffic terminal control units (TCU) from Perth, Adelaide and Sydney to the corporation's Melbourne Operations Centre.

The corporation found that the consolidation could be achieved without compromising safety and will pursue integration of all TCUs by 2012. However there will be no related staff transfers required before 1 September 2008.

In the short term, a series of measures aimed at achieving improved efficiency of operations will be implemented at Perth, Adelaide and Sydney. These measures, which have been agreed by staff and unions, are expected to deliver annual savings of over \$5 million from greater operational efficiencies.

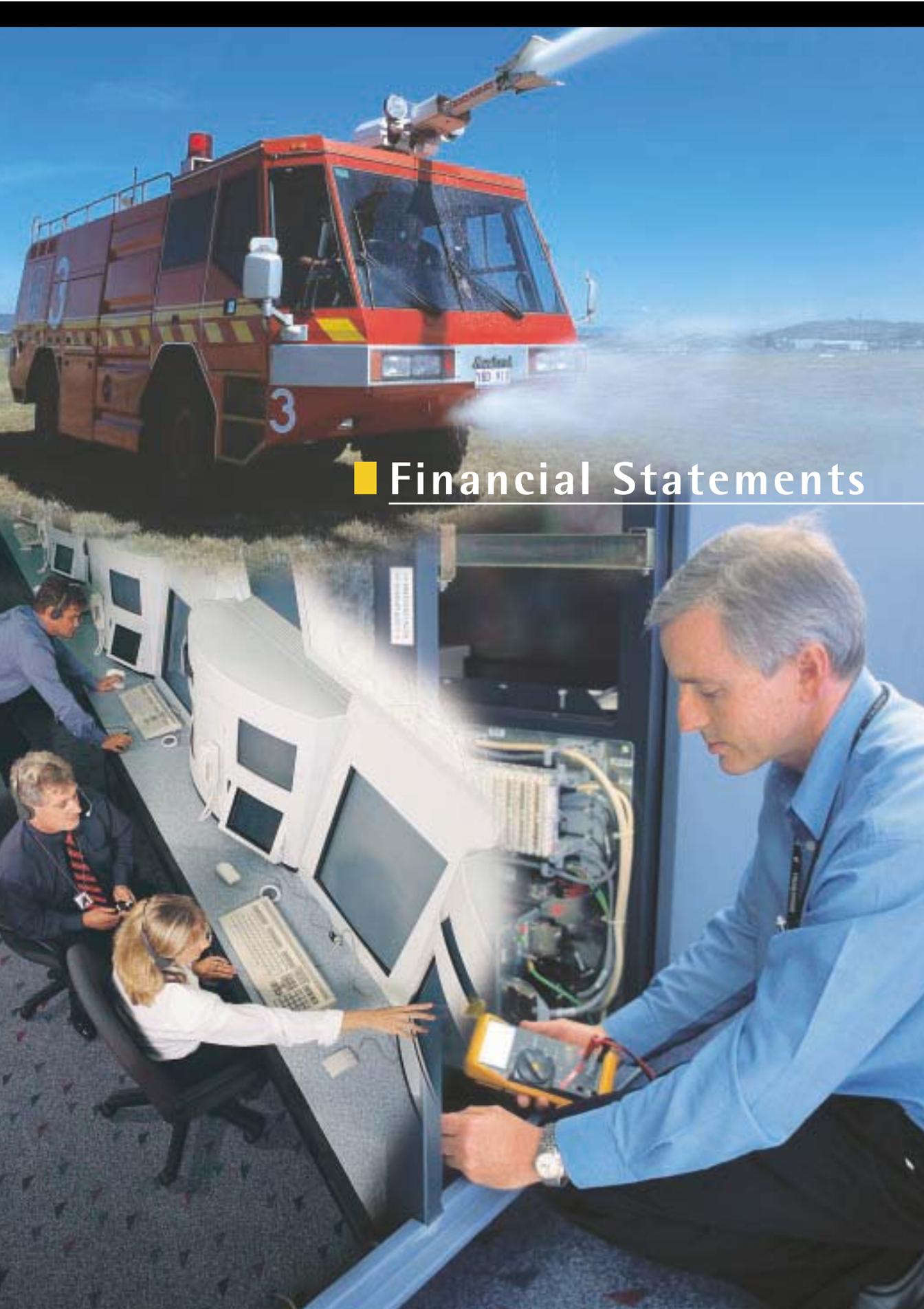
Amendments to the Air Services Act 1995

On 14 August 2003 Parliament approved amendments to Section 8 of the Air Services Act 1995.

The changes will:

- remove territorial restriction to enable us to pursue more business opportunities overseas
- provide greater flexibility in the provision of services and facilities
- clarifies that we may provide 'equipment' as a part of facilities
- define 'services' as a non exhaustive list of services relating to air navigation
- allow the use of excess capacity to engage in non aviation work that is within Commonwealth legislative and executive power.

The amendments do not change the corporation's primary focus – the safe provision of air navigation services and facilities within Australian administered airspace.



■ Financial Statements

FINANCIAL STATEMENTS

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INDEPENDENT AUDIT REPORT

To the Minister for Transport and Regional Services

Matters relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the financial report of Airservices Australia for the year ended 30 June 2003 included on the Airservices Australia's web site. The members of the Board are responsible for the integrity of the Airservices Australia's web site.

The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from the audited financial report.

If the users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

I have audited the financial statements of Airservices Australia for the year ended 30 June 2003. The financial statements comprise:

- Statement by Directors;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedule of Commitments and Contingencies; and
- Notes to and forming part of the Financial Statements.

The members of the Board are responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you.

GPO Box 707 CANBERRA ACT 2601
Centenary House 19 National Circuit
BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with my understanding of Airservices Australia's financial position, its financial performance and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion the financial statements:

- (i) have been prepared in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*; and
- (ii) give a true and fair view, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Finance Minister's Orders, of the financial position of Airservices Australia as at 30 June 2003, and its financial performance and cash flows for the year then ended.



Trevor Burgess
Group Executive Director

Delegate of the Auditor-General

Canberra
26 August 2003

STATEMENT BY DIRECTORS

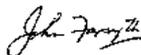
For the year ended 30 June 2003

In accordance with a resolution of the Directors of Airservices Australia, we state that:

In the opinion of the Directors:

- (a) the financial statements and notes of Airservices Australia are drawn up to give a true and fair view of the entity's financial performance for the year ended 30 June 2003, the financial position as at 30 June 2003, the cash flows for the year ended 30 June 2003, the commitments as at 30 June 2003, the contingencies as at 30 June 2003, and other matters required under the Commonwealth Authorities and Companies Act 1987;
- (b) there are reasonable grounds to believe that Airservices Australia will be able to pay its debts as and when they fall due.

On behalf of the Board



John P C Forsyth
Chairman



B F Smith
Managing Director

Canberra, 22 August 2003

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2003

	NOTES	
	2003	2002
	\$'000	\$'000
REVENUES AND EXPENSES FROM ORDINARY ACTIVITIES		
COMMERCIAL ACTIVITIES		
REVENUES FROM COMMERCIAL ACTIVITIES		
Airways revenues	486,625	468,864
Proceeds from disposal of assets	2a 12,280	3,858
Interest revenue	2a 6,866	5,455
Other revenue	24,121	16,791
Cross-border transaction guarantee fee	2d 46,428	-
Reversals of previous asset class write-downs	2d 24,035	-
TOTAL REVENUES FROM COMMERCIAL ACTIVITIES	600,355	494,968
EXPENSES FROM COMMERCIAL ACTIVITIES		
Employees	313,563	277,028
Suppliers	97,133	89,443
Written-down value of disposed assets	2a 12,168	3,672
Depreciation	2a 46,346	53,783
Borrowing costs	2a 6,867	6,375
Superannuation additional contribution	2d 39,252	-
Cross-border transaction costs	2d 4,165	325
Bad debts - Ansett Group	2a -	15,099
TOTAL EXPENSES FROM COMMERCIAL ACTIVITIES	519,494	445,725
PROFIT FROM COMMERCIAL ACTIVITIES	80,861	49,243

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2003

continued

		NOTES	
		2003	2002
		\$'000	\$'000
COMMUNITY SERVICE ACTIVITIES			
REVENUES FROM COMMUNITY SERVICE ACTIVITIES			
Government subsidy		7,000	7,000
Airways revenues from capped locations	2b	10,104	9,429
EXPENSES FROM COMMUNITY SERVICE ACTIVITIES			
Employees		24,813	22,641
Suppliers		6,057	6,039
Depreciation	2a	1,224	874
LOSS FROM COMMUNITY SERVICE ACTIVITIES		(14,990)	(13,125)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX			
		65,871	36,118
Income tax expense relating to ordinary activities	3	33,187	11,269
NET PROFIT AFTER INCOME TAX		32,684	24,849

STATEMENT OF FINANCIAL POSITION

As at 30 June 2003

		NOTES	
		2003	2002
		\$'000	\$'000
CURRENT ASSETS			
Cash		122,621	140,079
Receivables	5	48,656	48,690
Other	6	13,248	22,273
TOTAL CURRENT ASSETS		184,525	211,042
NON-CURRENT ASSETS			
Land and buildings	7	102,765	73,390
Infrastructure, plant and equipment	7	258,031	252,412
Other	6	57,001	48,099
TOTAL NON-CURRENT ASSETS		417,797	373,901
TOTAL ASSETS		602,322	584,943
CURRENT LIABILITIES			
Provisions and payables	8	136,264	108,616
TOTAL CURRENT LIABILITIES		136,264	108,616
NON-CURRENT LIABILITIES			
Interest bearing liabilities	9	100,162	100,209
Provisions	8	139,531	117,537
TOTAL NON-CURRENT LIABILITIES		239,693	217,746
TOTAL LIABILITIES		375,957	326,362
NET ASSETS		226,365	258,581
SHAREHOLDER'S EQUITY			
Capital	10	292,190	342,190
Accumulated losses	10	(65,825)	(83,609)
TOTAL SHAREHOLDER'S EQUITY		226,365	258,581

STATEMENT OF CASH FLOWS

For the year ended 30 June 2003

	NOTES	
	2003	2002
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of goods and services tax)	578,636	540,532
Receipts from government	7,000	7,000
Interest received	6,849	4,550
Payments to suppliers and employees (inclusive of goods and services tax)	(477,693)	(435,302)
Interest and other financing costs paid	(6,876)	(9,294)
Additional superannuation payment	(38,709)	-
Income tax paid	(16,662)	(31,084)
Net cash provided by operating activities	19 52,545	76,402
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from cross-border transaction	46,428	-
Proceeds from sale of asset held for resale	7,764	-
Proceeds from sale of property, plant and equipment	4,516	3,858
Purchase of property, plant and equipment	(63,811)	(36,644)
Net cash used in investing activities	(5,103)	(32,786)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings – non government	-	169,236
Repayment of borrowings – non government	-	(170,000)
Dividends paid	4 (14,900)	(11,400)
Capital repaid	10 (50,000)	-
Net cash used in financing activities	(64,900)	(12,164)
Net increase/(decrease) in cash held	(17,458)	31,452
Cash at the beginning of the financial year	140,079	108,627
CASH AT THE END OF THE FINANCIAL YEAR	19 122,621	140,079

SCHEDULE OF COMMITMENTS & CONTINGENCIES

As at 30 June 2003

	NOTES	
	2003	2002
	\$'000	\$'000
COMMITMENTS		
CAPITAL COMMITMENTS		
Infrastructure, plant and equipment	21,238	44,217
TOTAL CAPITAL COMMITMENTS	21,238	44,217
OTHER COMMITMENTS		
Operating leases	87,107	90,022
Project commitments	4,999	9,835
Research and development	549	2,375
Other commitments	16,479	26,976
TOTAL OTHER COMMITMENTS	109,134	129,208
COMMITMENTS RECEIVABLE	(8,735)	(12,342)
NET COMMITMENTS	121,637	161,083
OPERATING LEASES MATURITY		
Not later than one year	16,685	14,541
Later than one year but not later than five years	36,405	40,561
Later than five years	34,017	34,920
TOTAL OPERATING LEASES	87,107	90,022
TOTAL NET COMMITMENTS MATURITY		
Not later than one year	40,132	64,001
Later than one year but not later than five years	45,864	60,400
Later than five years	35,641	36,682
TOTAL NET COMMITMENTS	121,637	161,083
CONTINGENCIES		

There are no material contingent liabilities as at 30 June 2003 (30 June 2002: nil).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The financial statements have been prepared in compliance with the guidelines for Financial Statements of Commonwealth Authorities issued by the Minister for Finance and Administration for reporting periods ending on and after 30 June 2003.

The financial statements comprise a general purpose financial report that has been prepared in accordance with applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The financial statements have been prepared on the basis of historical costs except for certain non-current assets which are at valuation as described in note 7.

All amounts are shown in thousands of dollars unless otherwise stated, and are expressed in Australian currency.

b. Property, Plant and Equipment

Cost and Valuation

Property, plant and equipment are brought to account at cost or at valuation, less, where applicable, accumulated depreciation.

Assets purchased by Airservices Australia are initially recorded at cost. Labour and direct overheads incurred in installation are capitalised and added to the cost. Assets constructed by Airservices Australia are initially recognised at cost of materials, labour and direct overheads.

Property, plant and equipment, excluding software, was progressively valued during the year as part of a three year revaluation cycle. Assets within a class that are acquired after the commencement of a revaluation cycle are not included in the revaluation in progress. Revaluation increments and decrements are accounted for separately for each class of assets.

Leases

Operating lease payments where the lessor effectively retains substantially all of the risks and benefits of ownership of leased assets, are included in the determination of the operating profit in equal instalments over the lease term.

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to Airservices Australia, are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

b. Property, Plant and Equipment continued

Depreciation

Property, plant and equipment, excluding freehold land, are depreciated at rates based upon their expected useful lives using the straight line method. The expected useful lives are as follows:

Buildings (including fittings)	10-40 years
Infrastructure, plant and equipment	3-20 years

Spares

Asset specific spare parts (repairable spares) have been treated as plant and equipment and depreciated over the useful life of the parent asset to which they are related.

c. Inventories

Inventories consist of retail and publication material for sale to the aviation industry. Inventories are valued at the lower of cost or net realisable value, using the weighted average unit cost method.

d. Receivables

All trade debtors are recognised at the amounts receivable from the date of the invoice for services provided. The terms of all invoices are 28 days. Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where some doubt as to collection exists and in any event where the debt is more than 90 days overdue for commercial entities or 150 days for Government entities.

e. Trade and Other Creditors

These amounts represent liabilities for goods and services provided to Airservices Australia prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

f. Comparatives

Comparatives in the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Statement of Commitments & Contingencies and the notes to the financial statements relate to the prior year's financial statements. Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

g. Superannuation

Contributions to defined benefit superannuation schemes maintained by Airservices Australia are expensed in the year they are paid or become payable. No amount is recognised in the financial statements in respect of the net surplus or deficit in each scheme.

The amount charged to the Statement of Financial Performance in respect of superannuation represents the contributions made to the superannuation fund. Superannuation contributions are made in the period that they fall due.

h. Cash

For the purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

i. Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the Statement of Financial Performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

j. Recoverable Amount of Non-Current Assets

Non-current assets measured at other than fair value are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash inflows have been discounted to their present value using a market-determined risk adjusted discount rate.

k. Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of current payables.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

I. Employee Entitlements

Wages and Salaries and Annual Leave

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at pay rates which will be applicable when paid, in respect of employees' services up to that date.

Long Service Leave

A liability for long service leave is recognised, and is measured as the amount unpaid at the reporting date in respect of employees' services up to that date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Early Retirement Benefit

A liability for Early Retirement Benefit is recognised within the provision for separations and redundancies in accordance with the Airservices Australia Certified Agreement 2002-2005, and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

2 PROFIT FROM ORDINARY ACTIVITIES

a. Profit from Ordinary Activities before income tax is arrived at after including the following items of revenue and expenditure:

	NOTES	
	2003	2002
	\$'000	\$'000
Revenue		
Interest received or due and receivable		
- Investments	6,538	4,137
- Deposits	93	29
- Other	235	1,289
Total interest received or due and receivable	6,866	5,455
Expenditure		
Borrowing costs		
- Loans	6,758	5,948
- Overdrafts	19	19
- Other	90	408
Total borrowing costs	6,867	6,375
Decrease in doubtful debts provision	(468)	(1,470)
Bad debts written off - Ansett Group	-	15,099
Bad debts written off - other	530	1,076
Total bad and doubtful debt expenses	62	14,705
Operating lease charges	19,660	18,202
Depreciation of property, plant and equipment	7(a) 47,570	54,657
Amortisation of discount/(premium) on borrowings	(47)	791
Gain from sale of asset held for resale		
- Proceeds from disposal of asset	7,764	-
- Written-down value of disposed asset	(6,886)	-
Net gain from sale of asset held for resale	878	-
Gain/(loss) from sale/(write-off) of non-current assets		
- Proceeds from disposal of assets	4,516	3,858
- Written-down value of disposed assets	(4,745)	(3,672)
Net gain/(loss) from sale of non-current assets	(229)	748
Written down value of scrapped assets	(537)	(562)
Net gain/(loss) from sale/write-off of non-current assets	(766)	186

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

2 PROFIT FROM ORDINARY ACTIVITIES continued

b. Supplementary Analysis of the Statement of Financial Performance for the Year Ended 30 June 2003

2003

	Airways Activities	Other Commercial Activities	Total Commercial Activities	Community Service Activities	Profit from Ordinary Activities
	\$'000	\$'000	\$'000	\$'000	\$'000
Airways Revenue	486,625	-	486,625	10,104	496,729
Other Commercial Revenue	-	24,121	24,121	-	24,121
Total sales revenue	486,625	24,121	510,746	10,104	520,850
Guarantee fee	46,428	-	46,428	-	46,428
Government subsidy	-	-	-	7,000	7,000
Proceeds from asset sales	12,280	-	12,280	-	12,280
Interest Revenue	6,866	-	6,866	-	6,866
Reversal of previous asset class write-downs	24,035	-	24,035	-	24,035
Total revenue	576,234	24,121	600,355	17,104	617,459
Total expenses	500,232	19,262	519,494	32,094	551,588
Net profit before tax	76,002	4,859	80,861	(14,990)	65,871
Income tax expense	36,266	1,458	37,684	(4,497)	33,187
Net Profit after tax	39,736	3,401	43,177	(10,493)	32,684

(a) As this is the first time this note is being reported, comparatives have not been prepared.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

2 PROFIT FROM ORDINARY ACTIVITIES continued

c. Community Service Activities

The cost of community service activities undertaken by Airservices Australia and charged to operations during the year to meet the specific requirements of the Government, considered by the Board to be non-commercial in nature, include:

	2003	2002
	\$'000	\$'000
Costs at general aviation and regional airports where price capping is maintained	24,766	21,889
Costs for aviation rescue and fire fighting services at Port Hedland and Karratha (ceased 30 June 2003)	2,087	2,175
Provision for environmental information (reports, statistics and maps) by:		
- Environmental Services Branch	660	1,097
- Noise and Flight Path Monitoring System	3,588	3,183
Noise inquiry lines	993	1,210
Total costs	32,094	29,554

Included in the Expenses from Ordinary Activities is \$32.094m (2002: \$29.554m) in direct costs for Community Service Activities undertaken by Airservices Australia and charged to operations during the year to meet the specific requirements of the Government.

The Government contributed a subsidy of \$7.000m (2002: \$7.000m) towards the costs at general aviation and regional airports where price capping is maintained. Airways revenue of \$10.104m (2002: \$9.429m) was earned through charges by Airservices Australia at general aviation and regional airports where price capping is maintained.

If an allocation of \$1.261m (2002: \$1.356m) in corporate overheads and appropriate profit margins of \$4.765m (2002: \$4.416m) were taken into account, a shortfall of \$21.016m (2002: \$18.897m) would be recognised on Community Service Activities before tax.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

2 PROFIT FROM ORDINARY ACTIVITIES continued

d. Significant Items

Cross-border transaction guarantee fee and related costs

During the financial year Airservices Australia entered into a US cross-border arrangement in relation to equipment associated with The Australian Advanced Air Traffic System (TAAATS) and radar systems. The arrangement does not impose any restrictions on these assets which would affect the ability to use them in operations. The arrangement is for a 20 year term. As part of the agreement, Airservices Australia prepaid its rentals and the purchase option price under the sub-lease and received a guarantee fee on signing the agreement of \$46.428m. A provision of \$4.000m has also been recorded which represents compliance and monitoring costs which will be paid over the term of the arrangement. Costs related to the arrangement paid during the year ended 30 June 2003 totalling \$0.165m (2002: \$0.325m) have also been included.

The gross amount of \$46.428m has been recognised as revenue in the Statement of Financial Performance for the year ended 30 June 2003 and identified as a significant item, "Cross-border transaction guarantee fee". The total costs incurred during the year (including the provision raised) of \$4.165m have been recognised as an expense in the Statement of Financial Performance and identified as a significant item, "Cross-border transaction costs".

Airservices Australia has provided certain guarantees and indemnities to various participants in the transaction. If certain events occur, Airservices Australia could be liable to make additional substantial payments. The underlying exposures against which these guarantees and indemnities have been provided are up to a maximum of US\$515m. Expert external advisors consider that unless exceptional, extreme and highly unlikely circumstances arise, Airservices Australia will not be required to make a significant payment under these guarantees and indemnities.

Superannuation additional contributions

During the year following actuarial reviews, there were two additional payments totalling \$37.300m (plus associated payroll tax of \$1.952m) made to AvSuper, the employer sponsored superannuation fund of Airservices Australia. These payments were required to ensure the fund's Defined Benefits Plan assets continued to exceed vested benefit liabilities following poor investment returns during the last 12 months.

Income tax expense relating to ordinary activities

Included within tax expense are two adjustments relating to prior years. The first relates to permanent differences arising from write-downs of non-current assets which were not previously recognised as tax expense (\$12.639m). The second relates to the permanent component of over-claiming depreciation deductions in prior years which will be claimable in future years. Due to reductions in tax rates from when these amounts were claimed to when they should have been claimed, an additional \$1.970m in tax expense has been recognised.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

2 PROFIT FROM ORDINARY ACTIVITIES continued

Reversals of previous asset class write-downs

Included within revenue is an amount of \$24.035m relating to the reversals of previous asset class write-downs. Additional information is included in Note 7 on this item.

	2003	2002
	\$'000	\$'000

3 INCOME TAX

The prima facie tax on profit from ordinary activities is reconciled to the income tax provided in the financial statements as follows:

Profit from ordinary activities before income tax	65,871	36,118
Prima facie income tax expense at 30%	19,761	10,835
Tax effect of permanent and other differences:		
- Non-deductible legal costs	140	-
- Provision for Taxation Laws Amendment Act (No. 1)	-	314
- Other non-deductible expenditure	149	226
- Depreciation of revalued assets	1,391	-
- Revaluation of non-current assets	(2,688)	-
- Research and development tax incentive	(175)	(106)
Under/(over) provision for income tax applicable to prior years (Note 2d)	14,609	-
Income tax attributable to profit from ordinary activities	33,187	11,269

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

4 DIVIDENDS

A final dividend for the year ended 30 June 2002 of \$14.900m (2001: \$11.400m) was paid in February 2003.

An interim dividend for the year ending 30 June 2003 of \$11.000m was paid in July 2003. The amount was approved for payment by the Minister in July 2003 and has therefore not been recorded as a liability at 30 June 2003.

5 RECEIVABLES

	2003	2002
	\$'000	\$'000
Current		
Trade debtors	45,605	46,826
Less: provision for doubtful debts	(3,184)	(3,652)
	42,421	43,174
Sundry debtors	2,997	4,611
Accrued revenue and interest	3,238	905
Total Current Receivables	48,656	48,690
Aged analysis of trade debtors		
Up to 30 days outstanding	40,907	42,223
31 to 60 days outstanding	3,085	2,459
61 to 90 days outstanding	640	439
Over 90 days outstanding	973	1,705
	45,605	46,826

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

6 OTHER ASSETS continued

6 OTHER ASSETS

	2003	2002
	\$'000	\$'000
Current		
Prepayments	2,162	3,222
Asset held for resale	-	6,654
Consumable spares - at cost	250	757
Inventories		
- at cost	316	422
- Less provision for obsolescence	-	(29)
	316	393
Future Income Tax Benefits		
- attributable to timing differences	10,520	11,247
Total Current Other Assets	13,248	22,273
Non-Current		
Future Income Tax Benefits		
- attributable to timing differences	57,001	48,099
Total Non-Current Other Assets	57,001	48,099

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

7 PROPERTY, PLANT AND EQUIPMENT

a. Aggregate Property, Plant and Equipment

Item	Land \$'000	Buildings \$'000	Total land & buildings \$'000	Plant & equipment \$'000	Software \$'000	Assets under construction \$'000	Total \$'000
Gross value - 1 July 2002	8,838	78,365	87,203	401,755	-	-	488,958
Reclassification between Asset Categories (a)	-	29,531	29,531	(100,420)	46,637	24,252	-
Additions	-	232	232	9,613	-	53,966	63,811
Commissioned Assets Under Construction	-	728	728	29,781	2,854	(33,363)	-
Reversals of previous asset class write-downs	-	3,560	3,560	(25,029)	-	-	(21,469)
Disposals	(125)	(29)	(154)	(7,280)	-	-	(7,434)
Gross value - 30 June 2003	8,713	112,387	121,100	308,420	49,491	44,855	523,866
Accumulated depreciation - 1 July 2002	-	(13,813)	(13,813)	(149,343)	-	-	(163,156)
Reclassification between Asset Categories (a)	-	(7,316)	(7,316)	23,526	(16,210)	-	-
Depreciation charged	-	(5,592)	(5,592)	(35,530)	(5,784)	(664)	(47,570)
Reversals of previous asset class write-downs	-	8,370	8,370	37,134	-	-	45,504
Disposals	-	16	16	2,136	-	-	2,152
Accumulated depreciation - 30 June 2003	-	(18,335)	(18,335)	(122,077)	(21,994)	(664)	(163,070)
Net book value - 30 June 2003	8,713	94,052	102,765	186,343	27,497	44,191	360,796
Net book value - 30 June 2002	8,838	64,552	73,390	252,412	-	-	325,802

(a) A number of property, plant and equipment items have been reclassified between asset categories during the year to better reflect the nature of these items. Airport control towers and civil works which were previously included in plant and equipment have been reclassified as buildings. Both software and assets under construction have now been separately identified since their nature differs from other items included as plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

7 PROPERTY, PLANT AND EQUIPMENT continued

b. Valuation

The basis of valuations of property, plant and equipment is in accordance with the "fair value" method of valuation and is performed as part of a progressive three year revaluation cycle which commenced 30 June 2002 and will be completed by 30 June 2005. Assets at valuation prior to that date remain at "deprival" value. Assets within a class that are acquired after the commencement of a revaluation cycle are not included in the revaluation in progress. Individual assets which are acquired at a cost of less than \$80,000 are not included in the revaluation cycle but are stated at cost less accumulated depreciation.

It is management's intention for all property, plant and equipment with a cost of greater than \$80,000 which was not revalued in the current year to be subject to an independent valuation in the 2003/04 financial year.

c. Reconciliation of assets held at valuation

Item	Land	Buildings	Total land & buildings	Plant & equipment	Software	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2003							
At Cost - recent additions & software	-	4,740	4,740	58,578	49,491	44,855	157,664
Less Accumulated Depreciation	-	(2,772)	(2,772)	(8,017)	(21,994)	(664)	(33,447)
	-	1,968	1,968	50,561	27,497	44,191	124,217
At Independent Valuation June 2003	-	47,845	47,845	58,482	-	-	106,327
Less Accumulated Depreciation	-	-	-	-	-	-	-
	-	47,845	47,845	58,482	-	-	106,327
At Independent Valuation June 2002	1,037	36,805	37,841	106,839	-	-	144,680
Less Accumulated Depreciation	-	(8,431)	(8,431)	(65,001)	-	-	(73,432)
	1,037	28,374	29,410	41,838	-	-	71,248
At Independent Valuation June 2001	365	6	370	44,270	-	-	44,640
Less Accumulated Depreciation	-	(2)	(2)	(23,031)	-	-	(23,033)
	365	4	368	21,239	-	-	21,607
At Directors' Valuation June 2000	7,311	19,251	26,564	-	-	-	26,564
Less Accumulated Depreciation	-	(6,591)	(6,591)	-	-	-	(6,591)
	7,311	12,660	19,973	-	-	-	19,973
At Cost - under revaluation threshold	-	6,596	6,596	31,181	-	-	37,777
Less Accumulated Depreciation	-	(3,395)	(3,395)	(16,958)	-	-	(20,353)
	-	3,201	3,201	14,223	-	-	17,424
Net book value	8,713	94,052	102,765	186,343	27,497	44,191	360,796

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

7 PROPERTY, PLANT AND EQUIPMENT continued

c. Reconciliation of assets held at valuation continued

Item	Land \$'000	Buildings \$'000	Total land & buildings \$'000	Plant & equipment \$'000	Software \$'000	Assets under construction \$'000	Total \$'000
As at 30 June 2002							
At Cost- recent additions and software	-	2,731	2,731	61,917	-	-	64,648
Less Accumulated Depreciation	-	(202)	(202)	(10,401)	-	-	(10,603)
	-	2,529	2,529	51,516	-	-	54,045
At Independent Valuation June 2002	1,037	32,910	33,947	151,966	-	-	185,913
Less Accumulated Depreciation	-	(5,053)	(5,053)	(67,176)	-	-	(72,229)
	1,037	27,857	28,894	84,790	-	-	113,684
At Independent Valuation June 2001	365	528	893	45,473	-	-	46,366
Less Accumulated Depreciation	-	(147)	(147)	(18,029)	-	-	(18,176)
	365	381	746	27,444	-	-	28,190
At Directors' Valuation June 2000	7,436	38,484	45,920	108,222	-	-	154,142
Less Accumulated Depreciation	-	(7,160)	(7,160)	(43,183)	-	-	(50,343)
	7,436	31,324	38,760	65,039	-	-	103,799
At Cost - under revaluation threshold	-	3,712	3,712	34,177	-	-	37,889
Less Accumulated Depreciation	-	(1,251)	(1,251)	(10,554)	-	-	(11,805)
	-	2,461	2,461	23,623	-	-	26,084
Net book value	8,838	64,552	73,390	252,412	-	-	325,802

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

	2003	2002
	\$'000	\$'000

8 PROVISIONS AND PAYABLES

Current Payables

Suppliers		
- Trade creditors	15,080	8,527
Employees		
- Salaries and wages	8,364	9,711
- Superannuation	2,489	1,437
- Recreation leave	30,117	30,855
Revenue received in advance	1,903	1,966
Interest payable	887	896
Group tax	2,582	2,380
Accrued payroll tax	2,370	1,559
Goods and services tax	6,032	5,755
Other accrued expenses	29,434	20,171
Total Current Payables	99,258	83,257

Current Provisions

Employee entitlements		
- Long service leave ⁽³⁾	4,244	5,861
- Workers' compensation ⁽¹⁾	500	454
- Separations and redundancies	4,058	8,689
Taxation ⁽²⁾	26,049	7,795
Cross-border transaction	250	-
Litigation and legal costs	1,905	2,560
Total Current Provisions	37,006	25,359
Total Current Provisions and Payables	136,264	108,616

Non-Current Provisions

Employee entitlements		
- Long service leave ⁽³⁾	86,248	74,688
- Workers' compensation ⁽¹⁾	4,652	4,535
- Separations and redundancies	44,881	38,314
Cross-border transaction	3,750	-
Total Non-Current Provisions	139,531	117,537

⁽¹⁾ These provisions represent Airservices Australia's self insured liability for workers' compensation prior to 1 July 1989.

⁽²⁾ The provision for taxation at 30 June 2003 of \$26.049m includes a prior year adjustment of \$13.660m arising from over-claiming of depreciation deductions.

⁽³⁾ Included in the total provision for long service leave at 30 June 2003 is an additional \$6.687m representing the impact of the decline in discount rates used to calculate the liability from 6.0% at 30 June 2002 to 5.0% at 30 June 2003.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

9 INTEREST-BEARING LIABILITIES (NON-CURRENT)

	2003	2002
	\$'000	\$'000
Unsecured loans		
- Bank loans - bonds ⁽¹⁾	100,162	100,209
Total Non-Current Interest Bearing Liabilities	100,162	100,209
Maturity Schedule		
Total amount of loans payable within:		
- Later than 2 years but not later than 5 years	100,162	100,209
Total Non-Current Interest Bearing Liabilities	100,162	100,209

⁽¹⁾ This represents a medium term bond facility which matures in November 2006.

10 SHAREHOLDER'S EQUITY

Item	Capital	Accumulated losses	Total equity
	\$'000	\$'000	\$'000
Balance - 1 July 2002	342,190	(83,609)	258,581
Capital Repayments	(50,000)	-	(50,000)
Net profit after income tax	-	32,684	32,684
Dividends paid	-	(14,900)	(14,900)
Balance - 30 June 2003	292,190	(65,825)	226,365

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

11 SEGMENT REPORTING

Airservices Australia operates predominantly in the Australian Aviation Industry.

12 STANDBY ARRANGEMENTS AND UNUSED CREDIT FACILITIES

	2003	2002
	\$'000	\$'000
Bank overdraft	5,000	5,000
Total credit facilities	5,000	5,000
Amount utilised	539	-
Unused credit facility	4,461	5,000
Loan facilities		
- Commercial Paper	300,000	300,000
- Domestic bond	100,000	100,000
- Standby / Money Market Line	70,000	50,000
Total loan facilities	470,000	450,000
Amount utilised	(100,162)	(100,209)
Unused loan facility	369,838	349,791

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

13 SUPERANNUATION COMMITMENTS

Airservices Australia makes contributions to AvSuper (sponsored by Airservices Australia) and Commonwealth Superannuation Administration (ComSuper) which administers the Commonwealth Superannuation Scheme (CSS) and Public Sector Superannuation (PSS) funds. Contributions to these defined benefit schemes are expensed in the year they are paid or become payable.

Airservices Australia's rates of contribution for CSS and PSS members are determined by ComSuper. Total contributions made by Airservices Australia for CSS and PSS members to ComSuper during the period were \$14.286m (2002 \$12.418m) and \$0.044m (2002 \$0.036m) respectively.

AvSuper provides the normal range of employer sponsored benefits i.e. retirements, resignation, retrenchment, death and disablement. In addition to an accumulation fund, AvSuper operates a defined benefit scheme with benefits based on years of fund membership and final average salary. Flexible employee contribution rates range from 0% - 10%.

The last actuarial assessment of AvSuper as at 1 July 2002 was presented by CHR Consulting on 16 October 2002. Information relating to AvSuper based on the latest actuarial assessment and the financial report of AvSuper for year ended 30 June 2002 is set out in the table at the bottom of this page.

In addition to the required actuarial assessment, Airservices Australia commissioned a further actuarial review during the year due to concerns about the continuing deterioration in investment market performance. As a consequence of this review, which showed that the vested benefits ratio was likely to fall below 100% at 30 June 2003 without further supplementation, Airservices Australia made two additional payments totalling \$37.300m (plus payroll tax of \$1.952m) during the year.

As at 30 June 2002	\$'000
Present value of employees' accrued benefits	504,798
Net market value of assets held by AvSuper to meet future benefit payments	541,942
Surplus of net market value of assets over accrued benefits	37,144
Vested benefits	533,038
Employer contributions to AvSuper for the year ended 30 June 2003	64,792

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

	2003	2002
	\$'000	\$'000

14 REMUNERATION OF AUDITORS

Auditing services provided by the Australian National Audit Office	170,250	176,000
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Audit services for Airservices Australia are provided by the Australian National Audit Office and are subcontracted to PricewaterhouseCoopers.

Services provided by PricewaterhouseCoopers

- Assurance services	-	15,800
- Preparation of a business case and delivery model for integration of Airservices Australia's and the Royal Australia Air Force's air traffic control training functions	111,572	-
- Data networks review	20,894	-

Services provided by PricewaterhouseCoopers Consulting

- Information Management Transformation Program		
• Quality Assurance	-	264,335
• Secondment of PricewaterhouseCoopers Contractor	79,597	423,734
- Other services	-	18,750

	212,063	722,619
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NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

15 REMUNERATION OF DIRECTORS

	2003	2002
	\$	\$
Amounts received, or due and receivable, by Directors	281,244	287,250

The remuneration of the Chief Executive Officer and Chief Financial Officer (both of whom are Executive Directors) is disclosed with the remuneration of executives in note 16 and is not included in Director's remuneration.

The number of Directors whose remuneration falls within the specified bands are as follows:

	\$	\$	2003 Number	2002 Number
	10,000	- 19,999	-	1
	20,000	- 29,999	-	1
	30,000	- 39,999	3	2
	40,000	- 49,999	1	-
	50,000	- 59,999	1	2
	70,000	- 79,999	1	1

16 REMUNERATION OF EXECUTIVES

Executive remuneration payments include base salary and pay at risk. Remuneration received by the Executive managers, whose remuneration was at least \$100,000, totalled \$2,056,937 (2002: \$1,887,808).

Executive managers are those who are concerned with, or take part in, the management of Airservices Australia. Executive manager's remuneration includes the remuneration of the Chief Executive Officer and Chief Financial Officer.

The number of Executive managers whose total remuneration falls within the specified bands are set out below. Some entries in the banding table relate to part year only.

	\$	\$	2003 Number	2002 Number
	240,000	- 249,999	-	1
	260,000	- 269,999	-	1
	280,000	- 289,999	1	2
	290,000	- 299,999	1	-
	300,000	- 309,999	2	-
	320,000	- 329,999	-	1
	350,000	- 359,999	1	-
	480,000	- 489,999	-	1
	510,000	- 519,999	1	-

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

17 RELATED PARTY TRANSACTIONS

Directors

The names of persons who were Directors of Airservices Australia during the financial year are as follows:

Chairman	John P C Forsyth
Deputy Chairman	Air Marshal Leslie Fisher AO (Ret'd)
Chief Executive Officer	Bernard R Smith
Executive Director	Hisham El-Ansary
Non-Executive Directors	Ronald Entsch Kevin Gale Belinda Gibson Captain David Shrubbs

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

Certain director-related entities have transactions with Airservices Australia that occur within normal customer or supplier relationships on terms and conditions no more favourable than those with which it is reasonable to expect Airservices Australia would have adopted if dealing with the director-related entity at arm's length in similar circumstances. These transactions include the following entities and have been described below where the transactions are considered likely to be of interest to users of these financial statements:

- Aviation publication amendment services and air navigation services were provided to Airwing Services Pty. Ltd. and Eurocopter International Pacific Ltd, companies of which Mr John P C Forsyth is a director, at the rates set out in Airservices Australia's Standard Contract Terms for facilities and services.
- The Chief Executive Officer purchased air navigation services from Airservices Australia at the rates set out in the Standard Contract Terms for facilities and services.
- Legal services amounting to \$503,581 (2002: \$445,022) have been provided to Airservices Australia by Mallesons Stephen Jaques, a firm that is a member of the panel of legal advisors to Airservices Australia and in which Ms Belinda Gibson is a partner.
- Employer superannuation contributions were made to AvSuper Pty. Ltd., a superannuation fund, of which Mr Ronald Entsch is a trustee director and of which Mr Hisham El-Ansary is a director.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

18 FINANCIAL INSTRUMENTS

Financial Instruments

Airservices Australia is exposed to financial risks arising from movements in interest rates and foreign exchange rates. Airservices Australia uses derivative financial instruments to minimise the impact of adverse movement in rates within the framework of a comprehensive set of risk management policies approved by the Directors. Financial risk is managed centrally and speculative trading is strictly prohibited.

Interest Rate Risk Exposures

The following table summarises the interest rate risk exposures of Airservices Australia, together with effective interest rates at balance date.

		Notes	Average interest rate	Floating interest rate \$'000	Fixed interest maturing in:			Non interest bearing \$'000	Total \$'000
					1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000		
2003									
Financial assets									
			4.869%	122,577	-	-	-	44	122,621
	5		-	-	-	-	-	48,656	48,656
Total				122,577	-	-	-	48,700	171,277
Financial liabilities									
	8		-	-	-	-	-	69,141	69,141
	9		6.485%	-	-	100,162	-	-	100,162
			-	100,000	-	(100,000)	-	-	-
			-	(100,000)	-	100,000	-	-	-
Total				-	-	100,162	-	69,141	169,303
Net Financial Assets/(Liabilities)				122,577	-	(100,162)	-	(20,441)	1,974

(1) Notional principal amounts

(2) This item excludes amounts for recreation leave

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

18 FINANCIAL INSTRUMENTS continued

	Notes	Average interest rate	Floating interest rate	Fixed interest maturing in:			Non interest bearing	Total
				1 year or less	1 to 5 years	More than 5 years		
			\$'000	\$'000	\$'000	\$'000	\$'000	
2002								
Financial assets								
Cash and deposits		4.684%	140,032	-	-	-	47	140,079
Receivables	5	-	-	-	-	-	48,690	48,690
Total			140,032	-	-	-	48,737	188,769
Financial liabilities								
Trade and other creditors ⁽²⁾	8	-	-	-	-	-	52,402	52,402
Bank loans - bonds	9	6.485%	-	-	100,209	-	-	100,209
Interest rate swaps ⁽¹⁾		-	100,000	-	(100,000)	-	-	-
Interest rate swaps ⁽¹⁾		-	(70,000)	-	70,000	-	-	-
Total			30,000	-	70,209	-	52,402	152,611
Net Financial Assets/(Liabilities)			110,032	-	(70,209)	-	(3,665)	36,158

⁽¹⁾ Notional principal amounts

⁽²⁾ This item excludes amounts for recreation leave

NOTES

	2003	2002
	\$'000	\$'000
Reconciliation of net financial assets/(liabilities) to net assets		
Net financial assets/(liabilities) as above	1,974	36,158
Other current assets	6 13,248	22,273
Non-current assets	6,7 417,797	373,901
Current provisions	8 (67,123)	(56,214)
Non-Current provisions	8 (139,531)	(117,537)
Net assets as per statement of financial position	226,365	258,581

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

18 FINANCIAL INSTRUMENTS continued

Forward Exchange Contracts

Forward exchange contracts are used to hedge Airservices Australia's exposure to foreign currency exchange rate risk. This arises primarily from committed transactions relating to capital expenditure program undertakings up to 12 months ahead, asset sales and revenue earned from international activities. At balance date, the details of outstanding contracts are (Australian dollar equivalents):

Sell US Dollars	Buy Australian Dollars		Average Exchange Rate	
	2003 \$'000	2002 \$'000	2003 \$US/\$1	2002 \$US/\$1
Maturity				
3 months or less	-	9,221	-	0.5401
Buy US Dollars	Sell Australian Dollars		Average Exchange Rate	
	2003 \$'000	2002 \$'000	2003 \$US/\$1	2002 \$US/\$1
Maturity				
3 months or less	-	2,922	-	0.5653
Buy EUROS	Sell Australian Dollars		Average Exchange Rate	
	2003 \$'000	2002 \$'000	2003 EURO/\$1	2002 EURO/\$1
Maturity				
3 months or less	274	1,357	0.5846	0.5866
Greater than 3 months but less than 1 year	-	3,613	-	0.5896

Credit Risk Exposures

Credit risk represents the risk that one party to a transaction will fail to discharge an obligation and cause the other party to suffer a financial loss. Airservices Australia enters into financial derivative contracts with counterparties with a Standard and Poors' rating of at least AA-.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

18 FINANCIAL INSTRUMENTS continued

Net Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated net fair values of financial assets and financial liabilities (including derivatives) held at balance date are given below. The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged, or a liability settled in a current transaction between willing parties after allowing for transaction costs.

	2003		2002	
	Carrying amount	Net fair value	Carrying amount	Net fair value
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Forward exchange contracts	-	-	-	139
Other assets	171,277	171,277	188,769	188,769
Interest rate swaps	-	745	-	-
	171,277	172,022	188,769	188,908
Financial liabilities				
Interest rate swaps	-	-	-	1,709
Long term debt	100,162	105,585	100,209	101,561
Other liabilities	69,141	69,141	52,402	52,402
	169,303	174,726	152,611	155,672

The following methods and assumptions were used to estimate the net fair value of each class of financial instrument.

Long term debt

The net fair value of long term debt is determined by reference to current market rates.

Forward foreign exchange contracts

The net fair value of forward foreign exchange contracts is determined by reference to current forward rates for contracts with similar maturity.

Interest rate swap agreements

The net fair value of interest rate swap contracts is determined as the difference in present value, discounted using current market rates, of the future interest cash flows.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

19 NOTES TO THE STATEMENT OF CASH FLOWS

	2003	2002
	\$'000	\$'000
Reconciliation of Cash		
Cash at the end of the financial year as shown in the statement of cash flows, is reconciled to the related items in the balance sheet as follows:		
Cash, advances and cash on call	122,621	140,079
Total Cash	122,621	140,079
Reconciliation of net profit after income tax to net cash provided by operating activities		
Net profit after income tax	32,684	24,849
Cross-border transaction guarantee fee	(46,428)	-
Adjustments for non-cash income and expense items		
Depreciation	47,570	54,657
Reversals of previous asset class write-downs	(24,035)	-
Net (profit)/loss on sale/write-off of property, plant and equipment	766	(186)
Net profit on sale of asset held for resale	(878)	-
Costs on sale of asset held for resale	(232)	-
Amortisation of premium on borrowings	(47)	-
Amortisation of discount on borrowings	-	791
Premium on issue of new borrowings	-	209
Changes in assets		
Decrease in receivables	502	10,588
Decrease in inventories and spares	584	1,556
Decrease in prepayments	1,060	8,890
Increase in future income tax benefit	(8,175)	(3,100)
Changes in liabilities		
Increase/(decrease) in employee entitlements	11,304	(10,544)
Decrease in doubtful debts provision	(468)	(1,470)
Increase/(decrease) in legal provisions	(655)	602
Increase/(decrease) in income tax payable	18,254	(12,481)
Increase in cross-border transaction provision	4,000	-
Increase in creditors and accruals	16,739	2,041
Net cash provided by operating activities	52,545	76,402

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

20 MONIES HELD IN TRUST

Airservices Australia has been contracted by the Solomon Islands Civil Aviation Authority to provide airspace management and accounts receivable services. The contract requires Airservices Australia to retain cash received and to remit funds at a later date to the Solomon Islands on the instruction of their contract manager. At balance date, the money held in trust totalled \$0.136m (2002 \$0.264m).

21 ECONOMIC DEPENDENCY

Airservices Australia is dependent on activity in the Australian Aviation Industry, of which the Qantas Group is the dominant operator, representing approximately 48% (2002: 55%) of flights by aircraft greater than 5.7 tonnes.

A photograph of a worker in a white hard hat and dark jacket working on a large industrial machine. The machine has several large yellow rollers and is surrounded by various pipes and cables. The worker is leaning over a metal railing, looking down at the machine. The background shows a complex industrial environment with various components and structures.

■ Appendices

APPENDIX 1: BOARD MEETINGS AND COMMITTEES

Members

Board members for the period 1 July 2002 to 30 June 2003 were:

Mr John Forsyth (Chairman)

Air Marshal Les Fisher (Retired) AO (Deputy Chairman)

Mr Ronald Entsch

Mr Kevin Gale

Captain David Shrubbs

Ms Belinda Gibson

Mr Bernie Smith

Mr Hisham El-Ansary

Meetings

The Board met 10 times during the year, including for one extraordinary meeting, at the venues shown below:

19 July 2002	Canberra
23 August 2002	Canberra
20 September 2002	Brisbane
24–26 October 2002	Port Macquarie
21 November 2002	Canberra
22 November 2002	Canberra
24 January 2003	Canberra
13 February 2003	Melbourne
21 March 2003	Canberra
23 May 2003	Adelaide

Committees

The Board has established five standing committees to assist in meeting its responsibilities. Their memberships and numbers of 2002–03 meetings are detailed below.

Safety and Environment Committee

Air Marshal Les Fisher (Retired) AO (Chairman), Mr Ronald Entsch, Mr Kevin Gale, Mr David Shrubbs, Mr John Forsyth (ex-officio member), Mr Bernard Smith (ex-officio member)

The Safety and Environment Committee met 12 times, including for one extraordinary meeting. All meetings were held in Canberra.

Audit Committee

Mr Ronald Entsch (Chairman), Ms Belinda Gibson, Mr John Forsyth (ex officio member)

The Audit Committee met five times. Four meetings were held in Canberra and one extraordinary meeting was held in Sydney.

Remuneration Committee

Mr John Forsyth (Chairman), Mr Ronald Entsch, Mr Bernard Smith

The Remuneration Committee met twice. Both meetings were held in Canberra.

Security Committee

Mr Les Fisher (Chairman), Mr David Shrubbs (from 23 May 2003), Mr Bernard Smith

The Security Committee met five times. All meetings were held in Canberra.

New Business Committee

Mr John Forsyth, Mr Bernard Smith, Mr Les Fisher (ex officio member for defence matters)

The recently formed New Business Committee did not meet during the 2002–03 financial year.

Table 3 Attendance at directors' meetings

Name	Board		Audit Committee		Safety and Environment Committee		Remuneration Committee		Security Committee	
	Meetings during term	Attended	Meetings during term	Attended	Meetings during term	Attended	Meetings during term	Attended	Meetings during term	Attended
John Forsyth	10	9	ex officio	ex officio	ex officio	ex officio	2	2	n/a	n/a
Les Fisher	10	10		1 ^a	12	12	n/a	n/a	5	5
Ronald Entisch	10	10	5	5	12	12	2	2	n/a	n/a
Kevin Gale	10	10	n/a	n/a	12	10	n/a	n/a	n/a	n/a
Belinda Gibson	10	9	5	5		3 ^a	n/a	n/a	n/a	n/a
David Shrubbs	10	10	n/a	n/a	12	12	n/a	n/a	1	1
Bernard Smith ^{b,c}	10	8	n/a	n/a	ex officio	ex officio	2	2	5	3
Hisham El-Ansary ^d	10	10	n/a	n/a		2 ^a	n/a	n/a	n/a	n/a

^a Attending as a non-member.

^b As acting Chief Executive Officer, Mr Andrew Fleming attended one Board meeting on 23 May 2003, one Audit Committee meeting on 22 May 2003 and one Safety and Environment Committee meeting on 22 May 2003.

^c As acting Chief Executive Officer, Mr Tom Grant attended one Safety and Environment Committee meeting on 21 February 2003 and one Security Committee meeting on 21 February 2003.

^d As acting Chief Executive Officer, Mr Hisham El-Ansary attended one Board meeting on 20 September 2002, and one Safety and Environment Committee meeting on 19 September 2002.

Notes:

The recently formed New Business Committee did not meet during the 2002-03 financial year.

The symbol 'n/a' means 'not applicable'.

APPENDIX 2: BOARD MEMBERS' BIOGRAPHIES



John P C Forsyth, Chairman

John Forsyth, holder of a Private Pilots Licence (Helicopter) since 1991, is chairman of the Dymocks Group of Companies, with interests in book and coffee retailing, property investment and farming.

Mr Forsyth is chairman of SmartTrans Holdings, a technology company engaged in vehicle route optimisation and satellite vehicle tracking. SmartTrans also has mining interests in Western Australia and north-west Queensland. Mr Forsyth is chairman of the Dymocks Literacy Foundation, a charitable organisation dedicated to helping kids read and write effectively.



Air Marshal Les Fisher (Retired) AO Deputy Chairman

Air Marshal Fisher had a distinguished military career, culminating in his appointment as Chief of Air Force from 1994 to 1998. Air Marshal Fisher managed some 20,000 personnel and a budget of \$1.5 billion and was a very strong advocate of flying safety awareness.

Over his 38 years of military service he accumulated in excess of 5000 flying hours, mainly on multi-engined surveillance aircraft. He was appointed an Officer of the Order of Australia in 1993 for service to the Australian Defence Force.



Hisham El-Ansary

Hisham El-Ansary was appointed Airservices Australia's Chief Financial Officer and General Manager Corporate Services in March 2001. Mr El-Ansary has some 20 years experience in finance and accounting and has held a number of senior financial management positions. His most recent appointment prior to joining Airservices Australia in 1995 was as National Finance Manager of Australian Construction Services (ACS), an organisation providing consultancy services in the areas of architecture, engineering and project management. ACS has since been acquired by Gutteridge Haskins and Davey Proprietary Limited.

Mr El-Ansary's professional qualifications include a Master of Business Administration and a Bachelor of Economics from the Australian National University. He is a Fellow of Certified Practising Accountants Australia, a Fellow of the Australian Institute of Company Directors and an Associate Fellow of the Australian Institute of Management. He is also a director of AvSuper Proprietary Limited, Airservices Australia's staff superannuation fund.



Ronald Hugh Entsch

Ronald Entsch has had a distinguished career in aviation, including 37 years experience gained from a number of airlines. At Air Queensland he rose to be Group General Manager, and he was General Manager Operations at East West Airlines in Sydney. At Ansett Mr Entsch held senior positions, including those of State Manager, Queensland, and General Manager Operations at Melbourne Head Office. He became responsible for the day-to-day running of the airline and remained so until his retirement in 1996.

Mr Entsch's professional qualifications include a Master of Business Administration. He has extensive experience in industry affairs and is Adjunct Professor of Aviation Management at Griffith University and a Fellow of the Royal Aeronautical Society.



Kevin Onslow Gale

Kevin Gale has more than 40 years experience in the general aviation industry as a pilot and instructor, and in air traffic control. Mr Gale holds a Commercial Pilot Licence and an Air Traffic Control Licence. He has endorsements on most general aviation aircraft, and has more than 5500 hours flying time.

In air traffic control, Mr Gale has had wide experience as an operating and check controller and extensive management experience up to the level of Senior Supervisor, Air Traffic Control, New South Wales Region. He has played leading roles in the conception, development and introduction of pilot awareness and safety seminars, simultaneous runway operations in Australia, slot flow control at Sydney Airport and helicopter lanes throughout the Sydney metropolitan area; and in the restructuring of Pacific Ocean and Tasman Sea air routes.



Belinda Gibson

Belinda Gibson is a partner of the national legal firm Mallesons Stephen Jaques, specialising in corporate law. Until March 2003 Ms Gibson was Partner in Charge of the Sydney office, responsible for overseeing administration of that office.

Ms Gibson has extensive experience negotiating corporate acquisitions, commercial transactions and joint venture arrangements in Australia and offshore. She advises some of the firm's major clients in the chemicals, airlines, technology and financial services industries, and in that role oversees all aspects of the legal service provided and gives strategic commercial advice on a wide variety of issues.

Ms Gibson has a Bachelor of Economics and Laws from Sydney University and a Master of Laws from Cambridge University.



Captain David Shrubbs

Captain David Shrubbs has extensive aviation experience, including 37 years with Qantas.

Captain Shrubbs has almost 21,000 accident-free flying hours, more than 2000 hours in supervising training and checking in Qantas simulators, extensive experience in aircraft command (including seven years on Boeing 707s, 14 years on 747s and seven years on 744s), a Commercial Pilot Licence, a Senior Commercial Pilot Licence, a Flight Navigator Licence and a First Class Airline Transport Licence. He spent 10 years as a supervisory pilot in the Qantas Flight Training Department, and six years as Manager, Flight Training. He was also Chairman of the Overseas Branch of the Australian Federation of Air Pilots for two years, followed by two years as President of the federation.



Bernard Ross Smith

Bernard Smith was appointed Chief Executive Officer of Airservices Australia on 6 November 2000.

Mr Smith joined Airservices Australia in 1998 as Chief Operating Officer to head the corporation's Air Traffic Services business. Prior to becoming Chief Operating Officer at Airservices Australia, Mr Smith was Managing Director and Chief Executive Officer of Kinetik Energy and Westar, two trading companies that resulted from the privatisation of Victoria's Gas and Fuel Corporation. His previous positions included Chief Executive Officer, Hazelwood Power and General Manager Maintenance and Engineering at Australian Airlines. He is a fellow of the Royal Aeronautical Society, and appointed to Deputy Chair of the Civil Air Navigation Services Organisation (CANSO) in June 2003.

APPENDIX 3: PROJECT SUMMARIES

This appendix briefly describes the purpose and nature of each major project in the Project Expenditure Program, highlighting outcomes and achievements in 2002–03. Major projects are those that have a budget of more than \$1 million or are of significant operational or strategic importance.

Continuing and completed projects

The following projects continued into the 2002–03 financial year.

Information Management Transformation Program

Approved budget: \$39.9 million

Estimated completion: late 2003–04

The Information Management Transformation Program (IMTP) is delivering the elements defined in Airservices Australia's information management strategy, adopted in February 2000 after a comprehensive assessment of the corporation's business system requirements.

The program covers information management governance standards and policies, system applications, and enabling infrastructure. In May 2001, SAP software was selected as the business system backbone.

An upgrade of the standard desktop and an initial document management capability were completed in 2002. The first stage of the implementation of the SAP software, supporting most key business processes, took place in June 2003. A benefits realisation plan forms part of the program.

Charging System Project

Approved budget: \$3.0 million

Estimated completion: 2003–04

The Charging System project is developing a software application to itemise and calculate billable flight data from the Operational Data Warehouse (see below), for use in the billing module of the SAP software suite.

The system will handle new and changed product definitions more flexibly, and will be integrated with the other new IMTP systems. The project began in April 2003 and is scheduled for completion in February 2004.

Operational Data Warehouse

Approved budget: \$2.6 million

Completed: February 2003

The Operational Data Warehouse project delivered a system to extract operational data from The Australian Advanced Air Traffic System (Eurocat) and non-Eurocat air traffic control towers. The system validates the information and stores it in a more accessible and functional hardware and software environment.

The corporation and the aviation industry benefit from the project through improved flight data capture, increased automation and reduced invoicing errors. The system provides improved data for business intelligence and performance monitoring, leading to a more effective service for the industry.

Aeronautical Telecommunication Network Routers

Estimated budget: \$2.0 million

Estimated completion: 2004–05

This project will provide routers as part of the global International Civil Aviation Organization (ICAO) Aeronautical Telecommunication Network (ATN). The ICAO network will connect Australia with the world's ATN equipped air traffic management providers, airlines and aircraft. Australia has been nominated as one of eight backbone router sites to support the main flow of ATN traffic in the Asia Pacific region.

The ICAO Asia Pacific Regional Plan calls for the ATN to be implemented by the end of 2005, to support ATN ground systems, such as the Air Traffic Services Message Handling System, and future ATN air-ground applications, such as automatic dependent surveillance, controller-pilot data link communication and regional flight information services.

Airservices Australia College, ATC Simulator Upgrade

Approved budget: \$1.84 million

Completed: November 2002

The upgrade of the air traffic control simulator, which is an important component of air traffic control training at the Airservices Australia College in Melbourne, was completed in November 2002.

The upgrade translated existing software code into a supportable modern language, rehosted the software on an up-to-date personal computer system, and modified the displays to emulate TAAATS controller workstations. The upgrade allows the college to provide cost-effective ab initio training to meet internal needs..

Replacement of Obsolete Microwave Links

Estimated budget: \$3.6 million

Estimated completion: 2004-05

The commencement of the replacement of Obsolete Microwave Links is related to decisions on the High Frequency (HF) and Very High Frequency (VHF) system upgrade projects. As a result this project has been deferred until 2004-05.

Data Networks Replacement Project

Estimated budget: \$7.8 million

Estimated completion: May 2004

The Data Networks Replacement project will replace the corporate and operational networks with two new and better networks. The project will provide improved security, responsiveness and availability to users by using fewer device types and sophisticated network management software. The networks are currently undergoing the last stage of factory testing.

Ground-based Regional Augmentation System

Approved budget: \$3.7 million (revised)

Estimated completion: November 2003

In May 2003, the Global Navigation Satellite Systems Panel of ICAO accepted, subject to final validation, the baseline standards and recommended practices for the Airservices Australia designed Ground-based Regional Augmentation System (GRAS). A decision on the implementation and commercialisation of GRAS will be made by Airservices Australia in the 2003-04 financial year.

ADS-B Trial, Burnett Basin

Approved budget: \$5 million

Estimated completion: September 2003

The Automatic Dependent Surveillance – Broadcast (ADS-B) trial is examining the use of the technology for aircraft surveillance in remote areas.

The project will deploy a single ADS-B ground station and modify the operational air traffic management system to process and display ADS-B information. Seventeen aircraft operating in the Burnett Basin around Bundaberg in Queensland will be equipped. The aims are to demonstrate real benefits to operators in that region and to build knowledge about ADS-B in Australia.

ADS-B technology could make cost-effective air traffic control surveillance possible in areas of Australia where radars cannot currently be justified. The success of the technology may also provide a more cost effective replacement strategy for secondary surveillance radar.

Sydney Airport Power Supply System Project

Approved budget: \$2.5 million

Completed: November 2002

The Sydney Airport Power Supply System Project upgrade has resulted in a world class, state of the art power supply.

The system provides a duplicated, redundant, parallel, uninterruptible power supply (UPS) at both the Terminal Control Unit (TCU) and the tower, with an upgrade to improve the security of supply at the Terminal Approach Radar (TAR) site. The level of redundancy achieved will allow maintenance activities to be undertaken without reducing the integrity of the UPS system. The emphasis of the design is on maintainability and security. The project power systems were all commissioned by November 2002.

Eurocat Hardware and Operating System Renewals

Approved budget: \$25.1 million

Estimated completion: August 2003

The Eurocat Hardware and Operating System Renewals project is an investment program aimed at sustaining and improving the Eurocat air traffic control and data processing display system.

The project began in 2001-02, and will replace most of the processors in TAAATS with better devices and upgrade operating systems to latest releases. Good progress has been made and most of the upgraded equipment is now in service.

Ongoing Functional Changes to the Eurocat ATC Automation System

Approved five-year budget: \$16.4 million

Estimated completion: ongoing from 2001-02

Functional changes to Eurocat will be required over the life of the system. The current expectation is that a major software release will be made approximately every six months to enable appropriate testing and training. The strategic objectives are to ensure compliance with the Australian Air Traffic Management Strategic Plan, enable responses to stakeholder issues and continue to improve the functionality and efficiency of the system.

The supporting business case for this proposal was developed in accordance with the Australian Air Traffic Management Strategic Plan.

MAESTRO Tactical Flow Management System

Approved budget: \$5.8 million

Estimated completion: September 2003 (Melbourne); October 2003 (Brisbane)

The MAESTRO Tactical Flow Management System project covers the purchase and implementation of integrated traffic flow management systems for flights arriving at Melbourne and Brisbane airports.

The system, already operational in Sydney, improves situational awareness for controllers and reduces the coordination by voice required. It has the potential to improve movement rates at the airports where it is installed. Airline customers will benefit through both more accurate predictions of arrival times and fuel savings resulting from the early reduction of aircraft speed in anticipation of delayed landings.

Renewal of Voice Switch and Control System Hardware

Approved budget: \$4.6 million

Estimated completion: 2004-05 (deferred)

The Renewal of Voice Switch and Control System (VSCS) Hardware project will replace hardware components of the VSCS for TAAATS centres and terminal control units. Elements to be replaced or upgraded include workstation components and touch screens. The work will make the system more reliable and reduce the risk of interruptions to air-ground and intercom/hotline communications.

The project was deferred following discussions with the supplier about support strategies; alternative solutions are being investigated.

TAAATS Primary Situational Display Upgrade

Approved budget: \$13.3 million

Estimated completion: 2004-05

Over a three-year period, TAAATS controller screens will be replaced with liquid crystal display (LCD) screens.

The LCD screens will also alleviate occupational health and safety issues raised by operators in regard to their use of existing screens. They will also provide savings in maintenance costs over the life of the asset.

Incorporation of Satphone into VSCS and TAAATS

Approved budget: \$2.5 million

Estimated completion: 2003-04 (deferred)

The Satphone project has been deferred indefinitely as research is required to verify the appropriateness of Satphone technology as a communications medium for air traffic control

Airservices Australia plans to conduct a study of the technology under a research and development (R&D) project that will consider issues such as the ability of a pilot or air traffic controller to maintain situational awareness when using a Satphone.

New projects

The following projects began in 2002–03.

National Airspace System

Approved budget: \$10.7 million

Estimated completion: 2004–05

Australia is embarking on a major change to airspace architecture and supporting infrastructure. Federal Cabinet has selected the National Airspace System (NAS) model, which is based on the United States system, on the recommendation of the Aviation Reform Group. The Aviation Reform Group was established by the Minister for Transport and Regional Services in early 2002 to oversight airspace and other aviation reforms for the Government.

The adoption of NAS will align Australia closely with ICAO's airspace classifications and result in a more flexible and efficient use of airspace.

Each change to the existing system will be supported by an implementation safety case and comprehensive training for air traffic controllers and pilots.

High Frequency Rationalisation and Modernisation Project

Approved budget: \$18.3 million

Estimated completion: mid 2005

The rationalisation and modernisation of Airservices Australia's international and domestic High Frequency (HF) communications systems will greatly improve the performance, operational flexibility and efficiency of the HF air–ground–air service.

HF transmissions are used for flight information, traffic information and search and rescue alerts in Australia's domestic airspace, as well as to assist separation and meteorological services for international aviation.

The existing HF air–ground–air radio system, consisting of aged (older than 20 years) and obsolete equipment installed at 17 locations across Australia, needs urgent replacement. Under the HF Rationalisation and Modernisation Project (RAMP), new radio, antenna, interface and control equipment and bearer facilities will be installed to provide the services from six Australian locations.

Very High Frequency System Upgrade Project

Approved budget: \$2 million for scope preparation (full project not yet approved)

Estimated completion: 2006–07

This project will replace all the Very High Frequency (VHF) air–ground equipment used by Airservices Australia to provide air traffic control, flight information and other information and alerting services.

The new system design and up-to-date technology will simplify the redundancy and control systems with improved performance and efficiency. The upgraded system will also provide a platform for future development of VHF services. Maintenance will be optimised through the maximum use of remote control and monitoring systems.

User Preferred Routes/Trajectories

Approved budget: \$0.6 million (seed funding for development)

Estimated overall cost: \$14 million

Estimated completion: 2012

Introduction of User Preferred Trajectories (UPTs) has the potential to greatly improve operational flexibility, and to provide economic and environmental benefits to the whole aviation industry.

Work began in early 2001, as part of the Australian Air Traffic Management Strategic Plan, to optimise the en route airspace route structure. Tasks included a review of the fixed route structure, and the development and implementation of 'flex tracks' in transcontinental airspace and of principles for the flexible use of airspace.

Approval has been granted for scoping the work and developing a business case for the phased implementation of UPTs, initially in the Tasman Sea and culminating in full UPT implementation across Australian airspace.

Flexible Use Airspace

Approved budget: \$0.4 million (seed funding for development)

Estimated overall cost: \$10.5 million

Estimated completion: 2008

Flexible Use Airspace (FUA) aims to optimise airspace use to support military and civilian operations without the traditional rigid segregation of such operations. FUA allows the full implementation of User Preferred Routes/User Preferred Trajectories.

Approval has been granted for scoping the work and developing a business case for FUA trials. If the trial results are supportive, the full project will implement FUA across Australian airspace.

APPENDIX 4: CHARTER LETTER, MINISTERIAL DIRECTIONS AND NOTIFICATIONS

Charter Letter



The Hon John Anderson MP
Deputy Prime Minister
Minister for Transport and Regional Services
Leader National Party of Australia

Mr John P C Forsyth
Chairman
Airservices Australia
GPO Box 367
CANBERRA ACT 2601

24 JUL 1995


Dear Mr Forsyth

I am pleased to provide you this new Charter Letter, which sets out strategic directions on the matters that are crucial to the achievement of the Government's commitments on aviation safety. The Charter Letter is also intended to give the Board a better understanding of the broader government policy framework in which your authority operates. I would ask the Board to treat the views expressed as strategic guidance to implement the government's policy, set out in my statement on aviation safety reform. This letter replaces the previous charter letter from the Hon John Sharp MP.

Airservices is engaged in a phase of significant change, and from the Government's perspective the structural reform process and objectives provide the primary underlying policy direction. In that context, this letter sets out a clear charter to enable Airservices to operate effectively and grow its business in accordance with Government policy.

You will recall from Mr Sharp's charter letter his reference to the importance the Government places on a future for the small businesses dependent on air traffic services, particularly in regional and rural areas. This remains a matter of fundamental significance to me. The Government amended Airservices' legislation in 1998 to reflect its responsibilities to promote and foster aviation. I view that part of your legislated responsibility as something which the Board needs to see in the context not just of its major customers, but of the areas of social priority identified by the Government. It is the Government's view that Airservices has a responsibility to operate in a way that promotes the general health of the aviation industry, but this does not require Airservices to ensure the viability of any individual operator, nor will it require that the aspirations of any particular aviation sector be met.

Airservices also has a key function in maintaining and improving the safety of Australia's air transport system. Airservices, the Australian Transport Safety Bureau (ATSB) and the Civil Aviation Safety Authority (CASA) form a tripartite structure for providing safe aviation, each with separate and distinct functions but working together as part of an integrated system. I emphasise the need for the three entities to

work together and to be seen to work together, recognising that there may at times be professional differences of opinion between the three bodies.

Structural Reform

While the working groups set up to manage the reform process have made some progress, the Government has recognised that, given the breadth of changes taking place, CASA was unable to develop the necessary entry and exit provisions and minimum safety standards for air traffic control (ATC) and rescue and fire fighting services (RFFS) by June 1999. It has now been agreed that the safety regulatory framework will be finalised by no later than June 2000.

While this is predominantly the responsibility of CASA, Airservices has an important role in the development of these regulations. I expect Airservices to continue to co-operate with the Working Groups that have been established to progress the Government's agenda of reform, in order to ensure the Government's timetable is achieved.

As I have previously advised, it is the Government's intention to phase in competition for control tower and rescue and firefighting services after the safety regulatory framework is established. The introduction of competition will not extend to the provision of terminal navigation services at this time. En route services will also remain a monopoly. Airservices will continue to provide control tower services at Sydney Airport for years to come.

In terms of the future arrangements for rescue and fire fighting services, I note that under the *Airports Act 1996*, airport operators at leased Federal airports already have the opportunity to ask me to approve alternative RFFS providers. I will not be approving alternative RFFS providers until CASA has developed the safety regulatory regime.

Business Transformation

The Government supports the efforts being made by the Airservices Board to implement its Business Transformation program. Airservices' Corporate Plan indicates significant financial and operational benefits to users and the Government as owner of Airservices that should flow from an effective implementation of the Business Transformation planning.

While the Government is supportive of the Business Transformation program, I expect the Board to ensure that Business Transformation does not pre-empt any of the outcomes from the structural reform process.

I was pleased to note that Airservices has committed to developing strong customer relations. With this in mind, I ask the Board to focus on those elements of the Business Transformation process which will move Airservices from being focussed on users through a formal consultation framework, to being focussed on customers

with individual expectations and business objectives. I have in mind the concept of performance agreements, under which both Airservices and its customers commit to particular performance levels. It may not be necessary to actually move to formal agreements, but the concept that Airservices and each of its major customers have obligations to each other is an important change in how the business itself views its working relationships.

Management of change, while continuing to provide essential air traffic services through a professional, highly skilled and motivated workforce, will present particular challenges. I am aware that the Board is very conscious of this task. However, I see it as vital that the expertise of the regulator (CASA) is brought into consideration where safety is at issue. This does not mean that Airservices cannot debate the merits of proposals or views from either CASA or the ATSB. It does mean, however, that where staff or the public raise concerns on reform related to the issue of safety, the regulator, or other relevant parties, are given the opportunity to advise upon and potentially settle issues before they become a matter of public concern. I have confidence in how the Board has handled this sensitive subject to date, but the future stages of reform may require Airservices to manage more actively claims of safety risk.

Pricing

The Government supports Airservices' pricing reforms and hence the move to location specific pricing for tower services. The subsidy for regional and general aviation towers is a clear indication of the degree to which we are prepared to support this policy. Under the agreed arrangements, Airservices must consult with the Department before making any significant changes to the services provided at the subsidised locations.

External Business Opportunities

I am supportive of the Board's efforts to grow the business. Airservices has a quality product, and should take up export and local development opportunities where they are consistent with its core business. However, I would expect you to seek my approval before taking up significant new business opportunities, and I ask you to consider thoroughly two key issues before pursuing any new business venture.

First, in the case of a joint venture, I would expect Airservices to ensure that the party concerned is not likely to bring the Commonwealth into dispute or expose the organisation and its owner to a loss of public confidence.

Second, I would want the Board to be sure that the commercial or strategic improvement to Airservices did not bring with it liabilities or exposures out of proportion to that benefit. Again, I would expect to be provided with advice on how liability issues are to be covered in all cases where Airservices moves offshore, or beyond its current business base. As an example, the exposure of Airservices and hence the Government as its sole shareholder to damages claims may be much more

than a normal insurable risk where relationships with foreign governments or their agencies are involved. Diplomatic relations issues should be considered and where relevant brought to my attention, not merely the Department of Foreign Affairs and Trade. The broad issue of the legal framework for CNS/ATM, which will involve cooperative airspace arrangements and provision of air traffic services by third parties, is being examined by ICAO with similar concerns in mind.

Governance

I have confidence that the Board is aware of its responsibilities in carrying out the strategic directions I set the organisation, and the need to keep me informed of its activities.

Given the responsibilities I have to the Parliament and the people for the services and statutory obligations upon your Board, I would appreciate receiving early and thorough advice from management of matters which may be of public interest, even if only in a particular region or area, or which I need to be aware of to carry out my Ministerial responsibilities. Indeed, I would ask the Board to be very conscious of my role as Minister for Regional Services and err on the side of caution in providing prior advice to me if Airservices is proposing significant changes to its regional business or if proposed changes may impact on regional areas.

Section 16 of the *Commonwealth Authorities and Companies Act 1997* gives statutory reinforcement to the Board's obligation to keep me informed, but in complying with this requirement Airservices needs to recognise the importance of providing me early advice on relevant issues.

As a Government-owned authority, Airservices also has a responsibility to provide advice to the Parliament and the public about its operations. I remind you of the importance of Airservices providing timely and accurate advice in response to requests for input to ministerial representations and responses to Parliamentary questions.

While Airservices is a Government commercial authority, it is not a Government Business Enterprise (GBE) and so I remain the sole responsible Minister. However, as the structural reform process proceeds the Minister for Finance and Administration, as well as other Ministers as appropriate, will be involved in important decisions on the future structure and role of Airservices, particularly in respect of corporatisation issues.

The Government intends to legislate to corporatise Airservices, to be prescribed as a GBE, after the new regulatory arrangements are completed. Corporatisation will allow Airservices to respond to the interests of customers more flexibly and improve returns to the taxpayer, while still emphasising safety and its environmental obligations.

In terms of the actual timing of corporatisation, I will be seeking to package this set of changes with the legislation required to authorise alternative service suppliers to compete for tower and firefighting services. In turn, this means that the appropriate

safety, economic, and environmental regulatory frameworks must be in place. I therefore do not anticipate passage of the necessary legislation before the second half of 2000.

In the lead up to corporatisation, I will determine which regulatory functions will remain with Airservices post-corporatisation. I shall determine the actual date in consultation with the Minister for Finance and Administration, but as you would understand, the need to progress the appropriate legislation through the Parliament may affect when corporatisation can occur.

Otherwise, the current Governance Arrangements for Airservices Australia have proved satisfactory and I do not propose any changes. The arrangements are less prescriptive than those applying to GBEs, but they still make clear that the Board has an important obligation to keep me informed of Airservices' operations. As the effective sole shareholder of Airservices Australia, I have no less a need to know the business directions of Airservices than the owner of any of Australia's major private companies. More than that, I have an obligation and an exposure to the Parliament which a private owner does not.

I am aware of the Board's concern that Airservices' Corporate Plan is a public document, and that this can compromise planning in a future competitive environment. When a contestable environment is established, I will put in place requirements that ensure the exposure of the Corporate Plan does not compromise Airservices' ability to compete effectively in those markets. Legislation will be considered if it is necessary.

Environmental Responsibilities, including Sydney Airport

As you are well aware, aviation environment issues are the subjects of significant public debate and concern, particularly in relation to aircraft noise and emissions around our major cities. The *Air Services Act 1995* explicitly places an obligation on Airservices to ensure that as far as practicable the environment is protected from the environmental effects of the operation and use of aircraft. As noted earlier, the Government considers that it is a fundamental responsibility of Airservices to treat seriously its environmental functions, corporatised or not.

I would expect the Board to understand that while the Government is supportive of the Business Transformation program, I would not expect Business Transformation to distract or affect Airservices' ability to meet its responsibilities under its Act for environmental matters, particularly implementing policies such as the Long Term Operating Plan (LTOP) in Sydney. It is for this reason that I issued the Ministerial Direction in May specifying the particular environmental responsibilities and tasks that Airservices is required to undertake. The Direction explicitly requires Airservices to be pro-active in improving the environment in relation to managing aircraft operations and its other activities.

It is important to recognise that post-corporatisation, Airservices will continue to take responsibility for a range of environmental matters because of the nature of its ongoing activities. Managing the environmental issues that relate to your business is

and will remain a core activity, even after incorporation. Indeed, any model I could envisage for contestability would similarly require a regulated planning and environmental assessment process and an obligation to continue to meet the expectations of Government and the community for managing the adverse effects of aircraft operations on the environment.

The undoubted success of the Government's "noise sharing" policy in Sydney through the development and implementation of the LTOP is a credit to Airservices. The management and people in your organisation have tackled this very difficult task with complete professionalism and dedication. Importantly, they have also embraced a cultural change in the way in which the organisation works with the industry and the community in dealing with environmental issues around an airport. The Government would expect that this effort continue in Sydney and other locations.

Sydney Olympics

Airservices is a major public sector body that must play an essential role in supporting Australia's image before the world at the time of the Olympic Games. I would not wish relatively minor costs or the traditional way of managing Airservices' business to prevent it taking a very active hand in managing the special air traffic demands which will occur at the time of the Olympic Games. Just as major Australian corporations see it as an obligation and a way of giving something back to the community to support this unique occasion, so I expect Airservices to make a special effort to meet the interests of Games organisers, to the fullest extent allowed under your legislated responsibilities.

Y2K

The importance of Airservices being Y2K compliant before 1 January 2000 cannot be overemphasised. I am extremely pleased with the progress you have made to date, and I look forward to receiving regular updates from you on progress in this area.

ICAO

Whilst the Department of Transport and Regional Services, on behalf of the Government, has prime responsibility, Airservices plays an essential role in Australia's participation in the activities of the International Civil Aviation Organization (ICAO). Key amongst the contribution made by Airservices is the technical assistance that it provides, within the overall portfolio effort, in support of a number of ICAO Annexes. This role brings with it a commitment to the provision of subject matter experts for ICAO Panels and other relevant activities.

The advent of competition in some of the tasks undertaken by Airservices may, over time, place some stresses on this role, but it is important that Australia maintains the level and quality of its contribution. The Government expects Airservices to maintain a level of commitment appropriate to its functions, in the national interest and also to

assist Airservices keep fully abreast of international developments. Should Airservices face the prospect of significant competition in an area where it is also making a major contribution to the maintenance of Australia's international interests in ICAO, arrangements will be made to ensure the burden is fairly shared.

Airspace Management

In my letter to you of 28 April 1999, I outlined the Government's decision that, at least until its corporatisation, Airservices is to retain responsibility for the design, declaration and management of airspace. CASA will retain the responsibility of setting the minimum standards for the safe operation of each class of Australian airspace, and the procedures to be used by air traffic controllers and pilots in each class of airspace. It will also be able to require the upgrading of a particular zone of airspace on safety grounds. Where CASA proposes such a change, it will identify a clear safety justification for the change and accompany the proposal with supporting evidence in the form of a safety case. The issue of airspace management post corporatisation of Airservices is an issue the Government will be considering during the corporatisation process.

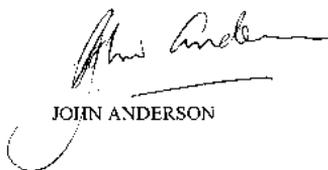
I would appreciate advice on Airservices' progress in developing, for the Government's consideration by the end of this year, a program for airspace reform which is internationally harmonised and consistent with International Civil Aviation Organization (ICAO) standards. As I have told you, the program is to address timeframes, priorities and mechanisms for implementation and is to be developed in close consultation with industry and other key stakeholders such as the Department, CASA, ATSB and Defence.

You may wish to consider developing a Memorandum of Understanding with CASA to establish the detailed arrangements for carrying out the Government's decision.

Conclusion

I am confident that the strategic directions that I have set out will strengthen Airservices, and allow it to grow as a business while still ensuring that it plays its part in maintaining and improving the safety of Australia's air transport system.

Yours sincerely



JOHN ANDERSON

Ministerial directions to Airservices Australia

New directions

The Minister made no formal directions to Airservices Australia during, or after the end of, the financial year.

Ministerial directions from previous financial years

Table 4

Calendar year	Reference number and/or date of issue	Subject
1996	29 May	Responsibility for handling noise complaints
1996	M138/96, 14 September	Runway 34R take-offs at Sydney Airport
1997	30 July	Sydney Airport Long Term Operating Plan
1999	M30/99, 18 March	Instrument landing system, Sydney Airport
1999	M37/99, 3 May	Environmental effects of aircraft
2001	M33/2001, 24 December	En route charges for aircraft to 15 tonnes
2002	MAVN 16/2002, 14 March	Precision Runway Monitor approaches, Sydney Airport
2002	TREG 09/2002, 14 May	Limitations on PRM approaches, Sydney Airport

Notifications to the Minister by Airservices Australia

No significant events, as defined in section 15 of the *Commonwealth Authorities and Companies Act 1997*, were notified to the Minister during 2002–03.

APPENDIX 5: STAFF RESOURCES AND STATUTORY INFORMATION

Occupational health and safety

In accordance with sections 68 and 74 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991*, this report provides information on occupational health and safety (OHS) matters within Airservices Australia in 2002–03.

National Consultative Council occupational health and safety subcommittee

The OHS subcommittee of the National Consultative Council, composed of corporation management and union representatives, met twice in 2002–03. The OHS Steering Committee, a management-level committee, also met on two occasions.

Occupational health and safety incidents

During 2002–03, 28 dangerous occurrences, 17 serious personal injuries and two incapacities were reported to Comcare.

Occupational health and safety agreement

The OHS Agreement between the corporation and unions was revised and relaunched during the year. It commits the corporation to establishing effective consultative processes between managers and staff, facilitating continuous improvement in occupational health and safety.

Occupational health and safety initiatives

A voluntary influenza inoculation program was introduced across most corporation business centres in 2002–03.

An executive medical assessments program was introduced for the corporation's senior management group during the year. The program consists of a three-yearly physical examination and laboratory investigations to provide indicators on general health, identify risk factors for cardiovascular and respiratory disease, and form the basis for discussions on lifestyle factors.

Workers compensation

Airservices Australia's workers compensation premium for 2002–03 was set at 0.50 per cent of salary and wages expenditure. The Commonwealth average was 1.13 per cent.

The compensation premium continued to be costed to individual business centres. When premium costs are allocated, the devolution of costs model takes into consideration the proportion of the corporation's wages and salaries expended by each business centre, and the centre's claims history.

A review of high cost pre-premium compensation claims was initiated, in partnership with Comcare. This initiative promises to provide significant cost reductions in the corporation's pre-premium cost liability.

Comcare investigations

Comcare carried out a follow up investigation of the previous year's whole-of-agency audit at Air Traffic Management, Melbourne Centre Operations.

A follow up investigation was also carried out by Comcare in relation to a reactive investigation undertaken in the 2001-02 period.

Notices

One provisional improvement notice was issued during 2002-03.

Equity and diversity

The National Equity and Diversity Program 2001-2004 ensures that the corporation complies with relevant employment and antidiscrimination legislation. The current program is the corporation's third, and is sponsored by the General Manager Air Traffic Management, Mr Andrew Fleming. The program is clearly linked to the corporation's business planning processes and identifies action items required to achieve absence of discrimination and harassment, enhanced cultural diversity, flexibility at work, implementation of the disability action plan, and compliance with legislation.

Highlights of the equity and diversity program in 2002-03

An online training program in equity and diversity continues to raise awareness of these issues within the corporation. This year 93 staff completed the program.

An English in the Workplace program was implemented for a group of employees working in a technical area. A staff mentoring program trial, established in 2001-02, was evaluated and extended to staff in Canberra, Sydney and Melbourne. The corporation sponsored nine women to attend the Australian WomenSpeak conference in March 2003, and Harmony Day was celebrated on 21 March 2003 to honour cultural diversity.

Harassment and discrimination

The corporation has 47 equity and diversity contact officers, who provide information and support to staff on equity and diversity issues and gather quarterly figures on harassment and discrimination complaints within their areas. Reports are presented at Equity and Diversity Council meetings and to the National Consultative Council.

Commonwealth Disability Strategy

Under the Commonwealth Disability Strategy, Airservices Australia fulfils provider and employer roles.

As a provider, the corporation deals with the aviation industry and with aviation customers, including individual members of the Australian community. We are required to provide services to continually improve our performance in meeting the needs of customers with disabilities. During the year we ensured that corporate information was available in a variety of formats for people with disabilities.

In its employer role, the corporation aims to eliminate disability discrimination in the workplace through its equity and diversity program. During 2002–03, the corporation purchased a motorised scooter for a Melbourne staff member with multiple sclerosis and funded a hearing impaired staff member based in Perth to attend the World Congress of the World Federation of the Deaf in July 2003.

Protective security

On 20 December 2002, the Commonwealth Auditor-General tabled in Parliament a report titled *Physical Security Arrangements in Commonwealth Agencies*. Airservices Australia was one of seven agencies whose physical security arrangements were checked by the Australian National Audit Office (ANAO) during the audit. The ANAO forwarded to the corporation a separate and detailed report on its observations and recommendations, titled *Report to Airservices Australia (Airservices) on Physical Security Arrangements*, dated September 2002. A number of recommendations of the report were implemented in 2002–03.

A member of staff also attended a review of the parliamentary report by the Joint Committee of Public Accounts and Audit to answer questions on behalf of the corporation.

The Bali bombings on 12 October 2002 and Australia's commitment of troops to the war in Iraq in March 2003 led to increased concern about terrorist threats to aviation interests in the region. Following risk reviews and security compliance checks, contingency plans were reviewed and long-term security infrastructure improvement plans were developed.

The Enterprise Security Working Group continued to manage protective security outcomes, including the maintenance of risk registers and action plans. Members of the group attended a range of security training courses during the year.

Privacy

The *Privacy Act 1988* requires Airservices Australia to maintain a record of personal information held by the corporation, in accordance with clause 3 of Information Privacy Principle 5, including the following details:

- the purpose for which the records are kept
- the class of individuals to which the records apply
- the period for which the records are kept
- details of how individuals can get access to records about themselves.

The corporation's record is contained in the Register of Personal Information Digest, which is available on the website of the Office of the Federal Privacy Commissioner at <www.privacy.gov.au>.

The corporation's staff attended Privacy Contact Officer network meetings conducted by the Privacy Commissioner, and undertook privacy training provided by the Attorney General's Department, during 2002–03.

Fraud control

Airservices Australia has fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet its needs and, where required, those of the Commonwealth Fraud Control Guidelines.

In 2002–03 the corporation:

- undertook fraud investigations training provided by the Australian Federal Police
- completed a fraud risk review as part of the process of updating its Fraud Control Plan
- referred two fraud matters to the Australian Federal Police.

In addition, Chief Executive Officer Mr Bernie Smith certified that fraud risk assessments and a Fraud Control Plan had been prepared (see Appendix 13 for details).

Freedom of Information

The *Freedom of Information Act 1982* (FOI Act) requires Commonwealth Government agencies to make available information about their organisations, functions and operations, and about rules and practices they use in making decisions which affect members of the public.

FOI Act section 8 statement

This statement is set out under the following headings for ease of access:

1. Powers and functions
2. FOI procedures and initial contact point
3. Consultative arrangements
4. FOI activity for financial year 2002–03
5. Ombudsman activity for financial year 2002–03
6. Categories of documents
7. Categories of documents available for purchase.

1. Powers and functions

Airservices Australia's legislative framework and functions are presented in the Introduction and Corporate Profile sections of this report. The corporation also maintains an internet site at < www.airservicesaustralia.com >. This site contains information about the corporation's functions and responsibilities, and provides access to public information such as airport movement statistics, operational information for Sydney Airport, pricing information, and press releases. In addition, the site provides access to the corporation's Publications Centre site, which includes information on the documentation available for purchase, and a comprehensive price list.

2. FOI procedures and initial point of contact

As the Principal Officer for the purposes of the FOI Act, the corporation's Chief Executive Officer holds the power to grant or refuse access to any document held by the corporation, and has authorised certain officers to exercise those powers on his behalf. Within the corporation FOI is centralised and managed from the Office of Legal Counsel. The Coordinator FOI and Inquiries, in consultation with relevant business centre managers, makes initial access decisions and decisions relating to imposition of charges.

The corporation usually provides copy access in response to requests. In certain circumstances the fee is not required or can be waived.

In accordance with the requirements of the FOI Act, an FOI access request must be made in writing to the Coordinator FOI Inquiries (see contact details below), enclosing a \$30 application fee and forwarding address.

Applicants should provide as much information as possible about the requested document(s) or category of documents. Providing a telephone number will facilitate clarification of a request if necessary. Applicants are encouraged to contact the Coordinator FOI if they have any queries or concerns in relation to making a request for access for documentation.

The address for lodging requests for access is:

Coordinator
FOI and Inquiries
Office of Legal Counsel
Airservices Australia
GPO Box 367
Canberra ACT 2601

Telephone:(02) 6268 5108

Facsimile:(02) 6268 5148

3. Consultative arrangements

Airservices Australia welcomes views and comments, from members of the public and bodies outside the Commonwealth administration, on its policy formulation and administration of its legislation. A number of avenues for consultation with the general public are maintained by the corporation. They include:

- consultative committees
- the internet site <www.airservicesaustralia.com>
- Airport Community Consultative Committees
- written communication direct to the Minister, Board, Chief Executive Officer, Executive, and Business Centre managers
- telephone inquiry services
- industry briefings
- locally advertised public meetings
- locally advertised pilot briefings.

In addition, Airservices Australia is a member of a number of external bodies, including local and international aviation bodies. Those bodies include:

- the International Civil Aviation Organization (ICAO) Regional Core Planning Group
- ICAO Air Transport Panels
- the ICAO Legal Panel
- ICAO Technical Committees
- ICAO Air Navigation Commission panels and study groups
- regional planning groups
- the National Association of Testing Authorities
- the Air Coordinating Committee and its subcommittees
- Sydney Airport and Basin development committees
- ICAO committees on the promulgation of technical standards and recommended practices.
- the International Air Transport Association
- Joint Airservices Australia–Defence working parties and/or committees
- the Sydney Airport Community Forum
- the Sydney Long Term Operating Plan Implementation and Monitoring Committee
- the Central Traffic Management System Steering Group
- the Airport Development Committee
- the Regional Airspace Users Advisory Committee
- the Australian Firefighters Council.

4. FOI activity for financial year 2002–03

The table below provides statistical information on Airservices Australia's FOI activity for the financial year 2002–03.

Table 5 Freedom of information statistics, 2002–03

Activity in 2002–03	Numbers
Requests:	
• On hand at 1 July 2002	1
• New requests received	23
• Total requests handled	24
• Total requests completed at 30 June 2003	22
• Outstanding at 30 June 2003	2
Action on requests:	
• Access in full	2
• Access in part	11
• Access refused	3
• Access transferred in full	1
• Request withdrawn	5
Response times:	
• 0–30 days	22
• 31–60 days	-
• 61–90 days	-
• 90+ days	-
Internal review:	
• Requests received	-
• Decision affirmed	-
• Decision amended	-
Review by Administrative Appeals Tribunal:	
• Applications received	-

5. Ombudsman activity in 2002–03

During the Financial Year 2002–03, Airservices Australia responded to three formal requests for information from the Office of the Commonwealth Ombudsman, and provided information on an informal basis on a number of issues.

6. Categories of documents held by Airservices Australia

The categories of documents listed below are held by the Head Office or regionally located offices or in an approved off-site secure storage area. Documents are maintained in various forms including paper file records; microfiche records; computer records; charts; and compact disk, cassette, audio and digital tape formats.

The following list provides an indication of the types of documents held by Airservices Australia:

- legislation affecting Airservices Australia
- financial planning and pricing records and associated documentation
- financial information related to collection of airways charges
- taxation working documents
- Treasury records
- insurance files
- Corporate Property business unit files, policy documents and database records
- contracts and agreements
- procurement guidelines
- contract precedent documentation
- financial statements and working papers
- financial reporting documentation
- financial records, including database held data
- financial systems instruction and training manuals
- budget reports, general ledger records, procedures and manuals
- project records, including financial data, approvals, briefs, plans, designs and commissioning reports
- Business Transformation Program records
- Board records, including submissions, minutes and action records
- management meeting records, including submissions, records and minutes
- workplace agreements
- service charter documentation
- ministerial briefing papers and general ministerial correspondence
- policy advice, instructions and working papers

- legal records, documents, instruments, precedents and advice
- working party and committee reports
- statistical information
- general correspondence
- internal administration documents relating to Airservices Australia and its operations, including financial and resource management records, internal operating procedures, policy and procedures manuals and instructions
- employee file records
- employee database held records
- project, task and/or issue-specific records
- information technology documents, including policy, procedures, specifications, instructions, manuals, standards, reports, maintenance records and asset records
- information technology systems back-up tapes
- computing operations manuals
- quality management records, procedures and manuals
- service and employment agreements
- personnel management records
- FOI Act activity records
- occupational health and safety records
- corporate and strategic plans
- equity and diversity records
- media reports and press releases
- Aeronautical Information Circulars
- Aeronautical Information Publications
- project management policy, manuals, processes and procedures
- project records, including schedules, contracts and financial records
- tenders, bids and/or submissions for external works
- original contract documents
- contract precedent database documents
- communication systems related documents including systems handbooks, aeronautical engineering instructions, drawings, reports, configuration documents and policy documents
- other policy and procedures manuals – both personnel and operational
- technical documents related to communications, surveillance, navigation, testing and maintenance systems and engineering
- specifications, instructions, manuals, standards, procedures, reports, maintenance records, plans and asset records

- memorandums of understanding and agreement with various bodies, both within Australia and overseas
- documentation of radar tapes and analyses
- business management documents, business plans, cases and reports, and service agreements
- data communications operations manuals
- environment related standards and procedures
- records of assessment under Air Navigation (Aircraft Noise) regulations
- Australian Noise Exposure Forecasts
- Australian Noise Exposure Concepts and associated documents
- Australian Noise Exposure Indices
- reports of noise measurements made by Noise and Flight Path Monitoring System
- reports on environmental assessments
- maps, charts and research and investigation records
- statistical information on operations at various airports
- database records of telephone inquiries and aircraft noise complaints
- air traffic control and separation policy, guidelines, standards, instructions and manuals
- air traffic control training records
- air traffic control training standards, curriculum, syllabus and examination records
- air traffic control procedure development records
- air traffic control and flight service daily logs and journals
- air traffic control and flight service audio tape communications
- air traffic control and flight service personnel operational records
- technical and operational documentation
- airport emergency planning documentation
- safety standards procedures and documents
- navigational maps and charts
- aircraft accident and/or incident data
- aircraft movement data
- audit reports and records, including on safety cases
- aviation accident, incident and investigation records
- safety and surveillance system records and manuals
- Australian Rescue and Firefighting (ARFF) general bulletins and operational bulletins
- ARFF policy and procedures documentation
- policy documents related to recruitment, occupational health and safety, hazardous materials, and fire safety policy

- Australian firefighting manuals
- Australian Fire Competency documents, including policy and training manuals, module descriptors, assessment manuals and associated records
- ARFF engineering instructions and bulletins
- training/instruction manuals for ARFF systems
- the ARFF Total Quality Management Manual
- various publications available for public sale through Airservices Australia's Publications Centre
- operational documents and aeronautical charts for pilot navigation and flight planning
- pilot education material
- internal staff publications
- aeronautical information publications and operational charts, including en route information and world aeronautical charts.

7. Categories of documents available for purchase

Airservices Australia has a wide range of documents available for purchase from its Publications Centre in Canberra. The collection of documents includes publications produced internally and externally. The documents available include:

- Airservices Australia and Civil Aviation Safety Authority regulatory and operational documents
- logbooks – aircraft
- logbooks – pilot, operational notes, and syllabus
- aerodrome reference books
- Air Transport Pilot Licence training manuals
- engineering reference books
- general reference books
- Global Positioning System titles
- helicopter reference books
- human performance factor books
- meteorology reference books
- navigation products
- Private Pilot Licence/Commercial Pilot Licence training manuals
- practice exams
- videos
- chart packages.

A comprehensive list of Airservices Australia publications available for purchase, including purchase prices, is available from the Publications Centre at:

Locked Bag 8500
Canberra ACT 2601

Telephone: 1300 306 630 (local call cost)

Facsimile: (02) 6268 5111

Website: <www.airservicesaustralia.com/publications>

Superannuation

Airservices Australia's employer superannuation arrangement complied with the requirements of the *Superannuation Benefits (Supervisory Mechanisms) Act 1990* as prescribed by the Minister for Finance in Determination No. 1 of 1994, made under the Act and dated 30 June 1994.

Consistent with the terms of the Airservices Australia Certified Agreement 2002–2005 and the Airservices Australia Certified Agreement 2002–2005 (Air Traffic Control and Supporting Air Traffic Services), the defined benefit section of the AvSuper Fund was closed to new staff employed under those agreements, from 5 August 2002 and 25 October 2002 respectively. All new employees are admitted to AvSuper as members of the accumulation section of the fund. Existing employees who were members of the defined benefit section of AvSuper were given the opportunity to transfer their superannuation entitlements to the accumulation section; the opportunity to transfer closes on 29 February 2004.

APPENDIX 6: STAFFING STATISTICS

The following tables provide details of Airservices Australia's staffing profile in 2002–03.

Table 6 Total number of employees by classification and state, 2002–03

Job type	ACT	NSW	NT	Qld	SA	Tas.	Vic.	WA	Total
Clerical Administration	142	20	1	59	5	–	36	3	266
Airways System Data Officer	1	8	–	37	–	–	39	–	85
Air Traffic Controller	15	160	6	379	49	12	307	50	978
Air Traffic Controller (Trainee)	–	–	–	8	–	–	40	–	48
ATS Support Specialist	13	6	–	9	2	–	16	–	46
Engineer	6	1	–	3	–	–	3	–	13
Aviation Fire Fighter	20	55	50	167	33	36	68	64	493
Flight Info Services Officer	–	–	–	42	–	–	–	–	42
Flight Data Coordinator	–	–	–	14	–	–	11	–	25
Flight Services Officer	–	–	–	48	–	–	–	–	48
Information Technology Officer	16	1	–	1	–	–	2	–	20
Management	176	24	4	70	3	1	51	11	340
Senior Engineer	18	2	–	7	–	–	7	–	34
Senior Information Tech. Officer	13	1	–	1	–	–	2	–	17
Senior Technical	7	6	1	22	–	1	9	–	46
Technical Officer	17	64	14	134	28	6	89	32	384
Total	444	348	76	1001	120	56	680	160	2885

Table 7 Total number of employees by classification and gender, 2002–03

Job type	Female	Male	Total
Clerical Administration	187	79	266
Airways System Data Officer	16	69	85
Air Traffic Controller	86	892	978
Air Traffic Controller (Trainee)	7	41	48
ATS Support Specialist	5	41	46
Engineer	4	9	13
Aviation Fire Fighter	6	487	493
Flight Info Services Officer	7	35	42
Flight Data Coordinator	6	19	25
Flight Services Officer	6	42	48
Information Technology Officer	4	16	20
Management	38	302	340
Senior Engineer	–	34	34
Senior Information Tech. Officer	1	16	17
Senior Technical	–	46	46
Technical Officer	3	381	384
Total	376	2509	2885

Table 8 Total number of employees by state and gender, 2002–03

Gender	ACT	NSW	NT	Qld	SA	Tas.	Vic.	WA	Total
Female	137	37	1	105	6	4	84	2	376
Male	307	311	75	896	114	52	596	158	2509
Total	444	348	76	1001	120	56	680	160	2885

APPENDIX 7: JUDICIAL DECISIONS AND REVIEWS BY OUTSIDE BODIES

Judicial decisions

There were no judicial decisions or decisions of administrative tribunals during 2002–03 that had, or may have, a significant impact on the operations of Airservices Australia.

Reports

During 2002–03, Airservices Australia received no reports on its operations from parliamentary committees or from the Commonwealth Ombudsman. See Appendix 5 for details of an Australian National Audit Office report on physical security with relevance to Airservices Australia.

APPENDIX 8: INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICERS

In 2002–03, Airservices Australia held a directors and officers liability insurance policy. It is a condition of this policy that the nature of the liability indemnified, the limits of liability and the premium payable not be disclosed to third parties except to the extent that:

- Airservices Australia is required to do so by law, or
- the insurer consents in writing to such disclosure.

APPENDIX 9: NOISE COMPLAINTS STATISTICS

Table 9 gives comparative comparable statistics on noise complaints made by telephone, by region, in the past two years.

Table 9 Number of telephone complaints about noise, 2002–03

Airport	Complaints		Change	Comments
	2001–02	2002–03		
Sydney	11,959	4,558	61.89 per cent decrease	The number of individual complainants decreased by 10.8 per cent to 1269. However of the 4,558 complaints received in 2002–03, 2931 were made by 47 people. Of these 47, seven were responsible for generating 1666 complaints. These seven people made between 118 and 423 complaints each during the reporting period.
Melbourne (including Moorabbin, Essendon, Avalon, Point Cook)	290	327	12.76 per cent increase	The number of complaints for Avalon was 23 and for Point Cook 12 – of those for Avalon, 17 were made in one day.
Canberra	69	68	1.45 per cent decrease	No significant change.
Tasmania	47	32	31.91 per cent decrease	No identifiable reason for decrease.
Brisbane (including Coolangatta)	6,459	774	88.02 per cent decrease	A single Brisbane household, which was responsible for 5,241 complaints in 2001–02, substantially reduced its complaints in 2002–03.
Cairns	49	98	100 per cent increase	The 2001–02 figure was the total of all complaints for the airport, and included 35 complaints about noise. The increase in 2002–03 was due to the flow-on effects of weather patterns and increased awareness by a community group.
Adelaide (including Parafield)	190	194	2.11 per cent increase	Includes 10 complaints from two households.
Perth (including Jandakot)	465	577	24.09 per cent increase	No confirmed reason for increase; perhaps due to weather conditions.

Note: Inter-airport comparisons may not be valid, as data collection methods differ.

APPENDIX 10: STANDARDS OF SERVICE CHARTER

Airservices Australia's Standards of Service Charter establishes the standards of service you can expect from Airservices Australia and the options available to you if you believe these standards are not being met.

Our aspiration

Empowering people to lead through excellence and innovation

Our mission

To be the preferred global partner for air traffic and related aviation services

We will achieve this through:

- keeping safety first
- being an employer and service provider of choice
- world best operations
- profitable growth of commercial activities
- responsible environmental management.

Our values

In achieving our ambitious goals, we recognise the need for honesty, accountability and strong leadership to engender a spirit of unity and trust.

The services we provide

The services provided by Airservices Australia are stipulated by the *Air Services Act 1995* and the Chicago Convention on International Civil Aviation, and include:

- airspace management
- air traffic control
- traffic and flight information
- navigation services
- aeronautical information
- aviation rescue and fire fighting
- environmental regulation and monitoring.

These services are provided from facilities at all major Australian airports and from two purpose-built centres adjoining the Brisbane and Melbourne airports. A system of navigation aids across Australia is also maintained by Airservices Australia. The services are delivered by three operating groups: Air Traffic Management, Airport Services and Infrastructure Support Services.

Our commitment to service

In achieving our goals, we recognise the need for honesty and accountability.

In serving you, and in exercising our legislative powers and functions, we will:

- pursue safety as our highest priority
- protect the environment as far as practicable
- perform our functions and deliver our services consistent with our international aviation obligations and in accordance with civil aviation standards and recommended practices
- consult with key stakeholders about our service delivery and investment priorities.

Our service standards

- You will be treated with courtesy and our staff will provide all necessary assistance.
- Every inquiry will be answered promptly.
- All requests for information or assistance will be met directly or referred to the appropriate person as required.
- Requests for information or assistance will be dealt with as soon as practicable but, if possible, within seven days for verbal requests and 21 days for written, faxed or emailed requests. An interim response will be provided as acknowledgement if any longer delays are likely.
- A contact name, address and telephone number will be given in all correspondence.
- Technical and operational information will be timely and accurate and provide sources of additional information as appropriate.
- Airservices Australia staff will be kept up to date with the direction of the corporation.
- Sensitive and confidential material will be handled so that the rights of the individual and the requirements of the corporation will be considered.

How to make a complaint

If you are not satisfied with our services or any matter related to our service provision, you can use any of the following methods to make your complaint.

- Attempt to resolve the particular problem with the staff member you are dealing with.
- If you are not satisfied with the outcome, talk to the staff member's manager.

- If the above methods are not appropriate, write, fax, email or telephone the manager in charge at the respective location.
- If this is impractical or undesirable, write to or telephone the relevant General Manager who will respond as soon as practicable.
- If you are still not satisfied with how your complaint has been handled, you can write to the Commonwealth Ombudsman at GPO Box 594, Canberra ACT 2601.

Feedback

We welcome your feedback, whether it be negative or positive. If you wish to make a comment or suggestion about our service or an issue, please contact us by phone, mail or fax (see contact details below). Your suggestions can help us to provide a better service to you.

Further information

For further information contact:

The Manager, Corporate Communication
Telephone: (02) 6268 4479
Facsimile: (02) 6268 5688

write to:

The Chief Executive Officer
Airservices Australia
GPO Box 367
Canberra ACT 2601

visit the Airservices Australia website:
<www.airservicesaustralia.com>

or visit the Head Office:

Alan Woods Building
25 Constitution Avenue
Canberra ACT 2601

Telephone: 1300 301 120
Facsimile: (02) 6268 5683

APPENDIX 11: GLOSSARY

ACC	Area Control Centre (of Mauritius)
ACS	Australian Construction Services
ADS-B	Automatic Dependent Surveillance – Broadcast
AO	Officer of the Order of Australia
AOC	Air Operators Certificate
ARFF	Aviation Rescue and Fire Fighting
ARMS	Advanced Risk Management System
ATN	Aeronautical Telecommunication Network
ATS	Air Traffic Service
BOS	breakdown of separation
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CASA	Civil Aviation Safety Authority
CASRs	Civil Aviation Safety Regulations
CEO	Chief Executive Officer
DCA	Department of Civil Aviation (of Mauritius)
EBIT	earnings before interest and tax
EMS	Environmental Management System
Equity and Diversity Council	An Airservices Australia council established to facilitate the achievement of Airservices Australia's equity and diversity objectives
Eurocat	Eurocat 2000 Air Traffic Management System – air traffic management automation product used by Airservices Australia
FOI Act	<i>Freedom of Information Act 1982</i>
GNSS	Global Navigation Satellite Systems
GPS	Global Positioning System
GRAS	Ground-based Regional Augmentation System
HF	high frequency
ICAO	International Civil Aviation Organization
ILS	Instrument Landing System
IMC	Implementation and Monitoring Committee

IMTP	Information Management Transformation Program
ISO	International Organization for Standardization
ITO	Information Technology Officer
KPI	key performance indicator
LCD	liquid crystal display
LTOP	Sydney Airport Long Term Operating Plan
MAESTRO	Tactical sequencing tool for the sequencing of aircraft arrivals
MP	Member of Parliament
NOTAM	Notice to Airman services
OHS	occupational health and safety
OOLC	Office of Legal Counsel
PRM	Precision Runway Monitor
RCA	request for corrective action
RVSM	Reduced Vertical Separation Minima
SACF	Sydney Airport Community Forum
SAP	Systems, Applications and Products in data processing (a commercial brand)
SARS	Severe Acute Respiratory Syndrome
Satphone	satellite telephony
TAAATS	The Australian Advanced Air Traffic System
TAR	Terminal Approach Radar
TCU	Terminal Control Unit
TMA	Terminal Manoeuvring Area
UPTs	User Preferred Trajectories
VHF	very high frequency
VSCS	Voice Switch and Control System

APPENDIX 12: COMPLIANCE INDEX

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Any operational problems are addressed within the text of the Report of Operations and in Project Summaries where appropriate.

APPENDIX 13: FRAUD CONTROL DOCUMENTS



AIRSERVICES AUSTRALIA

FRAUD CONTROL DECLARATION

I, Bernard Ross Smith, Chief Executive Officer of Airservices Australia, certify that fraud risk assessments and a Fraud Control Plan have been prepared, and that appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes complying with Commonwealth Fraud Control Guidelines are in place.

DATED *September 9th* 2003

B.R. SMITH
Chief Executive Officer

AIRSERVICES AUSTRALIA
From the Office of the Chief Executive

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GENERAL INDEX

[TO BE INSERTED]

