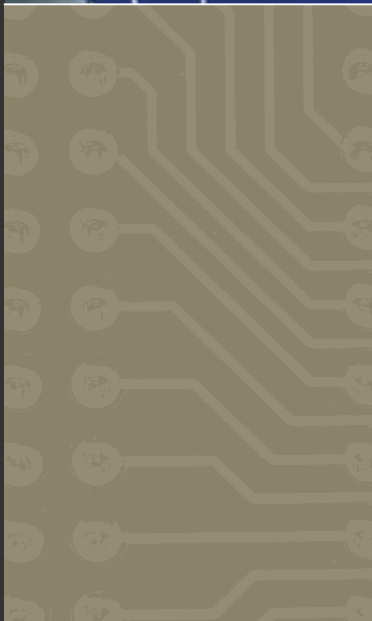
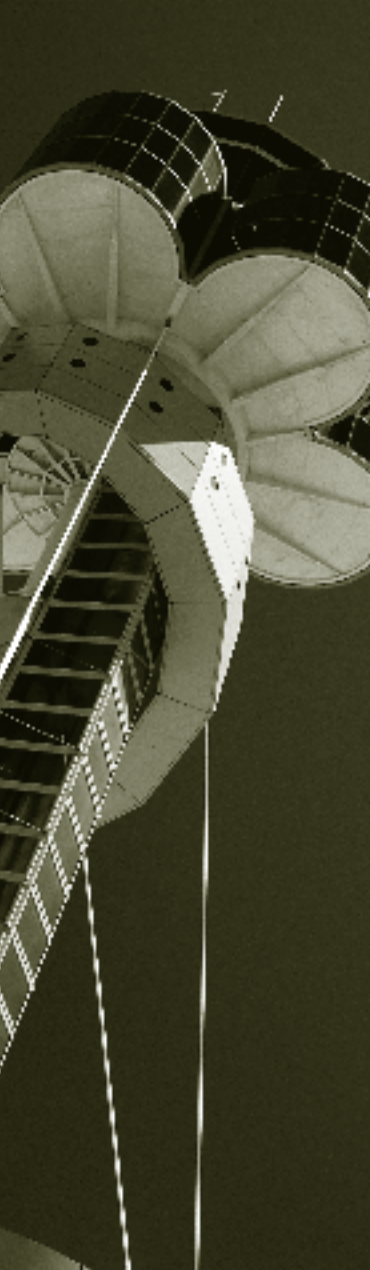




AIRSERVICES AUSTRALIA



ANNUAL REPORT 2003–2004



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ANNUAL REPORT 2003–2004



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## LETTER OF TRANSMITTAL

September 2004

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 2003 to 30 June 2004.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'L. Fisher', written in a cursive style.

**Air Marshal Leslie Fisher, AO** (Retired)  
Acting Chairman



## CHAIRMAN'S REPORT

In 2003–04, in the lead-up to Airservices Australia's tenth anniversary, we faced some of our most difficult challenges.

Public interest in aviation incidents increased after the introduction of the National Airspace System (NAS) Stage 2(b) in November 2003. Early in 2004 we began a comprehensive program of risk review and assessment. A number of safety enhancements are now under active consideration as a result of the application of new risk quantification techniques, and in the new financial year the Board will take a decision on what, if any, changes are required to NAS Stage 2(b). The corporation remains committed to the NAS program and is preparing a five-year end state model for NAS.

The air transport industry recovered significantly during the period, with sustained increases in movements through the Australian Flight Information Region. However, increased fuel costs and nervousness surrounding the Iraq War and the War on Terrorism continue to dampen future prospects.


An extensive examination in the first half of the reporting period provided the framework for a long-term pricing strategy for customers, in accordance with recommendations made by the Australian Competition and Consumer Commission. This five-year strategy will provide the surety the industry seeks from us about future pricing arrangements.

The corporation continued to demonstrate global leadership in the identification and implementation of new technologies that will secure improved safety, efficiencies and reduced costs for the aviation community. The Board approved the acquisition and installation of Automatic Dependent Surveillance—Broadcast (ADS-B) ground stations to provide, for the first time, radar-like coverage in upper level airspace across Australia. The Board also approved major programs for the modernisation of high frequency and very high frequency communications equipment, navigational aids and services during 2003–04.

We have made significant progress in preparation for the removal of the corporation's regulatory functions. Arrangements were finalised for the establishment of an independent Airspace and Environment Regulatory Unit within the corporation from 1 July 2004. This segregates these regulatory functions from the corporation's operations and streamlines the process of moving towards full corporatisation.

During the year, John Forsyth resigned as Chairman—a position he had held since 1996. As his deputy for the past three years and a fellow director since 1999, I was proud to serve with John and experience first hand his unswerving dedication to safety, his business acumen and leadership, and his drive and commitment to airspace reform and furthering the interests of aviation in Australia. On behalf of my fellow directors, I thank John for his tireless efforts and honour his stewardship of the significant initiatives and reforms he guided during his term. His departure was a big loss to the corporation.





I publicly thank my fellow directors for their continuing support and commitment to ensuring that Airservices Australia remains at the forefront of global air navigation service provision. These 12 months have been particularly demanding, and have placed sometimes extremely heavy workloads on top of already busy lives. In particular, my thanks go to directors Ron Entsch and Kevin Gale, whose terms expire early in the new year.

I would also like to record the Board's appreciation to Airservices Australia's staff and management for their continuing professionalism and their dedication to ensuring the corporation's long-term sustainability.



**Air Marshal Les Fisher AO** (Retired)

Acting Chairman

30 June 2004



## CEO'S REPORT

In 2003–04, unlike in previous years, the major factors affecting the operations and activities of Airservices Australia were mainly domestic, rather than international. Most airline and airport customers experienced growth in passengers and traffic, although the market is still beset by high fuel prices and ongoing uneasiness caused by conflict and terrorism.

For the corporation, the focus was on airspace reform, future pricing arrangements for services, and continuing moves to remove the corporation's regulatory functions.

### Safety and environment

We continued to enhance our Safety Management System during the year, and acted on the recommendations of our 2002–03 systemic review of all breakdown of separation incidents from January 2000 to April 2003. Our key performance indicators for safety show better than targeted performance for en route incidents, but slight underperformance for terminal and tower incidents. Paradoxically, achieving these targets has been made more difficult because of our drive to improve safety awareness and reduce under-reporting.

Our performance against the Sydney Airport Long Term Operating Plan was as close to target as weather and traffic volume permitted. The year also saw us develop cooperative arrangements with such stakeholders as the Australian Strategic Air Traffic Management Group (ASTRA), with whom we agreed on plans for the phased introduction of user preferred routes/trajectories.

### Financial results and future pricing strategy

In this annual report, you will find detailed reports and accounts of the corporation's activities, showing that we returned a profit of \$46.6 million for the year, which was an after tax return on average equity of 22.3 per cent.

Following our pricing proposal to the Australian Competition and Consumer Commission (ACCC) for the 2003–04 fiscal year, the ACCC recommended that we develop a five-year pricing strategy using the ACCC building block model. We developed the strategy throughout the year, taking into account known changes in policy and arrangements, including an indication from the government that a \$7 million subsidy will not be continued from 30 June 2005. The process has been both consultative and transparent and, subject to ACCC approval, will result in a fair and equitable outcome. A formal proposal was submitted to the ACCC early in the new financial year.

### National Airspace System

Continuing implementation of the National Airspace System (NAS) reform program significantly affected many aspects of our work and reputation. From the outset, Airservices Australia's Board, management



and staff have embraced and supported government policy to reform Australian airspace using the NAS reform model, based on the United States system, and we continue to do so.

During the reporting period, the corporation implemented the largest block of the NAS program to date, with the introduction in November 2003 of Stage 2(b) changes to airspace design, processes and procedures. Some parts of this implementation were subsequently found to be flawed and, in conjunction with an Australian Transport Safety Bureau report into an incident near Launceston on 24 December 2003, it was decided to review the introduction of the airspace changes. At 30 June 2004, management was continuing this review, gathering the necessary information and investigating several options. The extensive safety and cost-benefit analysis and risk assessment, including comprehensive modelling and consultation with industry on all the options, will provide the detail required by the Board to decide these matters early in the new financial year. The corporation will then move on to the next implementation stages of the NAS.

## **Operations**

During the year, we completed under budget the Information Management Transformation Program, which began in early 2000. The MAESTRO and Eurocat renewals projects were also completed.


The second edition of the Australian Air Traffic Management (ATM) Strategic Plan was released by the Minister for Transport and Regional Services at the Safeski Conference in September 2003. We are also actively participating in three working teams to manage the resultant technological and service changes. Our participation will ensure that our five-year rolling plan for ATM service delivery aligns with future developments in this area.

Airservices Australia's participation in International Civil Aviation Organization (ICAO) activities, in addition to its intrinsic value, fulfils a similar strategic aim. We again played a key role in ICAO standards setting and regional implementation. During the year, our representative was elected chairman of the ICAO Air Navigation Commission.

## **Partnering with the aviation industry**

During 2003–04, Airservices Australia continued to develop partnership agreements with airline customers, suppliers and—at a more strategic level—peak representative bodies. We signed four partnering agreements, heralding a new era of partnership between major players in the aviation industry to address common concerns and achieve long-term industry sustainability.

In May 2004, we began a program in partnership with Qantas, Boeing and the Air Traffic Alliance aimed at achieving vastly improved aircraft arrival efficiency. In the trial, air traffic control (ATC) sent electronic arrival clearance 'instructions' to approaching aircraft, eliminating the need for the usual multiple voice communications. Australia was chosen as the demonstration site because Airservices Australia's ATC system is currently the only national system able to support such a trial in domestic airspace.



The corporation has also continued its global leadership in industry partnering through influential involvement at many key domestic and international aviation summits. In November 2003, we joined with companion air navigation service providers Aerothai and Airways New Zealand, under the auspices of the Civil Air Navigation Services Organisation (CANSO), to host an industry-wide conference exploring ideas and solutions for an air transport industry emerging from prolonged crisis.

Following the 10-year agreements we have signed with the governments of Nauru and the Solomon Islands to manage ATC in their airspace above 24,500 feet, airlines will have seamless transfer through the Nauru, Honiara and Australian Flight Information Regions. We will provide this service from our Brisbane ATM Centre. The Nauru and Solomon Islands contracts are an example of the rationalisation of world airspace enabled by enhanced technology.

CANSO's eighth annual general meeting, held in Brisbane in May, also aimed to increase cooperation and identify solutions. More than 30 world-leading corporatised and commercialised ATC organisations, together with technology suppliers and associated organisations responsible for more than half the world's airspace, resolved to further partnering and closer cooperation as the basis for sustained industry health. I was proud to be elected Chairman of this peak international provider body.

The year also saw significant progress in protecting our intellectual property. From 1 September 2003, commercial redistributors of aeronautical data require a formal licence to market our data.

## **Technology leadership**

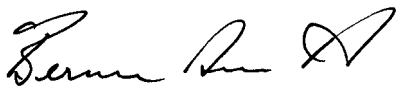
Australia is the first country to deploy the new Automatic Dependent Surveillance—Broadcast (ADS-B) technology nationwide. This technology will further improve safety and operational flexibility, by providing radar-like coverage over upper level airspace previously managed procedurally. Combined with established radar systems in heavy traffic areas, ADS-B will provide aircraft identification for virtually the entire continent. Following our successful two-year trial of the system in Queensland's Burnett Basin, near Bundaberg, we have contracted the international firm Thales ATM to provide 28 ground stations by the end of 2005 in all Australian states.

Installation of new high-frequency transmitter-receiver stations across the country started in May 2004. This new high frequency service will give pilots and Australian air traffic controllers much better coverage and low interference transmission out towards Africa, into the Pacific to Fiji, and from the equator almost to the South Pole. The roll-out of the six transmitter, receiver and antenna sites will replace the current 14 domestic and four international stations with a far superior high frequency system. The system will be on line by mid-2005.

## A great team

I sincerely thank the staff of Airservices Australia for their contributions and commitment during the year. Many were required to perform a multitude of tasks, sometimes under extreme pressure sustained over long periods, and I am immensely proud of their effort and the results achieved.

I would like to thank the former Chairman, John Forsyth, for his stewardship during the formative years of the corporation's development. I also wish to acknowledge and thank the Acting Chairman, Air Marshal Les Fisher, and the Board of Directors for their continuing guidance and vision, in circumstances that were often extremely difficult.



B R Smith

Chief Executive Officer and Managing Director

30 June 2004

## CORPORATE OVERVIEW

### Annual reporting requirements and responsible minister

Under the *Air Services Act 1995* (Air Services Act) 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 directors are responsible for the preparation and content of the Airservices Australia Annual Report 2003–04, which has been prepared in accordance with those Acts and the Finance Minister's Orders.

Airservices Australia is accountable to the Australian Parliament and to the government through the Deputy Prime Minister and Minister for Transport and Regional Services, the Hon. John Anderson MP.

### Enabling legislation, objectives and functions

Airservices Australia was established under the Air Services Act 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.

Amendments to the Air Services Act in September 2003 broadened the scope of Airservices Australia's powers and functions under section 8, enabling the corporation to engage in a wider range of external and international business opportunities. Under the Act, 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 and overseas
- 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 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.

## AIRSERVICES AUSTRALIA'S 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.

## Strategic intent

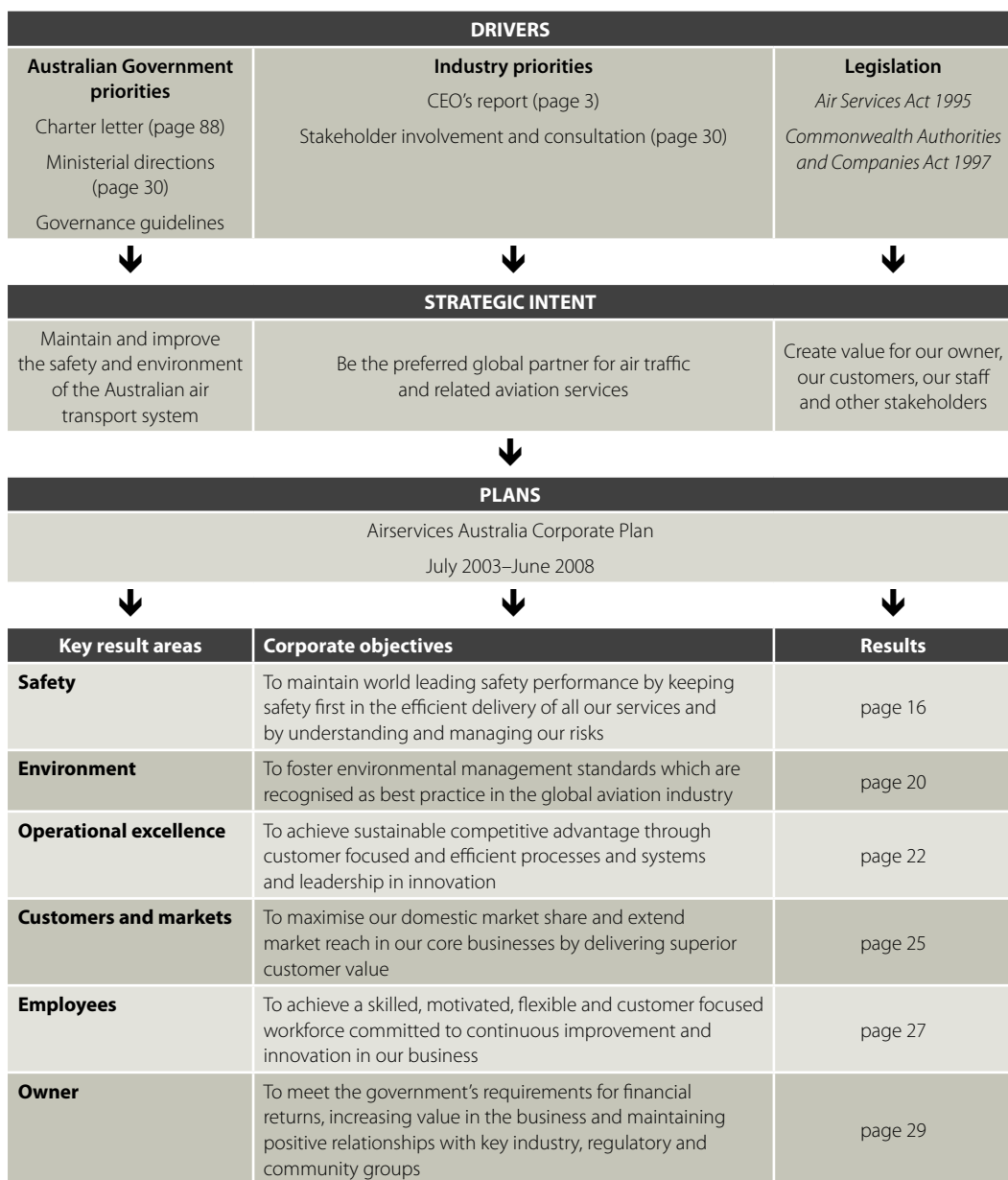
Airservices Australia's strategic intent, articulated in the corporation's 2003–08 Corporate Plan, is to:

- maintain and improve the safety and environment of the Australian air transport system
- be the preferred global partner for air traffic and related aviation services
- create value for our owner, our customers, our staff and other stakeholders.

Figure 1 shows the links between Airservices Australia's corporate objectives and strategies, and the results against key performance indicators detailed in the Review of Operations.



FIGURE 1 PERFORMANCE FRAMEWORK



## Principal activities

FIGURE 2 THE AUSTRALIAN FLIGHT INFORMATION REGION



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

Airservices Australia delivers:

- en route and terminal air traffic services
- aeronautical data services, such as charts and departure and approach procedures
- tower services at 26 airports (including Avalon airport)
- aviation rescue and fire fighting services at Australia's 15 busiest international and domestic regular public transport airports
- design and management of airspace usage
- management of the Australian national air navigation infrastructure
- international and domestic aviation consultancy and project management services.



We provide services to over three million aircraft movements each year, and maintain a \$365 million fixed asset base across 600 sites around Australia.

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

Airservices Australia is a world leader in the technological development of advanced, satellite-based communication, navigation and surveillance systems. Together with the International Civil Aviation Organization, and its counterparts in the Asia-Pacific region, we share information and advances in aviation technology and work to maintain global aviation safety standards.

In Australia, we work closely with other government organisations concerned with aviation safety and regulation, such as the Department of Transport and Regional Services, the Civil Aviation Safety Authority, the Australian Transport Safety Bureau and the Australian Maritime Safety Authority.

Further information about Airservices Australia can be found on our website:  
<http://www.airservicesaustralia.com>.

## Corporate structure

Airservices Australia's current business structure (established in March 2001) is shown in Figure 3. 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 Services and Head Office, form the Executive Committee.

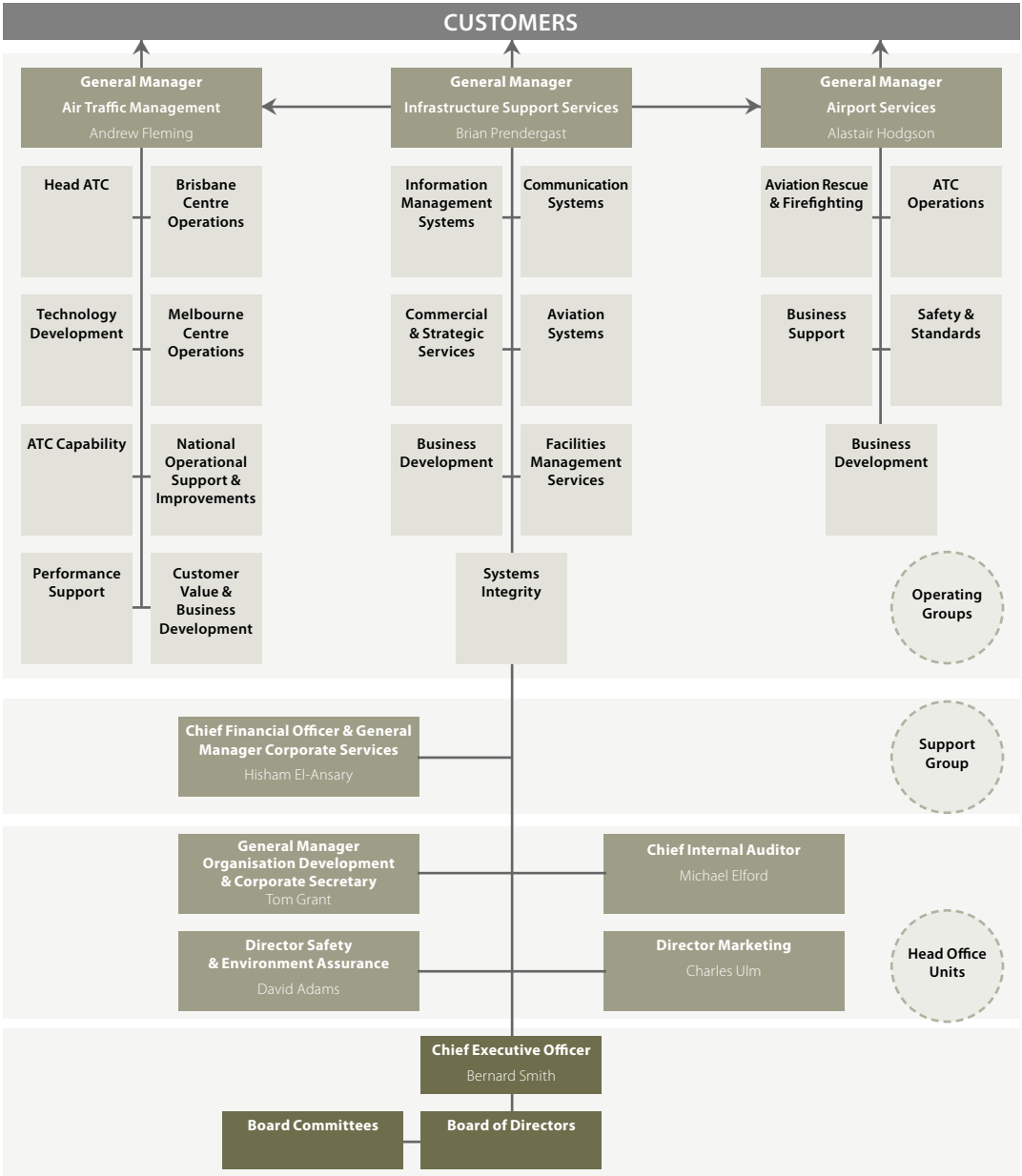
The Executive Committee advises the Chief Executive Officer (CEO) on the management of Airservices Australia and makes policy and strategy recommendations to the Board. In 2003–04, the Executive Committee comprised:

- 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 Alastair Hodgson.

The Director Safety and Environment Assurance, the Director Marketing and the Chief Internal Auditor are co-opted to the Executive Committee as required.

At 30 June 2004, Airservices Australia employed 2953 permanent staff 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, legal, security, financial management and administration. Appendix 4 includes staffing statistics.

**FIGURE 3 AIRSERVICES AUSTRALIA BUSINESS STRUCTURE AT 30 JUNE 2004**



## Directorship and corporate 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.

### Board of Directors

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 appoints and delegates responsibility for the management of the corporation to the CEO, who is also a director of the Board. At the end of the financial year, the Board comprised five non-executive directors and two executive directors.

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 Board.

The **Audit Committee** currently comprises two non-executive directors supported by an external financial adviser. 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. The committee also oversees enterprise risk management accountability.

The **Safety and Environment Committee** currently 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.

The **Remuneration Committee** comprises the Board Chairman, as Committee Chairman, two non-executive Board members and the CEO. The committee recommends remuneration for the CEO 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 monitors succession prospects for members of the Executive 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.

The **New Business Committee** comprises the Board Chairman and the CEO. 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.

## Risk management

Airservices Australia actively identifies, mitigates and manages risks to our people, air safety, the environment and our business performance. Risk management is a key element of our corporate governance framework and supports our business planning.

The Board establishes policy, processes and practices, based on the Australian/New Zealand Risk Management Standard 4360:1999, ensures that the Airservices Risk Management System (ARMS) operates effectively, and keeps the Minister informed of our strategies.

In a continuous, dynamic process, corporate groups and business centres assess existing and emerging risks at least annually, and escalate them to the Executive for action. Regular reports on risk and mitigation flow to the Executive and Board.

Improvements to ARMS during 2003–04, which will continue during 2004–05, were based on an independent review in 2003. These included the endorsement by the Board of the Enterprise Risk Management Accountability Matrix and the establishment of a Risk Management Committee.

## Corporate planning

Airservices Australia produces an annual corporate plan, as required under the CAC Act and the Air Services Act. The plan analyses our operating environment and outlines our corporate and financial strategies. It also specifies the targets we want to achieve, and the benchmarks and key performance indicators we use to measure our performance (see Figure 1).

The 2003–08 Corporate Plan is available at Airservices Australia's website:  
<http://www.airservicesaustralia.com/profile/corporateplan.pdf>.

## Standards of Service Charter

Airservices Australia's Standards of Service Charter establishes the standards of service customers can expect from the corporation and the options available to them if they believe these standards are not being met. The charter is available from our offices and from our website:  
<http://www.airservicesaustralia.com/profile/charter.pdf>.

## Adverse effect of non-commercial commitments

As reported in note 2(c) of the financial statements, included in operating expenses are direct costs (excluding overheads and profit margin) of community service activities, totalling \$29.8 million. The community service activities funded by Airservices Australia last year included price capping for the provision of air traffic services at regional and general aviation aerodrome procedures airports, environmental services (namely a noise and flight path monitoring system) and the operation of noise inquiry lines. A subsidy of \$7.0 million was contributed by the government to partially fund the continuation of price capping.

## REVIEW OF OPERATIONS

### Operational results

#### 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 depends on its world-leading safety performance for business success. The Board Safety and Environment Committee reports to the Board each month on the management and assurance of the corporation's safety and environmental functions. A senior management safety panel meets monthly to discuss safety performance. Management and staff safety management reviews are held twice a year in the major business centres. Twice-yearly safety forums are also held with the 21 domestic airlines with which we have agreements to exchange safety data.

Many new initiatives were introduced during the year.

The corporation made full use of our Safety Management System (SMS) as part of normal business practice during 2003–04, and made substantial improvements to it. We revamped our web-based SMS presentation to make access to key information easier, and conducted a safety awareness program using posters.

Over 500 members of staff completed an updated introductory course on safety management, and refresher programs are being developed for the Human Error Management Program introduced in 2002–03 (see below).

The Airport Services group heightened safety awareness by communicating lessons learnt from incidents to tower and Aviation Rescue and Fire Fighting (ARFF) staff, using operational safety bulletins, operational manager newsletters and management site visits.

The ARFF business centre focused strongly on safety, reducing outstanding system action improvement reports from 196 to 20 during the year. ARFF also set up local fire station safety committees at each of its locations, and is cooperating with the airline industry on new aircraft manufacturing technologies, in order to identify hazards and operating precautions.

The Airport Services group has initiated the sharing of information and techniques applied to correct runway incursions, with further work scheduled for next year. The United States Federal Aviation Administration (FAA) assisted with strategies. The corporation is also represented on the International Civil Aviation Organization (ICAO) runway incursion documentation steering group.



Airservices Australia continues to monitor aircraft movements at aerodromes around Australia, with a particular focus on locations likely to meet the yet to be implemented Civil Aviation Safety Authority (CASA) Manual of Standards 71 requirements. At the end of 2003–04, no towers had been identified as candidates for closure and no requirement for new towers had been identified. A current study into operations at Avalon, triggered as a result of Jetstar operations that began in June 2004, remains the only currently active review.

During 2003–04, we acted on the 31 recommendations of our systemic review of all breakdown of separation incidents from January 2000 to April 2003, completed last year.

Many of the recommendations concerned training and supervision of air traffic control (ATC) staff. No specifically targeted training program for scanning technique existed, so we developed a program in house.

In April 2004, the Air Traffic Management group assessed current operations and devised strategies for improving safety. The recommendations of previous reviews were actioned.

To more closely integrate safety information with our Airservices Risk Management System (ARMS), the Airport Services group worked with the Safety and Environment Assurance and Corporate Risk Management units to further develop ARMS.

Following the successful benchmarking of our SMS against ICAO and CASA requirements in 2002–03, Airservices Australia continued to provide input to CASA's regulatory reform program through the Standards Consultative Committee. In 2003–04, we completed a full risk assessment of Civil Aviation Safety Regulations (CASR) Part 91, and worked with CASA to complete reviews of CASR parts 139H, 171, 143 and 65. Work continues on the review of CASR Part 172, as does our work towards compliance with Part 173 (instrument procedure design).

We are now testing the safety lead indicator model (SLIM), which uses 'lead' indicators, rather than traditional 'lag' indicators, to assess safety trends. By the end of the financial year, the lead indicators had been measured and tested for accuracy and reliability.

To prevent and mitigate human error and false alarms, we carried out an in-depth analysis of safety alerts on The Australian Advanced Air Traffic System (TAAATS) and developed a program to improve the way TAAATS processes alerts and displays them to controllers.

Since the rollout of our Human Error Management Program in 2002–03, human error events are now logged in a database, enabling monitoring for common elements and trends.

All ATC and technical training, licensing and supervisory functions are audited each year, using surveillance by operational managers and the Quality Assurance unit. The audit program for 2003–04 was completed, including specific safety reviews of all three operational groups.





We promoted safety best practice at various forums during 2003–04, including the biannual ATC/Airline Safety Forum, the Australian Indonesian (AusIndo) Coordination Conference, Civil Air Navigation Services Organisation (CANSO) and ICAO panels and subcommittees, and industry hazard workshops.

The corporation now chairs the Regional Airspace Safety Monitoring Advisory Group, which reports on the effectiveness of safety monitoring for reduced vertical separation minima (RVSM) and other navigational standards.

Other significant events during 2003–04 included:

- commissioning of transportable radar at Launceston Airport for increased radar surveillance over Bass Strait and the Tasmanian mainland
- drafting of the corporate safety management standard on the design of equipment and standards
- installing tower situation awareness display systems at major regional airports
- implementing procedures for low visibility operations at all regional and radar tower sites
- duplicating monitoring in control towers to give advanced warning of failure, and provide redundancy against the national monitoring system
- fitting source transfer switches to TAAATS uninterruptible power supplies to provide more reliable power
- introducing quantification and cost–benefit analysis of airspace risk.

## Key performance indicators: Safety

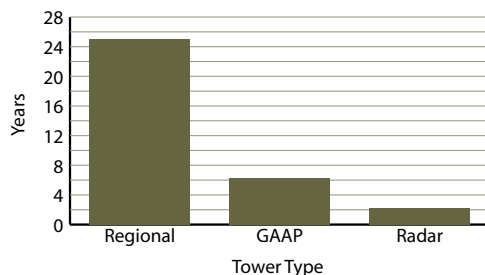
Airservices Australia's key performance indicators for safety measure the performance of the air traffic service system against given levels of tower, terminal manoeuvring area and en route activity. An air traffic services (ATS) incident is one judged to have posed a threat to safe operations.

Targets until 2003–04 were based on a 2.5 per cent annual reduction from baseline performance in 1999–2000. As a consequence of past performance, targets for the planning period 2004 to 2008 will remain constant for tower and terminal manoeuvring area operations, and continue to reduce for en route operations.

We have performed better than our targets for en route ATS incidents in all years, including 2003–04. Terminal manoeuvring area and tower incidents were within target maximums in 2000–01 and 2001–02, but exceeded them in 2002–03 and 2003–04.

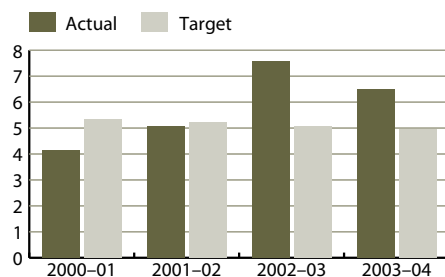
A review of incident reports from towers shows a 62 per cent increase over four years, while the number of incidents attributed to Airservices Australia has varied from 6 per cent to 10 per cent of those reported (9 per cent in 2003–04).

10 YEAR ANNUAL INCIDENT RATE, PER CONTROLLER



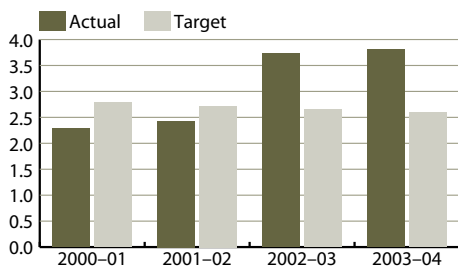
Note: General Aviation Airport Procedures (GAAP)

TERMINAL MANOEUVRING AREA INCIDENTS, PER 100,000 MOVEMENTS



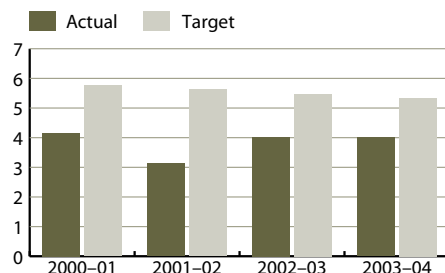
Note: 2003–04 Actual data is for the period July 2003 to end June 2004

TOWER AIR TRAFFIC SERVICE INCIDENTS, PER 100,000 MOVEMENTS



Note: 2003–04 Actual data is for the period July 2003 to end June 2004

EN ROUTE AIR TRAFFIC SERVICE INCIDENTS, PER 100,000 JURISDICTION TRACKS



Note: 2003–04 actual data was sourced from the February 2004 Board Report

## Key result area: Environment

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

Airservices Australia actively consults with industry and the community to reduce the environmental impact of aviation. In 2003–04, compliance with the government's Long Term Operating Plan (LTOP) for sharing the noise from Sydney aircraft movements was a major focus and one of our key performance indicators. Performance during the year was as close to the targets as weather conditions and traffic volumes permitted.

During the year, the Sydney Airport Community Forum (SACF) appointed independent consultants to review how well we implemented the LTOP. The preliminary findings are very positive, given the complexity of the traffic management task.

We participate in the SACF and chair the LTOP Implementation Monitoring Committee (IMC). We also chair the IMC Task Force 3 charged by the IMC to examine how new technologies can be applied to deliver higher, more environmentally friendly flight profiles and continuous descent approaches.


Following a community request, Airservices Australia and the Department of Transport and Regional Services (DOTARS) are trialling the role of a community advocate to mediate between the community, and Airservices Australia and DOTARS. The community advocate is a member of the SACF.

Our Environmental Management System (EMS) implementation group was initially set up to conduct environmental audits of some 1186 sites, which were finalised during 2003–04. The group now acts to make further improvements to the EMS. Its work allowed us to achieve ISO:14001 environmental management certification during the year. This process saw a significant upgrade to existing documentation, assurance mechanisms and staff training.

The corporation has developed environmental metrics to benchmark and report on noise impacts and to increase efficiency by reducing emissions. We have also developed and implemented environmental site manifests, to make all staff and contractors aware of environmental factors that may affect the way sites are managed and to ensure that we fulfil our regulatory requirements under the *Environment Protection and Biodiversity Conservation Act 1999*.

Some 78 new ground risks were reported during the year. The risks were associated with a range of factors, including endangered species impacts, fuel spills, acid spills and smoke generation from hot fire training. Some 1098 risks were identified, of which 25 were considered to be significant business risks.

Airservices Australia operates an environmental audit program as part of our EMS. Environment system and performance audit reports are provided to business units, the Executive and the Board. A significant proportion of the audit program is undertaken from the desktop through the Airservices Risk Management System (ARMS) EMS database.



We discussed improvement options with the environmental managers of various other organisations during 2003–04, and facilitated the first meeting of a group to coordinate an Australian Research Council grant for an environmental impact study of Aviation Rescue and Fire Fighting hot fire training.

We developed cooperative arrangements with stakeholders to manage environmental issues. With the Australian Strategic Air Traffic Management Group (ASTRA), we agreed on plans for the phased introduction of user preferred routes/trajectories (UPR/Ts) to improve operational flexibility and reduce airline costs and fuel consumption, and for the introduction of flexible use airspace. This will optimise airspace use for military and civilian operations and allow the full implementation of UPR/Ts.

During the year, the Department of Defence contracted us to develop a scoping study and prepare a noise management plan for RAAF Base Williamtown and Salt Ash Air Weapons Range in New South Wales. The department is also considering our proposal to install and manage the monitoring system.

In 2003–04, Airservices Australia continued to promote commitment and understanding of environmental management responsibilities with our employees, customers and other key stakeholders.

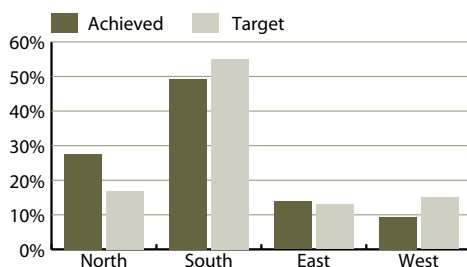
Other significant events during the year included:

- reporting environmental performance to airport owners, and reporting to DOTARS on the National Environmental Protection Measures
- liaising with DOTARS and the Department of Environment and Heritage over the transport of hazardous wastes across state boundaries
- providing environment management seminars to DOTARS and other government agencies, and training DOTARS staff in the use of the Airservices Risk Management System
- assessing 152 air traffic proposals for business risk and for environmental significance as defined by the *Environment Protection and Biodiversity Conservation Act 1999*.

## Key performance indicator: Environment

Airservices Australia's key performance indicator for the environment measures performance against the Sydney Airport Long Term Operating Plan, which includes noise sharing principles. LTOP targets are shown in the table below and reflect achievements as close to targets as possible, given such factors as weather conditions and traffic volumes.

SYDNEY AIRPORT LONG TERM OPERATING PLAN: RUNWAY END IMPACTS, JULY 2003 TO JUNE 2004




## Key result area: Operational excellence

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

Airservices Australia's Aviation Rescue and Fire Fighting (ARFF) units, part of our Airport Services group, measure their performance by their ability to provide required levels of various services to given points on an airfield within a specified time. In 2003–04, ARFF maintained overall operational preparedness (an average of key performance indicators) at 99.8 per cent—the same score as in 2002–03. Units arrived at aircraft incidents within the required three minutes in 98.4 per cent of cases, finalised aircraft incidents within the required 30 minutes (93 per cent), contained structural fires to the room of origin (100 per cent), and arrived at airport facilities within the required six minutes of alarms (91 per cent).

During the year, 534 fire fighters located at 15 airports attended 4461 emergency responses. Some 413 of those responses related to aircraft incidents, such as crashes, abnormal landings, fires (engine and wheel) and smoke issuing into aircraft cabins. The remaining 4048 emergency responses related to non-aircraft incidents such as first aid calls (1574), building fire alarms, fuel spills, bomb warnings, hazardous material incidents, water rescue and other special services. Responding to calls for first aid, ARFF used sophisticated resuscitation equipment to save the lives of six people who had suffered heart attacks.

After a request for assistance from the NSW Fire Brigades, ARFF units were also responsible for extinguishing a fire at Port Kembla in January 2004. The fire involved massive fuel storage tanks containing some 7 million litres of ethanol and 12 million litres of fuel oil.



We continued to work during 2003–04 towards implementation of the Integrated Operating Concept (IOC) with the defence sector. The IOC was developed in 2002, at the direction of the Prime Minister, as part of a step towards a unified civil and military air traffic management system for Australia.

Further National Airspace System (NAS) reforms were implemented, including NAS Stage 2(b) at all regional towers from November 2003. The Air Traffic Control Capability unit in our Air Traffic Management group provided significant resources to assist the subsequent review of the Stage 2(b) changes.

The second edition of the Australian Air Traffic Management (ATM) Strategic Plan was released by the Deputy Prime Minister and Minister for Transport and Regional Services at the Safeskies Conference in September 2003. ASTRA (the Australian Strategic Air Traffic Management Group) has established three dedicated teams to implement the plan's strategies: operational strategies, Automatic Dependent Surveillance—Broadcast (ADS-B), and global navigation satellite systems.

A key aim is to keep our corporate direction and the Australian ATM Strategic Plan aligned with International Civil Aviation Organization (ICAO) directions and standards. Australia is represented on the ICAO panels that set standards for aircraft surveillance systems used in ATM, and helps develop technical and operational standards for ADS-B. Work with the ICAO has led to the designation of ADS-B as one of the key enabling technologies to underpin the new ICAO Global Air Traffic Management concept. Australia is contributing to ICAO's Asia-Pacific regional plan for the introduction of ADS-B by leading a regional implementation task force.

Following our continuing trial of ADS-B in the Burnett Basin area of Queensland, we have begun a program to establish a network of 28 ADS-B ground stations to give Australia-wide surveillance above 30,000 feet.

ADS-B processing and display capabilities have now been fully integrated into The Australian Advanced Air Traffic System. This integration of ADS-B technology into a national ATM system is a world first for Airservices Australia.

During the year, we also completed publication of some 550 Global Positioning System (GPS) approach procedures for 260 of Australia's 272 aerodromes.

Airservices Australia continues to honour Australia's commitment to the ICAO to lead the development of standards and recommended practices for the Ground-based Regional Augmentation System.

We also completed our Information Management Transformation Program, which included an upgrade to our desktop environment, replacement of the email system, implementation of a document management system and replacement of all key business systems with an integrated suite of SAP business applications. With Atos Origin we won a SAP Australia/New Zealand Partner–Customer Award of Excellence for best implementation of enterprise software for 2003.



Other significant events during 2003–04 included the following.

- ARFF services were withdrawn from Port Hedland and Karratha in July 2003 in accordance with Civil Aviation Safety Authority regulations. Services were boosted at Rockhampton and Mackay to match new aircraft types operating into those airports. Services began at Ayers Rock in May 2004, and planning is underway for commencement at Maroochydore in September 2004.
- Cairns and Canberra airports now have fire command vehicles for better disaster management. A contract for ARFF fire vehicle replacements, providing 18 new vehicles, was signed in June 2004.

## Key performance indicators: Operational excellence

Airservices Australia uses three main key performance indicators to measure operational excellence.

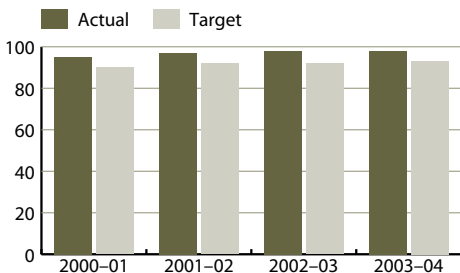
The operational preparedness of ARFF is measured by the ability to provide required levels of service within specified times. Levels of service are specified in CASA regulations.

The effectiveness of corrective maintenance of airways system equipment is measured as a percentage of restoration times met. From 2003–04, the target will be held constant because requirements for increased staff levels and costs incurred are considered to offset the benefits of reduced downtime.

The numbers of service failure notifications for air traffic management facilities indicate system performance in three categories: Category 1 events involve a loss of life (we have always achieved our target of zero); Category 2 events could have led to a loss of life (target zero, exceeded only once); and Category 3 events have other potentially serious operational consequences. All service failure notifications are investigated, and appropriate corrective action is taken.

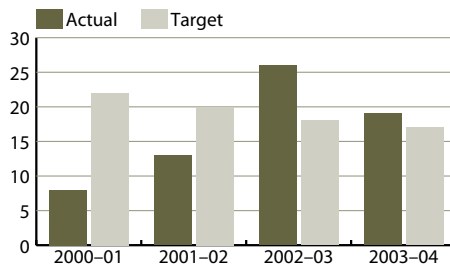
In 2002–03, a significant number of notifications involved human factors, so a human error management program was undertaken with all technical staff in early 2003. A 25 per cent reduction in Category 3 failures is evident for 2003–04.

**CORRECTIVE MAINTENANCE: RESTORATION TIMES MET, PER CENT**



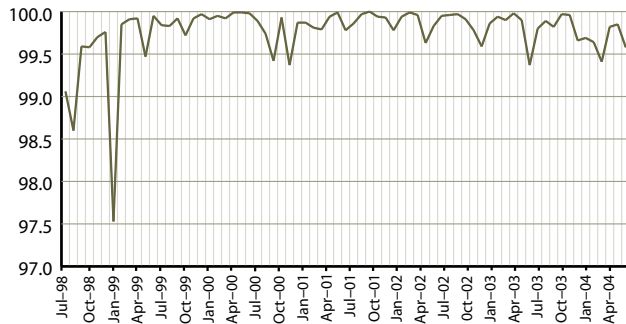
Note: 2003–04 Actual data is for the period July 2003 to June 2004

**SERVICE FAILURE NOTIFICATIONS, CATEGORY 3**



Note: 2003–04 Actual data is for the period July 2003 to June 2004

AVIATION RESCUE AND FIRE FIGHTING OPERATIONAL EFFECTIVENESS, PER CENT



## 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.***

Airservices Australia continued to develop the corporation's customer relationship management practices during 2003–04, consulting with key customers and strengthening senior level industry and government ties. Customer satisfaction is measured from responses to our surveys each year. The 2003–04 customer survey showed that we continued to maintain a high level of satisfaction, scoring an overall customer satisfaction index of 3.8, compared to 3.9 the previous year. The difference in survey results indicates sampling differences rather than real changes in satisfaction. We have set a 2004–05 target of 4.1 for all customer groups.

We expect sales to pick up significantly in 2004–05, following amendments to the *Air Services Act 1995* that expand our capacity to provide services internationally.

We targeted, developed and sustained the corporation's strategic partnerships during the year through strategic partnering charters. New charters were signed with Air New Zealand, Emirates, the Board of Airline Representatives of Australia, and the Regional Aviation Association of Australia. Draft charters have also been established with Regional Express, Jetstar, Qantaslink, the Department of Defence, Melbourne Airport and Virgin Blue.

Several new international markets were investigated, with business visits and targeted trade events in Vietnam, the United Arab Emirates and the United States.

We developed a business case to support the expansion of the corporation's aviation environmental services to the international market.

To improve our customer and market knowledge, we extended our annual research to customers of non-regulated services, conducted in-depth, face-to-face interviews with a cross-section of customers, assessed the environmental services market and researched international brand perception.





We also made extensive use of the overseas Austrade network for marketing assessment and business intelligence during 2003–04.

To become the preferred partner of the key Asian air traffic management providers, we hosted the inaugural meeting of the Informal Indian Ocean Air Traffic Services Coordination Group, helped the International Civil Aviation Organization (ICAO) Reduced Vertical Separation Minima (RVSM) Task Force to implement RVSM on major routes across the Bay of Bengal, delivered an extensive RVSM training package for several hundred ATCs in India, and worked with the Informal South Pacific Air Traffic Services Coordination Group to introduce 30 nautical mile horizontal separation standards in the Tasman Sea area.

Our Civil Aviation Authority of New Zealand part 171 certification positions us strategically to provide a broad range of navigation and communications services in the South Pacific.

We signed a supplementary letter of agreement with Indonesian and East Timor aviation authorities, agreed to provide a NOTAM (Notice to Airman) service to East Timor's Civil Aviation Division, and negotiated for the two-way exchange of safety-related information.

The Solomon Islands Government renewed our contract to manage upper airspace in the Honiara Flight Information Region (FIR) for a further 10 years, and the Nauru Government contracted us for the same term to manage the Nauru FIR.

We have entered into a strategic partnership with Boeing ATM in a trial of tailored arrivals, which use descent profiles and reduce fuel burn, emissions and noise.

We developed proposals for partnering with the International Air Transport Association (IATA) and the Association of Asia Pacific Airlines, and we now have a dedicated relationship manager working with IATA to establish a mechanism for joint initiatives, such as more efficient air traffic flow management for the Bay of Bengal.

In support of our key aims of establishing joint management of airspace for civil and military aviation in Australia in conjunction with the RAAF, we completed an analysis of options for providing air traffic control services at Darwin and Townsville airports. The RAAF has since determined that those facilities will remain under its control.

Other significant commercial developments in 2003–04 included the following.

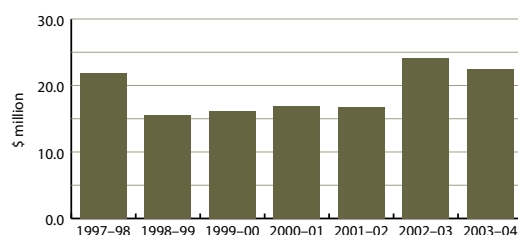
- In May 2004, the Civil Air Navigation Services Organisation (CANSO) annual general meeting and conference was held in Australia for the first time. During the meeting, Airservices Australia CEO Mr Bernard Smith was elected as CANSO's new chairman.
- We provided consultancy, system development and implementation, safety and environmental management, airport and airways capacity modelling, training, aeronautical information services and data management to the civil aviation authorities in China, the Philippines, Taiwan, Nepal, India, Mauritius, Indonesia and Sweden.

- From September 2003, we requested all commercial redistributors of Australian Integrated Aeronautical Information Publication data to enter into standard licence agreements to ensure that the accuracy, integrity and traceability of the data are maintained through the commercial distribution chain.

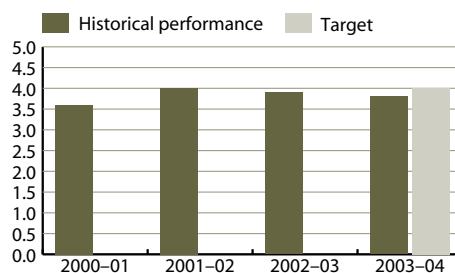
## Key performance indicators: Customers and markets

The corporation's outcome for other commercial (non-monopoly) services decreased in 2003–04 by \$1.6 million or 6.6 per cent. Revenue earned was \$22.5 million, which was 22 per cent or \$6.3 million under the target of \$28.8 million. The backlog of orders points to a stronger performance in 2004–05.

OTHER COMMERCIAL REVENUE



CUSTOMER SATISFACTION INDEX



Note: 2003–04 Actual data is for the period July 2003 to June 2004

## Key result area: Employees

***To achieve a skilled, motivated, flexible and customer focused workforce committed to continuous improvement and innovation.***

Airservices Australia's employees are our greatest asset, and we invest heavily in their welfare, skills and development.

To safeguard our skills base, and in line with our corporate plan, we have extended succession planning beyond the executive level by including other key areas, and identified likely contenders for career progression.

As well as succession planning for the long term, other initiatives during 2003–04 included work on engineering projects and an investigation of the impact of new medical requirements for fire fighters. We also maintained our long-range resource management plan.

During the year, staff made major inputs to our Information Management Transformation Program, the restructuring of our business services centre, and the integration of terminal control units.

Staff satisfaction forums in Melbourne, Brisbane, Sydney and Canberra, and a national working group, focused on the efficiency of operations managers and support managers, adoption of a whole of organisation approach, and change management.

Joint management–union working groups continued to work on fatigue management and substance abuse prevention. The fatigue management group reported its findings, and an integrated fatigue risk management system will now be implemented using computer-based audits, best practice rostering, and ongoing education and awareness programs for staff and management. The substance abuse prevention group endorsed awareness and training programs, which were delivered at major centres. Training and publicity programs in these areas will continue, and an independent body will be engaged to assist with pre-employment and other forms of alcohol and drug testing under certain circumstances. In an innovative application of web technology to occupational health and safety (OHS), the Airport Services group developed a web-based ‘Virtual Tower’ to deliver OHS information for air traffic control towers. Our employer–union work on OHS matters, outlined above, was supplemented with high-level forums and cross-unit groups when required. Working parties have been established under the certified agreement to develop specific initiatives.

Airservices Australia’s integrated employee communication framework also promotes meetings between Executive and staff. A ‘road show’ by the CEO and Executive members takes significant messages directly to our staff, supplemented by *CEO Direct*, a weekly online communication from the CEO.

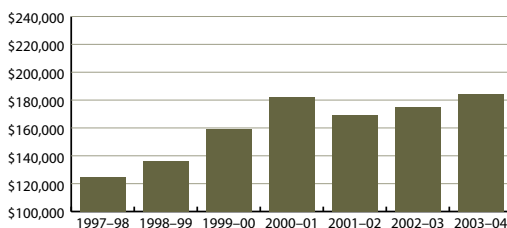
Training for new and existing staff continued during the year, with significant achievements as follows.

- Twelve tower Air Traffic Control students graduated.
- Twenty-five en-route Air Traffic Control students graduated. Seven were ex-RAAF controllers who completed shorter courses after recognition of prior learning.
- Two Aviation Rescue and Fire Fighting recruit courses trained 34 recruits.
- Four fire commander courses were completed.

## Key performance indicator: Employees

Airways revenue per employee increased from the previous year due to the strong growth in airways activity.

**AIRWAYS REVENUE PER EMPLOYEE**



## 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.***

The corporation earned a return on average equity of 22.3 per cent, assisted by a number of significant items totalling some \$23.2 million. This result has enabled us to achieve a 16.9 per cent return on average equity measured on a five-year rolling average basis. Earnings before interest and tax (EBIT) as a percentage of revenue for the year, excluding significant items, was 8.5 per cent, and 10.3 per cent on a five-year rolling average basis.

During 2003–04, we held discussions with the Department of Transport and Regional Services (DOTARS) and the Department of Finance and Administration on the review of location-specific pricing subsidies for tower services. The outcome of this review will have considerable impact on future pricing at regional and general aviation airports. Airport Services group senior managers, in conjunction with the manager of our long-term pricing project, consulted and gave presentations during June 2004 to customers at all locations where we provide tower or Aviation Rescue and Fire Fighting (ARFF) services.

Amendments to the *Air Services Act 1995* finalised in September 2003 have expanded the scope of our statutory functions to allow us to pursue further domestic and international commercial opportunities.

Under our corporate plan to update Airservices Australia's policies within the corporate governance framework, we reviewed most of our documentation, policies and management instructions during 2003–04. At its June 2004 meeting, the Board approved the 2004 edition of the Board Governance Manual.

To improve total business risk management and performance, the Board endorsed an overall system of risk management and internal control that includes an enterprise risk management accountability matrix and revised risk reporting. The system requires risk management certifications for all direct reports to the CEO, in order to support certification to the Board.

In addition, we undertook a scoping project for our integrated database for all corporate risks, and this has now been implemented. Further development and upgrades are planned for 2004–05, and will mainly focus on more closely aligning internal audit activity to provide independent assurance of the adequacy and effectiveness of the system.

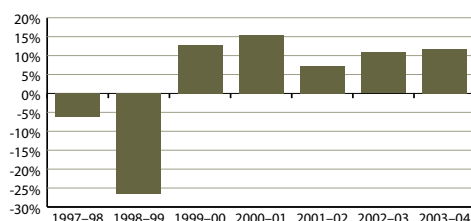
The Airport Services group reviewed its business risks at an annual workshop of selected field and management staff.

During the year, our revised treasury policy was approved and implementation began. External reviews by KPMG and Ernst & Young, of Airservices Australia's taxation compliance, were also completed.

## Key performance indicator: Owner

Earnings before interest and tax, including significant items, as a percentage of revenue remained in line with last year, despite aviation charges being maintained at 2002–03 levels. This result reflects the recovery of the worldwide aviation industry after the SARS (severe acute respiratory syndrome) outbreak in 2002–03.

**EARNINGS BEFORE INTEREST AND TAX AS A PERCENTAGE OF TOTAL REVENUE**



## Ministerial directions

The Minister made two new formal directions during 2003–04. The first concerned the supply of documents under section 18 of the *Air Services Act 1995*, and has been fulfilled. The second concerned a cap on the pricing of terminal navigation services at some airports, and applies during the 2004–05 financial year. Details are in Appendix 2.

## Stakeholder involvement and consultation

During 2003–04, Airservices Australia consulted widely with stakeholders in Australia and overseas. Consultations, which included the following, took place with government, airline operators, aerodrome operators, regulators, corporation staff and the community.

- We continued to participate in the Sydney Airport Community Forum in support of the Sydney Airport Long Term Operating Plan and to better align the needs of residents and the aviation industry.
- With the Department of Defence, we continued negotiation on the Integrated Operating Concept for shared civil–military airspace.
- Our Aviation Rescue and Fire Fighting (ARFF) unit consulted aircraft manufacturers to identify hazards arising from new materials and methods in aircraft construction, and held meetings with operators of aerodromes at which we provide ARFF or tower services. The corporation met major airlines to promote or develop strategic partnering charters, and appointed customer relationship managers to look after our key commercial links, including with the International Air Transport Association.

- We negotiated frequently with the Civil Aviation Safety Authority over Civil Aviation Safety Regulation requirements and other matters, and took an active part in International Civil Aviation Organization and Civil Air Navigation Services Organisation conferences and meetings.
- Throughout the second half of 2003–04, we undertook extensive consultation with aviation and industry participants about the changes to airspace architecture envisaged with the adoption of the National Airspace System.
- We consulted with aviation and industry participants on the consolidation of terminal control units.
- In May and June we consulted extensively on long-term pricing strategy at more than 30 locations nationwide.

## Financial results

Our after tax return on average equity of 22.3 per cent, well above the target provided for in the Corporate Plan 2003–08, was achieved in improving trading conditions, particularly during the second half of the year. Operating profit after tax increased by 42.5 per cent compared to last year's result, rising to \$46.6 million. During the year, the corporation returned \$70.0 million in shareholder capital to the government, and paid a further \$30.6 million in dividends.

## Revenue

Total revenue for the year was \$615.5 million, compared to \$617.5 million in the previous year. Airways revenue grew by 8.2 per cent across the year, with sales of \$537.3 million. In addition, completion of the final tranche of a United States cross-border lease realised revenue of \$14.7 million. A revaluation of our property, plant and equipment resulted in \$15.9 million being recorded as revenue, as required under applicable accounting standards.

## Operating expenses

Overall operating expenses (including interest charges) decreased by \$5.1 million compared to 2002–03. Expenses for staffing increased by \$27.9 million, mainly due to staff pay rises and a small increase in staff numbers. Depreciation expense also increased by \$24.6 million, as the revaluation process reduced the expected lives of key operational assets. Offsetting these increases were additional payments made in the previous year to the corporation's employer-sponsored superannuation fund (\$39.3 million including payroll tax) and suppliers (\$11.0 million), and the establishment of a provision to meet the future costs of managing our cross-border lease obligations (\$4.2 million).



## **Significant changes in the state of affairs during the financial year**

### **Changes to the Air Services Act 1995**

Parliament approved amendments to section 8 of the Air Services Act, effective from 6 September 2003.

The changes removed significant legislative barriers to the way we conduct our domestic and international business activities. As a result, we have greater opportunities to grow commercial business and achieve strategic goals.

The amendments do not change Airservices Australia's primary focus, which is the safe provision of air navigation services and facilities within Australian administered airspace.

### **Regulatory changes**

On 1 April 2004, the government announced changes to airspace regulation in Australia, separating regulatory functions and commercial activity. These changes will initially be within Airservices Australia, but regulatory functions will ultimately be transferred to an airspace directorate within the Department of Transport and Regional Services (DOTARS).

Currently, Airservices Australia continues to perform the airspace and environmental regulation functions. We have established internal procedures to ensure that our regulatory activities are clearly separated from our commercial activities.

## **Developments since the end of the financial year**

### **Airspace and Environment Regulatory Unit**


The Airspace and Environment Regulatory Unit (AERU) was established on 1 July 2004. This was the result of regulatory changes announced by the government on 1 April 2004 and a subsequent internal review (see above).

This work was a prerequisite for Airservices Australia's designation as a Government Business Enterprise on a date yet to be determined by the Minister. The change in legal status will alter our reporting responsibilities to government, and further support our competitiveness in international markets.

It is expected that the AERU's functions will be transferred to a separate airspace authority within DOTARS from July 2005.

### **Review of National Airspace System Stage 2(b)**

The Airservices Australia Board announced a position on 2 August 2004 as part of a continuing review of Stage 2(b) of the National Airspace System reforms introduced on 27 November 2003.



The Board decided to discontinue work on all but one option, which makes no change to most en route Class E airspace, but enhances Class C airspace above towered aerodromes, protecting the arrival and departure of airliners.

Throughout the review, the Board considered a wide range of expert material and the views of every major aviation group (representing thousands of airspace users), the Civil Aviation Safety Authority, the Australian Transport Safety Bureau, individuals and international aviation experts and organisations.

### **Long-term pricing proposal**

On 12 August 2004, Airservices Australia submitted a five-year pricing proposal, covering our air traffic control and aviation rescue and fire fighting services, to the Australian Competition and Consumer Commission.

The proposal was developed following an extensive 12-month pricing review and consultation process with airlines, general aviation aircraft operators and airport owners at more than 30 locations around the country, and the assessment of several hundred submissions.

The proposal includes capping terminal navigation charges at 15 regional and general aviation airports by a maximum increase of 16.8 per cent in 2004–05. Price increases for the remaining years of the five-year plan will be limited to 10 per cent or less for terminal navigation and ARFF services. En route charges will be reduced by 10.3 per cent over the same period.

Given the expiry in June 2005 of the government's annual subsidy of \$7 million, which has helped hold down prices at regional and general aviation locations, this proposal allows us full cost recovery over an extended period.

### **Employee opinion survey**

The results of an employee opinion survey were released in August 2004. They indicated a greater level of staff engagement and an increase in trust throughout the corporation. Overall job satisfaction increased from 3.63 (out of a possible 5) to 3.7 in 2004.







# 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 statements published in both the annual report and on the website of Airservices Australia for the year ended 30 June 2004. The Directors of Airservices Australia are responsible for the integrity of both the annual report and the 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 statements.

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 statements in the Airservices Australia's annual report.

### **Scope**

*The financial statements and directors' responsibility*

The financial statements comprise:

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

for the Airservices Australia for the year ended 30 June 2004.

The Directors of Airservices Australia are responsible for the preparation and true and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

### *Audit approach*

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

I performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Airservices Australia's financial position, and of its performance as represented by the statements of financial performance and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Directors of Airservices Australia.

### **Independence**

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate Australian professional ethical pronouncements.

### **Audit Opinion**

In my opinion, the financial statements:

- (i) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and applicable Accounting Standards; and
- (ii) give a true and fair view, of the matters required by 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 2004, and of its performance and cash flows for the year then ended.

Australian National Audit Office



Warren J. Cochrane  
Group Executive Director

Delegate of the Auditor-General  
Canberra  
30 August 2004

## STATEMENT BY DIRECTORS | FOR THE YEAR ENDED 30 JUNE 2004

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 2004, the financial position as at 30 June 2004, the cash flows for the year ended 30 June 2004, the commitments as at 30 June 2004, the contingencies as at 30 June 2004, and other matters required under the Commonwealth Authorities and Companies Act 1997;
- (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

Air Marshal Les Fisher AO (ret'd)  
Acting Chairman

B R Smith  
Managing Director

Canberra, 27 August 2004

# STATEMENT OF FINANCIAL PERFORMANCE | FOR THE YEAR ENDED 30 JUNE 2004

NOTES

		2004 \$'000	2003 \$'000
<b>REVENUES AND EXPENSES FROM ORDINARY ACTIVITIES</b>			
<b>COMMERCIAL ACTIVITIES</b>			
<b>REVENUES FROM COMMERCIAL ACTIVITIES</b>			
Airways revenues		<b>529,092</b>	486,625
Proceeds from disposal of assets	2a	<b>8,131</b>	12,280
Interest revenue	2a	<b>3,836</b>	6,866
Other commercial revenue		<b>22,507</b>	24,121
Cross-border transaction guarantee fee	2d	<b>14,656</b>	46,428
Reversals of previous asset class write-downs	2d	<b>15,914</b>	24,035
Reversal of prior year provision	2d	<b>6,125</b>	–
<b>TOTAL REVENUES FROM COMMERCIAL ACTIVITIES</b>		<b>600,261</b>	<b>600,355</b>
<b>EXPENSES FOR COMMERCIAL ACTIVITIES</b>			
Employees		<b>341,645</b>	313,563
Suppliers		<b>88,073</b>	97,133
Written-down value of disposed assets	2a	<b>8,805</b>	12,168
Depreciation	2a	<b>71,132</b>	46,346
Borrowing costs	2a	<b>7,065</b>	6,867
Superannuation additional contribution	2d	–	39,252
Cross-border transaction costs	2d	–	4,165
<b>TOTAL EXPENSES FROM COMMERCIAL ACTIVITIES</b>		<b>516,720</b>	519,494
<b>PROFIT FROM COMMERCIAL ACTIVITIES</b>		<b>83,541</b>	80,861
<b>COMMUNITY SERVICE ACTIVITIES</b>			
<b>REVENUES FROM COMMUNITY SERVICE ACTIVITIES</b>			
Government subsidy	2b	<b>7,000</b>	7,000
Airways revenues from capped locations	2b	<b>8,198</b>	10,104
<b>EXPENSES FOR COMMUNITY SERVICE ACTIVITIES</b>			
Employees		<b>24,633</b>	24,813
Suppliers		<b>4,102</b>	6,057
Depreciation	2a	<b>1,072</b>	1,224
<b>LOSS FROM COMMUNITY SERVICE ACTIVITIES</b>		<b>(14,609)</b>	(14,990)
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX</b>		<b>68,932</b>	65,871
Income tax expense relating to ordinary activities	3	<b>22,368</b>	33,187
<b>NET PROFIT AFTER INCOME TAX</b>		<b>46,564</b>	32,684

## STATEMENT OF FINANCIAL POSITION | AS AT 30 JUNE 2004

		NOTES	
		2004 \$'000	2003 \$'000
<b>CURRENT ASSETS</b>			
Cash		33,314	122,621
Receivables	5	62,283	48,656
Other	6	27,887	13,248
<b>TOTAL CURRENT ASSETS</b>		<b>123,484</b>	184,525
<b>NON-CURRENT ASSETS</b>			
Land and buildings	7	99,183	102,765
Infrastructure, plant and equipment	7	265,743	258,031
Other	6	56,374	57,001
<b>TOTAL NON-CURRENT ASSETS</b>		<b>421,300</b>	417,797
<b>TOTAL ASSETS</b>		<b>544,784</b>	602,322
<b>CURRENT LIABILITIES</b>			
Provisions and payables	8	116,598	136,264
<b>TOTAL CURRENT LIABILITIES</b>		<b>116,598</b>	136,264
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	9	100,114	100,162
Provisions	8	137,052	139,531
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>237,166</b>	239,693
<b>TOTAL LIABILITIES</b>		<b>353,764</b>	375,957
<b>NET ASSETS</b>		<b>191,020</b>	226,365
<b>SHAREHOLDER'S EQUITY</b>			
Capital	10	222,190	292,190
Asset revaluation reserve	10	18,691	–
Accumulated losses	10	(49,861)	(65,825)
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>191,020</b>	226,365



## STATEMENT OF CASH FLOWS | FOR THE YEAR ENDED 30 JUNE 2004

NOTES

		2004 \$'000	2003 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of goods and services tax)		<b>603,419</b>	578,636
Receipts from government		<b>7,000</b>	7,000
Interest received		<b>4,094</b>	6,849
Payments to suppliers and employees (inclusive of goods and services tax)		<b>(519,875)</b>	(477,693)
Interest and other financing costs paid		<b>(7,198)</b>	(6,876)
Additional superannuation payment		<b>–</b>	(38,709)
Income tax paid		<b>(32,769)</b>	(16,662)
Net cash provided by operating activities	19	<b>54,671</b>	52,545
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from cross-border transaction		<b>14,656</b>	46,428
Proceeds from sale of asset held for resale		<b>–</b>	7,764
Proceeds from sale of property, plant and equipment		<b>8,131</b>	4,516
Purchase of property, plant and equipment		<b>(66,165)</b>	(63,811)
Net cash used in investing activities		<b>(43,378)</b>	(5,103)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	4	<b>(30,600)</b>	(14,900)
Capital repaid	10	<b>(70,000)</b>	(50,000)
Net cash used in financing activities		<b>(100,600)</b>	(64,900)
Net increase/(decrease) in cash held		<b>(89,307)</b>	(17,458)
Cash at the beginning of the financial year		<b>122,621</b>	140,079
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	19	<b>33,314</b>	122,621

## SCHEDULE OF COMMITMENTS AND CONTINGENCIES | AS AT 30 JUNE 2004

	2004 \$'000	2003 \$'000
<b>COMMITMENTS</b>		
<b>CAPITAL COMMITMENTS</b>		
Infrastructure, plant and equipment	67,280	21,238
	<b>67,280</b>	21,238
<b>OTHER COMMITMENTS</b>		
Operating leases	86,392	87,107
Project commitments	98	4,999
Research and development	–	549
Other commitments	28,419	16,479
	<b>114,909</b>	109,134
<b>COMMITMENTS RECEIVABLE</b>	(11,441)	(8,735)
<b>TOTAL NET COMMITMENTS</b>	<b>170,748</b>	121,637
Not later than one year	17,993	16,685
Later than one year but not later than five years	40,713	36,405
Later than five years	27,686	34,017
<b>TOTAL OPERATING LEASES</b>	<b>86,392</b>	87,107
<b>TOTAL NET COMMITMENTS MATURITY</b>		
Not later than one year	72,206	40,132
Later than one year but not later than five years	69,719	45,864
Later than five years	28,823	35,641
<b>TOTAL NET COMMITMENTS</b>	<b>170,748</b>	121,637

### CONTINGENCIES

There are no material contingent liabilities as at 30 June 2004 (30 June 2003: nil).

## 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 2004.

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. Revaluations are undertaken on a fair value basis and are conducted by an independent qualified valuer.

#### 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.

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES 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 and insurance 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. Collectability 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 and 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.

## 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. Under current Australian Accounting Standards, no amount is recognised in the financial statements in respect of the net surplus or deficit in each scheme (also see Note 22).

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 the 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.

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

### L. EMPLOYEE BENEFITS

#### 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.

## 2 PROFIT FROM ORDINARY ACTIVITIES

NOTES

	2004 \$'000	2003 \$'000
<b>a</b> Profit from Ordinary Activities before income tax is arrived at after including the following items of revenue and expenditure:		
<b>Revenue</b>		
Interest received or due and receivable		
– Investments	3,598	6,538
– Deposits	60	93
– Other	178	235
Total interest received or due and receivable	3,836	6,866
<b>Expenditure</b>		
Borrowing costs		
– Loans	6,933	6,758
– Overdrafts	32	19
– Other	100	90
Total borrowing costs	7,065	6,867
Decrease in doubtful debts provision	(908)	(468)
Bad debts written off	1,177	530
Total bad and doubtful debt expenses	269	62
Operating lease charges	19,495	19,660
Depreciation of property, plant and equipment	72,204	47,570
Amortisation of premium on borrowings	(48)	(47)
<b>Gain from sale of asset held for resale</b>		
– 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
<b>Gain/(loss) from sale/(write-off) of non-current assets</b>		
– Proceeds from disposal of assets	8,131	4,516
– Written-down value of disposed assets	(7,352)	(4,745)
Net gain/(loss) from sale of non-current assets	779	(229)
Written down value of scrapped assets	(1,453)	(537)
Net gain/(loss) from sale/write-off of non-current assets	(674)	(766)

## 2 PROFIT FROM ORDINARY ACTIVITIES continued

### b. Supplementary Analysis of the Statement of Financial Performance for the year ended 30 June 2004

#### 2004

	Airways Activities	Other Commercial Activities	Total Commercial Activities	Community Service Activities	Profit from Ordinary Activities
	\$'000	\$'000	\$'000	\$'000	\$'000
Airways revenue	529,092	–	529,092	8,198	537,290
Other commercial revenue	–	22,507	22,507	–	22,507
<b>Total sales revenue</b>	<b>529,092</b>	<b>22,507</b>	<b>551,599</b>	<b>8,198</b>	<b>559,797</b>
Guarantee fee	14,656	–	14,656	–	14,656
Government subsidy	–	–	–	7,000	7,000
Proceeds from asset sales	8,131	–	8,131	–	8,131
Interest revenue	3,836	–	3,836	–	3,836
Reversal of previous asset class write-downs	15,914	–	15,914	–	15,914
Reversal of prior year tax interest provision	6,125	–	6,125	–	6,125
<b>Total revenue</b>	<b>577,754</b>	<b>22,507</b>	<b>600,261</b>	<b>15,198</b>	<b>615,459</b>
<b>Total expenses</b>	<b>496,329</b>	<b>20,391</b>	<b>516,720</b>	<b>29,807</b>	<b>546,527</b>
<b>Net profit before tax</b>	<b>81,425</b>	<b>2,116</b>	<b>83,541</b>	<b>(14,609)</b>	<b>68,932</b>
<b>Income tax expense</b>	<b>26,422</b>	<b>686</b>	<b>27,108</b>	<b>(4,740)</b>	<b>22,368</b>
<b>Net profit after tax</b>	<b>55,003</b>	<b>1,430</b>	<b>56,433</b>	<b>(9,869)</b>	<b>46,564</b>

#### 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
<b>Total sales revenue</b>	<b>486,625</b>	<b>24,121</b>	<b>510,746</b>	<b>10,104</b>	<b>520,850</b>
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
<b>Total revenue</b>	<b>576,234</b>	<b>24,121</b>	<b>600,355</b>	<b>17,104</b>	<b>617,459</b>
<b>Total expenses</b>	<b>500,232</b>	<b>19,262</b>	<b>519,494</b>	<b>32,094</b>	<b>551,588</b>
<b>Net profit before tax</b>	<b>76,002</b>	<b>4,859</b>	<b>80,861</b>	<b>(14,990)</b>	<b>65,871</b>
<b>Income tax expense</b>	<b>36,266</b>	<b>1,458</b>	<b>37,684</b>	<b>(4,497)</b>	<b>33,187</b>
<b>Net profit after tax</b>	<b>39,736</b>	<b>3,401</b>	<b>43,177</b>	<b>(10,493)</b>	<b>32,684</b>



## 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:

	2004 \$'000	2003 \$'000
Costs at general aviation and regional airports where price capping is maintained	25,734	24,766
Costs for aviation rescue and fire fighting services at Port Hedland and Karratha (ceased 30 June 2003)	–	2,087
Provision for environmental information (reports, statistics and maps) by:		
– Environmental Services Branch	585	660
– Noise and Flight Path Monitoring System	3,037	3,588
Noise inquiry lines	451	993
<b>Total costs</b>	<b>29,807</b>	32,094

Included in the profit from ordinary activities before income tax is \$29.807 m (2003: \$32.094 m) 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 \$7.000 m (2003: \$7.000 m) towards the costs at general aviation and regional airports where price capping is maintained. Airways revenue of \$8.198 m (2003: \$10.104 m) was earned through charges by Airservices Australia at general aviation and regional airports where price capping is maintained.

If an allocation of \$1.490 m (2003: \$1.261 m) in corporate overheads and appropriate profit margins of \$4.257 m (2003: \$4.765 m) were taken into account, a shortfall of \$20.355 m (2003: \$21.016 m) would be recognised on community service activities before tax.

### d. Significant Items

#### Cross-border transaction guarantee fee and related costs

During the financial year, Airservices Australia entered into the final tranche of a United States 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 22.5 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 \$14.656 m (2003: \$46.428 m). This amount has been recognised as revenue in the Statement of Financial Performance for the year ended 30 June 2004 and identified as a significant item, 'Cross-border transaction guarantee fee'.

## 2 PROFIT FROM ORDINARY ACTIVITIES continued

### Cross-border transaction guarantee fee and related costs (continued)

A provision of \$4.000 m in respect of all tranches of the arrangement was recorded in the year ended 30 June 2003, 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 2004, totalling \$0.149 m, have been allocated against this provision.

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\$797 m. Expert external advisers 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 ended 30 June 2003, following actuarial reviews, there were two additional payments totalling \$37.300 m (plus associated payroll tax of \$1.952 m) made to AvSuper, the employer-sponsored superannuation fund of Airservices Australia. These payments were required to ensure that the fund's Defined Benefits Plan assets continued to exceed vested benefit liabilities following poor investment returns during the previous 12 months. No additional contributions have been made in the year ended 30 June 2004.

### Income tax expense relating to ordinary activities

Included within tax expense for the year ended 30 June 2003 are two adjustments relating to prior years. The first related to permanent differences arising from write-downs of non-current assets which were not previously recognised as tax expense (\$12.639 m). The second related to the permanent component of over-claiming depreciation deductions in prior years which is 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 \$1.970 m in tax expense was recognised.

### Reversals of previous asset class write-downs

Included within revenue is an amount of \$15.914 m (2003: \$24.035 m) relating to the reversals of previous asset class write-downs. Additional information on this item is included in Note 7.

### Reversal of prior year tax interest provision

Included within revenue is an amount of \$6.125 m relating to the reversal of a prior year tax interest provision. This provision was raised to account for potential interest charges from the Australian Taxation Office (ATO) associated with the tax adjustments recorded in the 2002–03 financial statements. This year the ATO has informed Airservices Australia that no interest was payable in relation to these adjustments.

### 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:

	2004 \$'000	2003 \$'000
Profit from ordinary activities before income tax	68,932	65,871
Prima facie income tax expense at 30%	20,680	19,761
Tax effect of permanent and other differences:		
– Provision for Tax Law Amendment Act (No. 2)	21	–
– Non-deductible legal costs	212	140
– Other non-deductible expenditure	102	149
– Depreciation of revalued assets	4,885	1,391
– Revaluation of non-current assets	(4,774)	(2,688)
– Research and development tax incentive	(172)	(175)
Under/(over) provision for income tax applicable to prior years	1,414	14,609
<b>Income tax attributable to profit from ordinary activities</b>	<b>22,368</b>	<b>33,187</b>

### 4 DIVIDENDS

An interim dividend for the year ending 30 June 2003 of \$11.000 m was paid in July 2003. A final dividend for the year ended 30 June 2003 of \$8.600 m (2002: \$14.900 m) was paid in February 2004. An interim dividend for the year ending 30 June 2004 of \$11.000 m was paid in June 2004.

### 5 RECEIVABLES

	2004 \$'000	2003 \$'000
<b>Current</b>		
Trade debtors	58,290	45,605
Provision for doubtful debts	(2,276)	(3,184)
	<b>56,014</b>	<b>42,421</b>
Sundry debtors	2,646	2,997
Accrued revenue and interest	3,623	3,238
<b>Total Current Receivables</b>	<b>62,283</b>	<b>48,656</b>
<b>Aged analysis of trade debtors</b>		
Up to 30 days outstanding	53,307	40,907
31 to 60 days outstanding	3,321	3,085
61 to 90 days outstanding	699	640
Over 90 days outstanding	963	973
	<b>58,290</b>	<b>45,605</b>

## 6 OTHER ASSETS

	2004 \$'000	2003 \$'000
<b>Current</b>		
Prepayments	1,814	2,162
Assets held for resale		
– land at valuation	15,000	–
– buildings at valuation	632	–
	15,632	–
Consumable spares		
– at cost	–	250
Inventories at cost	37	316
Future Income Tax Benefits		
– attributable to timing differences	10,404	10,520
<b>Total Current Other Assets</b>	<b>27,887</b>	<b>13,248</b>
<b>Non-Current</b>		
Future Income Tax Benefits		
– attributable to timing differences	56,374	57,001
<b>Total Non-Current Other Assets</b>	<b>56,374</b>	<b>57,001</b>

## 7 PROPERTY, PLANT AND EQUIPMENT

### a. Aggregate Property, Plant and Equipment

Item	Land	Buildings	Total land and buildings	Plant and equipment	Software	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross value – 1 July 2003</b>	<b>8,713</b>	<b>112,387</b>	<b>121,100</b>	<b>308,420</b>	<b>49,491</b>	<b>44,855</b>	<b>523,866</b>
Reclassification between asset categories	–	–	–	46	(46)	–	–
Additions	–	149	149	7,719	276	58,021	66,165
Commissioned assets under construction	–	2,161	2,161	17,022	36,764	(55,947)	–
Revaluation increment	18,691	–	18,691	–	–	–	18,691
Reversals of previous asset class write-downs	2,389	(22,930)	(20,541)	(109,567)	–	–	(130,108)
Transfer to assets held for resale	(15,000)	(683)	(15,683)	–	–	–	(15,683)
Disposals	–	(2,307)	(2,307)	(25,442)	(39)	–	(27,788)
<b>Gross value – 30 June 2004</b>	<b>14,793</b>	<b>88,777</b>	<b>103,570</b>	<b>198,198</b>	<b>86,446</b>	<b>46,929</b>	<b>435,143</b>
<b>Accumulated depreciation – 1 July 2003</b>	<b>–</b>	<b>(18,335)</b>	<b>(18,335)</b>	<b>(122,077)</b>	<b>(21,994)</b>	<b>(664)</b>	<b>(163,070)</b>
Depreciation charged	–	(9,460)	(9,460)	(53,014)	(9,730)	–	(72,204)
Reversals of previous asset class write-downs	–	23,024	23,024	122,998	–	–	146,022
Transfer to assets held for resale	–	52	52	–	–	–	52
Disposals	–	332	332	18,612	39	–	18,983
Commissioned assets under construction	–	–	–	(664)	–	664	–
<b>Accumulated depreciation – 30 June 2004</b>	<b>–</b>	<b>(4,387)</b>	<b>(4,387)</b>	<b>(34,145)</b>	<b>(31,685)</b>	<b>–</b>	<b>(70,217)</b>
<b>Net book value – 30 June 2004</b>	<b>14,793</b>	<b>84,390</b>	<b>99,183</b>	<b>164,053</b>	<b>54,761</b>	<b>46,929</b>	<b>364,926</b>
Net book value – 30 June 2003	8,713	94,052	102,765	186,343	27,497	44,191	360,796

### 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 on 30 June 2002. During the current financial year, all assets except software and assets under construction were revalued as part of Airservices Australia's preparation for a submission of a long-term pricing proposal to the Australian Competition and Consumer Commission.

## 7 PROPERTY, PLANT AND EQUIPMENT continued

### c. Reconciliation of assets held at valuation

Item	Land	Buildings	Total land and buildings	Plant and equipment	Software	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 30 June 2004</b>							
At cost	–	1,743	1,743	36,269	86,446	46,929	171,387
Less accumulated depreciation	–	(38)	(38)	(4,487)	(31,685)	–	(36,210)
	–	1,705	1,705	31,782	54,761	46,929	135,177
At independent valuation October 2003	14,793	87,034	101,827	161,929	–	–	263,756
Less accumulated depreciation	–	(4,349)	(4,349)	(29,658)	–	–	(34,007)
	14,793	82,685	97,478	132,271	–	–	229,749
<b>Net book value</b>	<b>14,793</b>	<b>84,390</b>	<b>99,183</b>	<b>164,053</b>	<b>54,761</b>	<b>46,929</b>	<b>364,926</b>
<b>As at 30 June 2003</b>							
At cost – recent additions and 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
<b>Net book value</b>	<b>8,713</b>	<b>94,052</b>	<b>102,765</b>	<b>186,343</b>	<b>27,497</b>	<b>44,191</b>	<b>360,796</b>

## 8 PROVISIONS AND PAYABLES

	2004 \$'000	2003 \$'000
<b>Current Payables</b>		
Suppliers		
– Trade creditors	11,810	15,080
Employees		
– Salaries and wages	3,644	8,364
– Superannuation	3,028	2,489
– Recreation leave	29,688	30,117
Revenue received in advance	2,329	1,903
Interest payable	802	887
Group tax	2,786	2,582
Accrued payroll tax	2,098	2,370
Goods and services tax	6,600	6,032
Tax Interest Provision	–	6,125
Other accrued expenses	24,820	23,309
<b>Total Current Payables</b>	<b>87,605</b>	<b>99,258</b>
<b>Current Provisions</b>		
Employee benefits		
– Long service leave	2,063	4,244
– Workers compensation <sup>(1)</sup>	535	500
– Separations and redundancies	9,669	4,058
Taxation	14,904	26,049
Cross-border transaction	250	250
Litigation and legal costs	1,572	1,905
<b>Total Current Provisions</b>	<b>28,993</b>	<b>37,006</b>
<b>Total Current Provisions and Payables</b>	<b>116,598</b>	<b>136,264</b>
<b>Non-Current Provisions</b>		
Employee benefits		
– Long service leave	94,929	86,248
– Workers compensation <sup>(1)</sup>	3,942	4,652
– Separations and redundancies	34,580	44,881
Cross-border transaction	3,601	3,750
<b>Total Non-Current Provisions</b>	<b>137,052</b>	<b>139,531</b>

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

## 9 INTEREST-BEARING LIABILITIES (NON-CURRENT)

	2004 \$'000	2003 \$'000
Unsecured loans		
– Bank loans – bonds <sup>(1)</sup>	100,114	100,162
<b>Total Non-Current Interest Bearing Liabilities</b>	<b>100,114</b>	<b>100,162</b>
<b>Maturity Schedule</b>		
Total amount of loans payable within:		
– Later than 2 years but not later than 5 years	100,114	100,162
<b>Total Non-Current Interest Bearing Liabilities</b>	<b>100,114</b>	<b>100,162</b>

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

## 10 SHAREHOLDER'S EQUITY

Item	Capital \$'000	Accumulated losses \$'000	Asset Revaluation Reserve \$'000	Total equity \$'000
<b>Balance – 1 July 2003</b>	<b>292,190</b>	<b>(65,825)</b>	<b>–</b>	<b>226,365</b>
Capital repayments	(70,000)	–	–	(70,000)
Net profit after income tax	–	46,564	–	46,564
Dividends paid	–	(30,600)	–	(30,600)
Revaluation increment	–	–	18,691	18,691
<b>Balance – 30 June 2004</b>	<b>222,190</b>	<b>(49,861)</b>	<b>18,691</b>	<b>191,020</b>

## 11 SEGMENT REPORTING

Airservices Australia operates predominantly in the Australian aviation industry.

## 12 STANDBY ARRANGEMENTS AND UNUSED CREDIT FACILITIES

	2004 \$'000	2003 \$'000
Bank overdraft	5,000	5,000
Total credit facilities	5,000	5,000
Amount utilised	–	539
Unused credit facility	5,000	4,461
Loan facilities		
– Commercial Paper	300,000	300,000
– Domestic bond	100,000	100,000
– Standby / Money Market Line	70,000	70,000
Total loan facilities	470,000	470,000
Amount utilised	(100,114)	(100,162)
Unused loan facility	369,886	369,838



### 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 \$18.535 m (2003: \$14.286 m) and \$0.045 m (2003: \$0.044 m) 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% to 10%.

The last actuarial assessment of AvSuper as at 1 July 2003 was presented by CHR Consulting on 3 December 2003. Information relating to AvSuper based on the latest actuarial assessment and the financial report of AvSuper for the year ended 30 June 2003 is set out in the following table:

<b>As at 30 June 2003</b>		<b>\$'000</b>
Present value of employees' accrued benefits		<b>544,030</b>
Net market value of assets held by AvSuper to meet future benefit payments		<b>592,378</b>
Surplus of net market value of assets over accrued benefits		<b>48,348</b>
Vested benefits		<b>579,746</b>
Employer contributions to AvSuper for the year ended 30 June 2004		<b>30,086</b>

### 14 REMUNERATION OF AUDITORS

	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Auditing services provided by the Australian National Audit Office	<b>288,620</b>	170,250
Audit services for Airservices Australia are provided by the Australian National Audit Office and are subcontracted to PricewaterhouseCoopers.		
Services provided by PricewaterhouseCoopers		
– Accounting advice in connection with the cross-border arrangement	<b>4,000</b>	–
– Preparation of a business case and delivery model for integration of Airservices Australia's and the Royal Australian Air Force's air traffic control training functions	–	111,572
– Data networks review	–	20,894
– Rate of return modelling	<b>26,775</b>	–
Services provided by PricewaterhouseCoopers Consulting		
– Information Management Transformation Program		
• Secondment of PricewaterhouseCoopers contractor	–	79,597
	<b>30,775</b>	212,063

## 15 REMUNERATION OF DIRECTORS

Amounts received, or due and receivable, by Directors

**\$284,000**

\$281,244

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 Directors' remuneration.

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

			<b>2004 Number</b>	2003 Number
	\$	\$		
	30,000	– 39,999	<b>3</b>	3
	40,000	– 49,999	<b>*1</b>	1
	50,000	– 59,999	<b>2</b>	1
	70,000	– 79,999	<b>–</b>	1

\* Board member resigned February 2004.

## 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 \$2,152,263 (2003: \$2,056,937).

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

The numbers 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.

			<b>2004 Number</b>	2003 Number
	\$	\$		
	160,000	– 169,999	<b>1</b>	–
	280,000	– 289,999	<b>–</b>	1
	290,000	– 299,999	<b>–</b>	1
	300,000	– 309,999	<b>–</b>	2
	320,000	– 329,999	<b>1</b>	–
	340,000	– 349,999	<b>1</b>	–
	350,000	– 359,999	<b>1</b>	1
	380,000	– 389,999	<b>1</b>	–
	510,000	– 519,999	<b>–</b>	1
	560,000	– 569,999	<b>1</b>	–

## 17 RELATED PARTY TRANSACTIONS

### Directors

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

<b>Chairman</b>	John P C Forsyth (until February 2004)
<b>Deputy Chairman</b>	Air Marshal Leslie Fisher AO (Ret'd) (Acting Chairman from February 2004)
<b>Chief Executive Officer</b>	Bernard R Smith
<b>Executive Director</b>	Hisham El-Ansary
<b>Non-Executive Directors</b>	Ronald Entsch (Acting Deputy Chairman from February 2004)
	Kevin Gale
	Belinda Gibson
	Captain David Shrubb

### 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 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 \$268,934 (2003: \$503,581) 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.

## 17 RELATED PARTY TRANSACTIONS continued

### TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

- 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 trustee director. Airservices Australia is reimbursed by AvSuper Pty Ltd for administrative costs incurred on behalf of the superannuation fund's management.
- To the extent permitted by law, Airservices Australia provides indemnities to its directors and officers to complement the insurance arrangements that it has in place.

## 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.

2004		Fixed interest maturing in:						Total
Notes	Average interest rate	Floating Interest rate	1 year or less	1 to 5 years	More than 5 years	Non-interest bearing		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Financial assets</b>								
Cash and deposits		5.468%	33,274	–	–	–	40	33,314
Receivables	5	–	–	–	–	–	62,283	62,283
<b>Total</b>			33,274	–	–	–	62,323	95,597
<b>Financial liabilities</b>								
Trade and other creditors <sup>(2)</sup>	8	–	–	–	–	–	57,917	57,917
Bank loans – bonds	9	6.485%	–	–	100,114	–	–	100,114
Interest rate swaps <sup>(1)</sup>		–	100,000	–	(100,000)	–	–	–
Interest rate swaps <sup>(1)</sup>		–	(70,000)	–	70,000	–	–	–
<b>Total</b>			30,000	–	70,114	–	57,917	158,031
<b>Net Financial Assets / (Liabilities)</b>			3,274	–	(70,114)	–	4,406	(62,434)

## 18 FINANCIAL INSTRUMENTS continued

### INTEREST RATE RISK EXPOSURES (CONTINUED)

2003

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	\$'000
<b>Financial assets</b>							
Cash and deposits	4.869%	122,577	–	–	–	44	122,621
Receivables	5	–	–	–	–	48,656	48,656
<b>Total</b>		122,577	–	–	–	48,700	171,277
<b>Financial liabilities</b>							
Trade and other creditors <sup>(2)</sup>	8	–	–	–	–	69,141	69,141
Bank loans – bonds	9	6.485%	–	100,162	–	–	100,162
Interest rate swaps <sup>(1)</sup>		–	100,000	(100,000)	–	–	–
Interest rate swaps <sup>(1)</sup>		–	(100,000)	100,000	–	–	–
<b>Total</b>		–	–	100,162	–	69,141	169,303
<b>Net Financial Assets / (Liabilities)</b>		122,577	–	(100,162)	–	(20,441)	1,974

<sup>(1)</sup> Notional principal amounts<sup>(2)</sup> This item excludes amounts for recreation leave

### Reconciliation of net financial assets/(liabilities) to net assets

Notes	2004 \$'000	2003 \$'000
Net financial assets/(liabilities) as above	(62,434)	1,974
Other current assets	6	13,248
Non-current assets	6,7	417,797
Current provisions	8	(67,123)
Non-current provisions	8	(139,531)
<b>Net assets as per Statement of Financial Position</b>	<b>191,020</b>	<b>226,365</b>

## 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	
	2004 \$'000	2003 \$'000	2004 \$US/\$1	2003 \$US/\$1
<b>Maturity</b>				
3 months or less	100	–	0.750	–
Later than 3 months but not later than 1 year	150	–	0.739	–

Buy EUROS	Sell Australian Dollars		Average Exchange Rate	
	2004 \$'000	2003 \$'000	2004 EURO/\$1	2003 EURO/\$1
<b>Maturity</b>				
3 months or less	2,191	274	0.5862	0.5846
Greater than 3 months but less than 1 year	12,781	–	0.5784	–
Greater than 1 year	7,161	–	0.5510	–

### 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–.

## 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.

	2004		2003	
	Carrying amount \$'000	Net fair value \$'000	Carrying amount \$'000	Net fair value \$'000
<b>Financial assets</b>				
Forward exchange contracts	–	606	–	–
Other assets	95,597	95,597	171,277	171,277
Interest rate swaps	–	534	–	745
	<b>95,597</b>	<b>96,737</b>	171,277	172,022
<b>Financial liabilities</b>				
Long-term debt	100,114	101,014	100,162	105,585
Other liabilities	57,917	57,917	69,141	69,141
	<b>158,031</b>	<b>158,931</b>	169,303	174,726

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.

## 19 NOTES TO THE STATEMENT OF CASH FLOWS

	2004 \$'000	2003 \$'000
<b>Reconciliation of Cash</b>		
Cash at the end of the financial year, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:		
Cash, advances and cash on call	<b>33,314</b>	122,621
Total cash	<b>33,314</b>	122,621
<b>Reconciliation of net profit after income tax to net cash provided by operating activities</b>		
Net profit after income tax	<b>46,564</b>	32,684
Cross-border transaction guarantee fee	<b>(14,656)</b>	(46,428)
Adjustments for non-cash income and expense items		
Depreciation	<b>72,204</b>	47,570
Reversals of previous asset class write-downs	<b>(15,914)</b>	(24,035)
Net (profit)/loss on sale/write-off of property, plant and equipment	<b>674</b>	766
Net profit on sale of asset held for resale	<b>–</b>	(878)
Costs on sale of asset held for resale	<b>–</b>	(232)
Amortisation of premium on borrowings	<b>(48)</b>	(47)
Changes in assets		
Decrease/(increase) in gross receivables	<b>(12,719)</b>	502
Decrease in inventories and spares	<b>528</b>	584
Decrease in prepayments	<b>348</b>	1,060
Decrease/(increase) in future income tax benefit	<b>743</b>	(8,175)
Changes in liabilities		
Increase/(decrease) in employee benefits	<b>(6,081)</b>	11,304
Decrease in doubtful debts provision	<b>(908)</b>	(468)
Increase/(decrease) in legal provisions	<b>(333)</b>	(655)
Increase/(decrease) in income tax payable	<b>(11,145)</b>	18,254
Increase/(decrease) in cross-border transaction provision	<b>(149)</b>	4,000
Increase/(decrease) in creditors and accruals	<b>(4,437)</b>	16,739
Net cash provided by operating activities	<b>54,671</b>	52,545

## 20 MONIES HELD IN TRUST

Airservices Australia has been contracted by the Solomon Islands Civil Aviation Authority and the Republic of Nauru to provide airspace management and accounts receivable services. The contracts require Airservices Australia to retain cash received and to remit funds at a later date to the Solomon Islands and Nauru on the instruction of their contract manager. At balance date, the money held in trust totalled \$0.514 m (2003: \$0.136 m) for the Solomon Islands and \$nil for Nauru.



## 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 44% (2003: 48%) of flights by aircraft greater than 5.7 tonnes.

## 22 IMPACT OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Airservices Australia has commenced work on transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The entity has established a number of work streams to perform diagnostics and conduct impact assessments to identify key areas that will be impacted by the transition to IFRS. An IFRS steering committee, chaired by the Chief Financial Officer, is in place to oversee the progress of the transition.

In accordance with AASB 1047 – Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards, the impacts of adopting Australian International Financial Reporting Pronouncements (AIFRPs) on Airservices Australia's reported financial position and future financial performance are as follows:

- Under the Australian equivalent to IAS 19 Employee Benefits, entities that sponsor defined benefit superannuation plans are required to recognise actuarial gains and losses relating to these plans in income as they arise and also recognise an asset or a liability for the superannuation plan, measured at the present value of accrued benefits less the market value of plan assets. This will result in a change to the current accounting policy where neither actuarial gains and losses nor net assets or liabilities of the plan are currently recognised in the financial statements. Reliable estimation of the future financial effects of this change in accounting policy is not feasible because of the difficulties associated with valuation of the assets of the benefit fund.
- Under the current accounting policy on revaluation of Property, Plant and Equipment, revaluation increments/ decrements are offset against one another within a class of non-current assets. Under the Australian equivalent to IAS 16 Property, Plant and Equipment, a revaluation decrease is to be charged directly against any related revaluation reserve to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of the same asset. This change in the accounting policy is expected to affect the reported profit. Reliable estimation of the effect of the change in accounting policy in future periods is impracticable at this stage.

## 22 IMPACT OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) continued

- Under the Australian equivalent to IAS 36 Impairment of Assets, the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the current accounting policy which determines the recoverable amount of an asset on discounted cash flows only. Under the new accounting policy it is likely that impairment of assets will be recognised sooner than under the existing policy and that the amount of write-downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is not feasible because the conditions under which impairment would be assessed are not yet known.
- Under the current accounting policy, disclosure of financial instruments is by way of a note to the financial statements. Under the Australian equivalent to IAS 39 Financial Instruments: Recognition and Measurement, all qualifying financial instruments held at the transition date are to be recognised in the financial statements. The change in accounting policy will result in additional assets/liabilities being recognised in the Balance Sheet. A reliable estimate of the additional assets/liabilities is not possible at this stage due to finalisation of the above standard being delayed.
- Under the Australian equivalent to IAS 12 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the Statement of Financial Position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity. This change in the accounting policy is not expected to affect the reported profit; however, reliable estimation of the effect of the change in future periods is impracticable at this stage.
- Airservices Australia currently carries software at depreciated cost. With the transition to IFRS, software will be subjected to revaluation provisions and impairment tests noted above. While the financial effect of the change in the accounting policy on software valuations cannot be reliably estimated at this stage, it may create volatility in future profitability.





## APPENDIX 1: BOARD MEMBERSHIP, MEETINGS AND COMMITTEES

### Members of the Board and their terms of appointment

Board members for the period 1 July 2003 to 30 June 2004 were as follows.



#### **Mr John Forsyth (Chairman)—resigned 12 February 2004**

John Forsyth, holder of a Private Pilot 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)—acting Chairman from 13 February 2004**

Les Fisher had a distinguished military career, culminating in his appointment as Chief of Air Force from 1994 to 1998. He 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, Air Marshal Fisher accumulated more than 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. Air Marshal Fisher is also the Chairman of the Safety and Environment, Security and Remuneration committees of the Board.



#### **Mr 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 over 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 Pty Ltd.

Mr El Ansary's professional qualifications include a Master of Business Administration from the University of Canberra 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 Pty Ltd, Airservices Australia's staff superannuation fund.



### **Mr Ronald 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 Honorary Professor of Aviation Management at Griffith University and a Fellow of the Royal Aeronautical Society.

Mr Entsch is Chairman of the Audit Committee of the Board and is also a director of AvSuper Pty Ltd.



### **Mr Kevin 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.



### **Ms 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 Shrubb**

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

Captain Shrubb 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.



### **Mr Bernard 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 the corporation's Chief Operating Officer, 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.

## Meetings of the Board

The Board met at 10 ordinary meetings during the year, as follows:

25 July 2003	Sydney
22 August 2003	Canberra
26 September 2003	Brisbane
23–24 October 2003	Medlow Bath, NSW
21 November 2003	Canberra
20 February 2004	Canberra
22 March 2004	Canberra
23 April 2004	Canberra
21 May 2004	Canberra
25 June 2004	Canberra

In addition, the Board conferred at 11 extraordinary meetings in Canberra.

## Meetings of Board committees

### Safety and Environment Committee

*Air Marshal Les Fisher (Chairman), Mr Ronald Entsch, Mr Kevin Gale, Captain David Shrubbs, Mr John Forsyth (ex officio member, resigned 12 February 2004), Mr Bernard Smith (ex officio member)*

The Safety and Environment Committee met 10 times. Nine meetings were held in Canberra, and one in Sydney.

### Audit Committee

*Mr Ronald Entsch (Chairman), Ms Belinda Gibson, Mr John Forsyth (ex officio member, resigned 12 February 2004), Air Marshal Les Fisher (Chairman of the Board, ex officio member from 13 February 2004)*

The Audit Committee met five times, including one extraordinary meeting. All meetings were held in Canberra.

### Remuneration Committee

*Mr John Forsyth (Chairman, resigned 12 February 2004), Air Marshal Les Fisher (Chairman from 13 February 2004), Mr Ronald Entsch, Mr Bernard Smith, Ms Belinda Gibson (from 21 May 2004)*

The Remuneration Committee met twice in Sydney and once in Canberra.





## Security Committee

*Air Marshal Les Fisher (Chairman), Captain David Shrubbs, Mr Bernard Smith*

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

## New Business Committee

*Mr John Forsyth (resigned 12 February 2004), Mr Bernard Smith, Air Marshal Les Fisher (from 13 February 2004, and ex officio member for defence matters prior to 13 February 2004)*

The New Business Committee did not meet during the 2003–04 financial year.

**TABLE 1 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	12	11	ex officio	ex officio	2	2	n/a			
Les Fisher	21	21	ex officio 1 <sup>a</sup>	10	10	1	1	3	3	
Ronald Entsch	21	21	5	5	10	9	3	3	n/a	
Kevin Gale	21	20	1 <sup>b</sup>		10	10	n/a	n/a		
Belinda Gibson	21	21	5	5 <sup>b</sup>		3 <sup>b</sup>	1	1	n/a	
David Shrubbs	21	21		2 <sup>b</sup>	10	10	n/a	3	3	
Bernard Smith	21	21		2 <sup>b</sup>	ex officio	3	3	3	3	
Hisham El Ansary <sup>c</sup>	21	21		5 <sup>b</sup>		5 <sup>b</sup>	n/a	n/a		

n/a = not applicable

a Les Fisher was acting Chairman from 13 February 2004, attending one Audit Committee meeting ex officio on 19 May 2004 and one as a non member on 12 February 2004.

b Attending as a non-member

c Hisham El Ansary attended one Safety and Environment Committee meeting as acting Chief Executive Officer on 28 October 2003.

Note: The New Business Committee did not meet during the 2003–04 financial year.



## Benefits and interests in contracts with Airservices Australia

Details of directors' benefits and interests in contracts with Airservices Australia are set out in Note 17 of the financial statements.

## Directors indemnity and insurance

In 2003–04, 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 2: STATUTORY AND ADMINISTRATIVE INFORMATION

### Ministerial directions

During 2003–04, the Minister made two formal directions to Airservices Australia under the *Air Services Act 1995*.

#### **Airservices Act 1995—Direction pursuant to section 18 concerning the supply of documents relating to the operations of Airservices Australia**

I, John Duncan Anderson, Minister of State for Transport and Regional Services, acting pursuant to subsection 18(1) of the *Air Services Act 1995* hereby direct Airservices Australia to provide my nominee, the General Counsel to the Department of Transport and Regional Services, copies of documents as described in the attached Schedule.

Dated this 1st day of March 2004

John Anderson

Schedule

1. all legal advices, including internal, received in relation to the decision to convert C airspace into E airspace
2. all advices, both internal and external, that led the Board and management to conclude that the decision to convert C airspace to E airspace was flawed
3. all non-legal advices, both internal and external, that led to the Board resolving to consider various options to remedy the flawed decision
4. copies of all the various options considered in 3.

#### **Airservices Act 1995—Direction under subsection 16(1) 2004 (No. 1)**

1. I, John Duncan Anderson, Minister for Transport and Regional Services, acting pursuant to subsection 16(1) of the *Air Services Act 1995* hereby direct Airservices Australia to limit price increases for terminal navigation services at airports to which the Location Specific Pricing Subsidy applies to a maximum of 16.8 per cent for the period 1 July 2004 to 30 June 2005 inclusive.
2. For the purpose of this direction, Location Specific Pricing Subsidy means the subsidy introduced by the Australian Government on 1 July 1998 to minimise the impact of location specific pricing for airport control tower services.

Dated this 1st day of April 2004

John Anderson

**TABLE 2 MINISTERIAL DIRECTIONS STILL CURRENT FROM PREVIOUS FINANCIAL YEARS**

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 precision runway monitor approaches, Sydney Airport

## 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 for Airservices Australia in 2003–04.

## Occupational health and safety committees

The OHS subcommittee of the National Consultative Council, composed of Airservices Australia management and union representatives, met twice in 2003–04. The management-level OHS Steering Committee also met on two occasions.

## Occupational health and safety incidents

During the reporting period, one incapacity, 18 dangerous occurrences and 18 serious personal injuries were reported to Comcare. During the previous financial year, the respective figures were two, 28 and 17.

## Occupational health and safety initiatives

In July 2003, Airservices Australia signed an Employer Statement of Commitment with Comcare. The statement commits us to:

- ensure that our senior executive management team reviews OHS and rehabilitation performance at least every six months
- ensure that all levels of management and employees are briefed and, where relevant, appropriately trained to enable them to play their part in reducing the incidence of workplace injury and disease at Airservices Australia

- integrate OHS into normal risk management activities and undertake an OHS risk assessment (where not already completed in the previous 12 months) to identify current and emerging risks and to develop and promote a strategy to eliminate or minimise those risks
- initiate an evaluation of OHS and rehabilitation policy, practice and procedures (where not already undertaken in the previous 12 months) to ensure relevance and currency, and to actively promote good policy and effective procedures.

During April 2004, Airservices Australia celebrated the International Labour Organization's World Day for Safety and Health at Work. Health and safety activities included individual health checks, skin cancer screening and ergonomic seminars. These activities complement our current executive medical and immunisation programs.

In July 2003, Airservices Australia's intranet-based Occupational Health and Safety Management System was nominated as a finalist in the Leadership in Injury Prevention and Management category of the Safety, Rehabilitation and Compensation Commission annual safety awards. At the awards function in Canberra, Chief Executive Officer Mr Bernard Smith accepted an Encouragement Award on behalf of the corporation from Mr Peter Wilson, Chairman of the commission.

## **Workers compensation**

Airservices Australia's workers compensation premium for 2003–04 was set at 0.66 per cent of salary and wages (0.50 per cent in 2002–03). The Commonwealth average in 2003–04 was 1.43 per cent (1.13 per cent in 2002–03).

## **Comcare investigation**

During the reporting period, Comcare carried out one follow-up investigation at Aviation Rescue and Fire Fighting, Perth Airport. In the previous financial year, two investigations were conducted.


## **Notices**

No provisional improvement notices were issued during 2003–04 (one was issued in 2002–03).

## **Commonwealth Disability Strategy**

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

As a provider, we deal 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, and conducted an audit to ensure that adequate signage was in place to identify toilet facilities for people with disabilities.



In our employer role, we aim to eliminate disability discrimination in the workplace through our equity and diversity program. Airservices Australia joined Employers Making a Difference Inc, an Australian employers' network promoting and supporting businesses that encourage people with disabilities. The network was instigated by a group of employers with positive experiences in this area. Airservices Australia is proud to join them in encouraging people with a disability to seek and maintain a meaningful role in the workplace.

## **Equity and diversity**

Airservices Australia's National Equity and Diversity Program, sponsored by the General Manager Air Traffic Management, Mr Andrew Fleming, ensures that the corporation complies with relevant employment and antidiscrimination legislation. The program links equity and diversity targets directly to our business planning processes, and identifies actions needed to eliminate discrimination and harassment, achieve greater cultural diversity and flexibility at work, implement the disability action plan, and comply with legislation.

The current program (2001–04) is the corporation's third. Because 2004 is the program's final year, we conducted a 'health check' in May and June to ask staff for their opinions and identify areas of concern. The results will be incorporated into the 2004–07 program.

## **Highlights of the Equity and Diversity Program in 2003–04**

Two online training programs designed to increase cross-cultural awareness and understanding of equity and diversity matters operated during 2003–04. The cross-cultural program began in October 2003, and 35 people completed all five modules. During the year, 224 people completed the equity and diversity online program, an increase from 93 in 2002–03.

We implemented a further English in the workplace program for a group of employees from non-English speaking backgrounds working in a technical area. The course built on the skills developed in a course conducted in 2002–03.

In March 2004, Airservices Australia sponsored a table at the International Women's Day luncheon held by Unifem Australia. The year also saw the formation of a network for senior women, which held two functions.

To honour cultural diversity, we celebrated Harmony Day throughout the corporation.

## **Harassment and discrimination**

The corporation has 34 equity and diversity contact officers, who provide information and support to staff on equity and diversity matters 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.

## 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 2003–04, the corporation:

- recruited a fraud investigator who meets the competency requirements of the Commonwealth Fraud Control Guidelines
- referred one fraud matter directly to the Commonwealth Director of Public Prosecutions, and was advised that the referral led to a conviction and jail sentence for an ex-employee
- was advised that one case referred to the Australian Federal Police in 2002–03 led to a conviction and jail sentence for an ex-employee
- conducted fraud awareness training and issued a number of fraud related publications
- installed a fraud investigations case management system.

In addition, the CEO certified that current fraud risk assessments and a fraud control plan have been prepared (see Appendix 5).

## 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:

<http://www.privacy.gov.au/publications/pid2004.zip>.

The corporation's staff attended Privacy Contact Officer network meetings conducted by the Privacy Commissioner.

During 2003–04, the Privacy Commissioner did not undertake any investigations under section 40 of the Privacy Act in relation to Airservices Australia.



## Freedom of information

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

## Powers and functions

Airservices Australia's legislative framework, powers and functions are set out in the Corporate Overview section of this annual report (page 7).

## FOI procedures and initial point of contact

Under the FOI Act, the Chief Executive Officer or his delegates may grant or refuse access to any document held by Airservices Australia. Within the corporation, the Coordinator FOI and Inquiries in the Office of Legal Counsel makes initial decisions about access and fees. Access requests must be made in writing to the coordinator, enclosing a \$30 application fee and a forwarding address. The corporation usually provides copy access in response to requests. In certain circumstances the fee is not required or can be waived.

Applicants should provide as much information as possible about the requested documents or categories of documents, and a telephone number to make it easier to clarify requests. The coordinator will answer queries about FOI requests.

The address for lodging requests is:

Coordinator—FOI and Inquiries  
Office of Legal Counsel  
Airservices Australia  
GPO Box 367  
Canberra ACT 2601  
Telephone: (02) 6268 5108  
Fax: (02) 6268 5148

Table 3 shows Airservices Australia's FOI activity for 2003–04.

**TABLE 3 FREEDOM OF INFORMATION STATISTICS, 2003–04**

Activity in 2003–04	Numbers
Requests:	
• On hand at 1 July 2003	2
• New requests received	38
• Total requests handled	40
• Total requests completed at 30 June 2004	38
Outstanding at 30 June 2004	2
Action on requests:	
• Access in full	2
• Access in part	14
• Access refused	1
• Access transferred in full	1
• Request withdrawn	20
Response times:	
• 0–30 days	14
• 31–60 days	3
• 61–90 days	–
• 90+ days	–
Internal review:	
• Requests received	1
• Decision affirmed	–
• Decision amended	–
• Request withdrawn	1
Review by Administrative Appeals Tribunal:	
• Applications received	–

## Consultative arrangements

Airservices Australia welcomes comment from other organisations and from the public on its policies and practices. The corporation maintains many channels for consultation, including consultative committees, the <http://www.airservicesaustralia.com> website, airport community consultative committees, telephone inquiry services, industry and pilot briefings, and locally advertised public meetings. The Minister, Board, Chief Executive Officer and Executive Committee, and business centre managers, also respond to posted comments.

Airservices Australia is a member of various Australian and international aviation bodies, including the Regional Core Planning Group of the International Civil Aviation Organization (ICAO); the ICAO's Air Transport, Air Navigation Commission and legal panels and technical committees; regional planning groups; the National Association of Testing Authorities; the Air Coordinating Committee; Sydney Airport and Sydney Basin development committees; the International Air Transport Association; joint Airservices Australia–Defence working parties and 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 Australasian Fire Authorities Council; the Joint Commonwealth, and State and Territory Governments Aviation Working Group.

## Ombudsman activity in 2003–04

During the 2003–04 financial year, Airservices Australia responded to four formal requests for information from the Office of the Commonwealth Ombudsman.

## Categories of documents held by Airservices Australia

Documents in the categories listed below are held by Airservices Australia as paper records or on optical, audio or digital media.


**Legal and ministerial:** legislation affecting the corporation; taxation working documents; Treasury records; insurance files; ministerial briefing papers and correspondence; policy advice, instructions and working papers; legal records, documents, instruments, precedents and advice; FOI Act activity records.

**Financial:** planning and pricing records; airways charges collection data; financial statements, working papers, reporting documentation and records.

**Commercial:** corporate property files, policy documents and records; service charter documentation; general correspondence; media reports and press releases; tenders, bids and submissions; original contract documents; contracts, agreements and memorandums of association; contract precedent information.

**Management and governance:** Board submissions, minutes and action records; management meeting submissions, records and minutes; corporate and strategic plans; business management documents; business plans, cases and reports; service agreements.

**Internal procedures:** financial and resource management records, internal operating procedures, policy and procedures manuals and instructions; procurement guidelines; budget reports, general ledger records, procedures and manuals; project financial data, approvals, briefs, plans, designs and commissioning reports; project management policy, manuals, processes and procedures; project records, including schedules, contracts and financial records; project documentation, working party



and committee reports; statistical information; information technology policy, procedures, specifications, instructions, manuals, standards, reports, maintenance and asset records; back-up tapes; quality management records, procedures and manuals.

**Employees:** workplace agreements; procedural manuals; employee and personnel management records; service and employment agreements; OHS records; equity and diversity records; internal staff publications.

**Technical:** Aeronautical Information Circulars; Aeronautical Information Publications; communication systems handbooks; aeronautical engineering instructions, drawings, reports, configuration documents and policy documents; operational policy and procedures manuals; communications, surveillance, navigation, testing and maintenance systems and engineering documents; specifications, instructions, manuals, standards, procedures, reports, maintenance records, plans and asset records; documentation of radar tapes and analyses; data communications operations manuals; maps, charts and research and investigation records; statistics of airport operations.

**Environment:** standards and procedures; records of assessment under Air Navigation (Aircraft Noise) regulations; Australian Noise Exposure Forecasts, Exposure Concepts and Indices and related documents; Noise and Flight Path Monitoring System reports; reports on environmental assessments; records of telephone inquiries and aircraft noise complaints.

**Air traffic control:** ATC and separation policy, guidelines, standards, instructions and manuals; training records, standards, curriculum, syllabus and examination records; procedure development records; ATC and flight service daily logs and journals, audio tapes and personnel operational records; navigational maps and charts; aircraft movement data; operational documents and aeronautical charts for pilot navigation and flight planning; pilot education material; aeronautical information publications and operational charts, including en route information and world aeronautical charts.

**Safety:** airport emergency planning documentation; safety standards procedures and documents; audit reports and records, including on safety cases; aviation accident, incident and investigation records; safety and surveillance system records and manuals.

**Aviation rescue and fire fighting:** ARFF operational, engineering and general bulletins and instructions; documents on procedures and recruitment, occupational health and safety, hazardous materials and fire safety policy; Australian fire fighting manuals; Australian Fire Competency policy and training manuals, module descriptors, assessment manuals and associated records; ARFF systems training/instruction manuals; ARFF Total Quality Management Manual.

## Categories of documents available for purchase

Airservices Australia sells a wide range of internally and externally produced documents through its Publications Centre in Canberra, including:

- Airservices Australia and Civil Aviation Safety Authority regulatory and operational documents
- logbooks—aircraft, pilot, operational notes, syllabus
- training manuals and practice exams for pilots licences
- engineering, aerodrome, helicopter, human performance factor, meteorology, GPS and general reference books
- navigation products, videos and chart packages.

A comprehensive list of publications and prices is available from the Publications Centre:

Locked Bag 8500

Canberra ACT 2601

Telephone: 1300 306 630 (local call cost)

Fax: (02) 6268 5111

Website: <http://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), existing employees who were members of the defined benefit section of the AvSuper Fund were given the opportunity to transfer their superannuation entitlements to the accumulation section.

All employees have been informed about the requirements of the *Financial Services Reform Act 2001*. Staff in key areas of human resources management, recruitment, payroll, and associated remuneration services have been provided with guidelines to be adhered to when dealing with superannuation issues with other employees.

## Judicial decisions and reviews by outside bodies

### Judicial decisions

There were no judicial decisions or decisions of administrative tribunals during 2003–04 that had, or may have, a significant impact on the operations of Airservices Australia.

### Reports

During 2003–04, Airservices Australia received no reports on its operations from parliamentary committees or from the Commonwealth Ombudsman.

## Environmental protection/ecologically sustainable development

Under the *Environment Protection and Biodiversity Conservation Act 1999*, Airservices Australia is required to report on how its administration in the reporting period complied with the principles of sustainability.

Our efforts to achieve sustainability principles have included the following.

- Airservices Australia's enterprise-wide business risk management framework, supported by the Airservices Risk Management System software application, integrates the management of all significant social, environmental and financial risks.
- Our risk-based approach to environmental management incorporates consideration of the likelihood and magnitude of environmental impacts.
- We seek to reduce impacts on intergenerational equity, human health and ecological diversity by creating air traffic efficiencies in aviation. These efficiencies have led to an annual reduction in carbon dioxide emissions of an estimated 890,000 tonnes. Toxic emissions in aviation exhausts have also been reduced.
- Airservices Australia's pricing policy includes a component to enable the development of environmentally positive air traffic initiatives. Our pricing policy also allows us to support a carbon neutral car fleet through a tree planting program. Improvements in aviation efficiency, such as user preferred routes, provide incentives for industry to operate on route options that save fuel and therefore emissions.
- All new proposals are risk assessed for their environmental impacts, including those on conservation and biological diversity.

## APPENDIX 3: 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

26 OCT 1993

  
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

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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 disrepute 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.

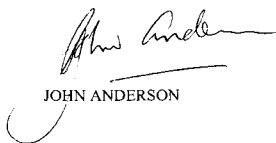
I would appreciate advice on Airservices' progress in developing, for the Government's consideration by the end of this year, a program for airspace reform which is internationally harmonised and consistent with International Civil Aviation Organization (ICAO) standards. As I have told you, the program 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

## APPENDIX 4: STAFFING STATISTICS

TABLE 4 NUMBER OF PERMANENT STAFF, BY CLASSIFICATION AND STATE, 2003–04

	State								
Job Type	ACT	NSW	NT	Qld	SA	Tas.	Vic.	WA	Total
Air Traffic Controller	15	155	6	384	51	13	326	49	999
Air Traffic Controller (Trainee)	1	2	–	14	–	1	8	2	28
Airways System Data Officer	–	7	–	39	–	–	43	–	89
ATS Support Specialist	14	3	–	9	2	–	15	–	43
Aviation Fire Officer	22	64	59	177	36	37	65	49	509
Clerical Administration	216	18	1	68	5	–	56	4	368
Flight Data Coordinator	–	–	–	14	–	–	12	–	26
Flight Information Officer	–	–	–	53	–	–	–	–	53
Flight Service Officer	–	–	–	40	–	–	–	–	40
General Service Officer	2	12	3	12	5	1	12	8	55
Professional Officer	2	1	–	4	–	–	1	–	8
Senior Manager	154	16	4	78	4	2	57	9	324
Senior Professional Officer	20	1	–	8	–	–	7	–	36
Senior Technical Officer	5	14	1	61	9	1	39	14	144
Technical Officer	15	42	9	85	14	5	48	13	231
<b>Total</b>	<b>466</b>	<b>335</b>	<b>83</b>	<b>1046</b>	<b>126</b>	<b>60</b>	<b>689</b>	<b>148</b>	<b>2953</b>

ATS = air traffic services

## APPENDIX 5: FRAUD CONTROL DECLARATION



AIRSERVICES AUSTRALIA

### FRAUD CONTROL DECLARATION

I, Bernard Ross Smith, Chief Executive Officer of Airservices Australia, certify that fraud risk assessment 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 11 August

2004-08-11

B R Smith  
Chief Executive Officer

#### AIRSERVICES AUSTRALIA

From the Office of the Chief Executive

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## GLOSSARY

ACCC	Australian Competition and Consumer Commission
ADS-B	Automatic Dependent Surveillance—Broadcast
AERU	Airspace and Environment Regulatory Unit
Air Services Act	<i>Air Services Act 1995</i>
ARFF	aviation rescue and fire fighting
ARMS	Airservices Risk Management System
ASTRA	Australian Strategic Air Traffic Management Group
ATC	air traffic control
ATM	air traffic management
ATS	Air Traffic Services
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CANSO	Civil Air Navigation Services Organisation
CASA	Civil Aviation Safety Authority
CASR	Civil Aviation Safety Regulation
CEO	Chief Executive Officer
DOTARS	Department of Transport and Regional Services (Australian Government)
EBIT	earnings before interest and tax
EMS	environmental management system
Eurocat	Eurocat 2000 Air Traffic Management System (an ATM automation product used by Airservices Australia)
FAA	Federal Aviation Administration (United States Government agency)
FIR	flight information region
FOI Act	<i>Freedom of Information Act 1982</i>
government, the	the Australian Government
GPS	Global Positioning System
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
IMC	Implementation Monitoring Committee (for Sydney Airport LTOP)



IOC	Integrated Operating Concept (a long-term plan for civil–military airspace sharing)
ISO	International Organization for Standardization
LTOP	Long Term Operating Plan (for Sydney Airport)
MAESTRO	Tactical sequencing tool for the sequencing of aircraft arrivals
MP	Member of Parliament
NAS	National Airspace System
NOTAM	Notice to Airman services
OHS	occupational health and safety
RAAF	Royal Australian Air Force
RVSM	reduced vertical separation minima
SACF	Sydney Airport Community Forum
SAP	Systems, Applications and Products in data processing (a commercial brand of software)
SMS	safety management system
TAAATS	The Australian Advanced Air Traffic System
UPR/Ts	user preferred routes/trajectories

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