



Annual Report **2009-2010**



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Letter of transmittal



The Hon. Anthony Albanese MP
Minister for Infrastructure and Transport
Parliament House
CANBERRA ACT 2600

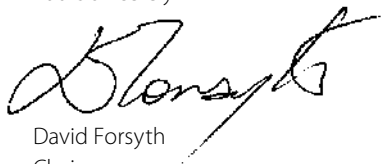
Dear Minister

On behalf of the Board of Airservices Australia, I am pleased to submit the Airservices Australia Annual Report for the financial year 2009–10.

The report has been prepared in accordance with the requirements of the *Air Services Act 1995*, the *Commonwealth Authorities and Companies Act 1997* and relevant Finance Minister's Orders.

The report outlines the achievements and milestones met by Airservices and includes a review of operations and financial statements for the year ending 30 June 2010.

Yours sincerely



David Forsyth
Chairman
15 October 2010



Chairman's report

The last year has seen steadily improving conditions for the aviation industry. While the global financial crisis created a difficult situation for the industry worldwide, traffic is now largely back to pre-recession levels, and the Asia-Pacific region is expected to grow faster than the global average.

Australia's aviation sector has been more resilient than most, reflecting the relatively strong performance of the Australian economy. Airservices financial result for the year reflected the domestic industry's resilience, with a profit after tax of \$50.6 million. This resulted from higher revenue, a continuing program of cost reductions, asset revaluations and higher depreciation as our asset base undergoes renewal. We also saw an overall increase in staff costs due largely to new trainees, new services and remuneration increases.

In December 2009, the Government released its National Aviation Policy White Paper, which provides a framework for the development of the industry for the next 20 years.

For Airservices, the policy directions for transition to satellite-based navigation and the harmonisation with the Royal Australian Air Force of future air traffic management platforms are important endorsements of considerable work programs that are well underway.

During the past year, further progress has been made rebuilding Airservices. A major focus has been the ongoing implementation of our \$900 million capital expenditure program. This involves

the upgrading and replacement of air traffic control towers and aviation fire stations, the introduction of new navigation aid technology and replacement of a range of assets which are at end of life. This program will continue to be a key focus for the organisation over the next five years.

The deployment of our satellite-based network of Automatic Dependent Surveillance–Broadcast ground stations in December 2009 was a significant achievement. For the first time it provides radar-like coverage in upper airspace across the entire Australian continent raising levels of safety and efficiency in air traffic operations.

The Government also announced in the White Paper the decision to establish an Aircraft Noise Ombudsman, reporting to the Airservices Board. The Ombudsman will conduct independent reviews of Airservices management of aircraft noise-related activities and report separately to the Board on the organisation's performance.

In recognition of the difficult economic environment, in mid 2009 we announced that we would hold our aeronautical prices constant for a further two years until June 2011 to assist the industry recovery. During the coming year we aim to complete a new five year pricing proposal and by July 2011 have that new pricing in place.

During our annual industry consultation forum, Waypoint 2010, I presented the Chairman's Award for professional excellence to several employees who made exceptional contributions

to the organisation. As well as the effort of these individuals, I would also like to acknowledge all Airservices staff. The high standards of the services which Airservices provides and the successful completion of several complex key projects during the year is a testament to their skills, dedication and professionalism.

This sizable overall agenda could also not be undertaken without the commitment of a determined Board and management team. Airservices is well served by both. I would like to acknowledge the contribution of all the Directors and especially Alice Williams, whose term expired in June 2010 after more than five years of dedicated and industrious service.



David Forsyth
Chairman



Chief Executive Officer's report

During 2009–10, Airservices made further worthwhile progress on what has been a five-year journey of reform and remaking of this nationally important organisation. While the organisation structure and the finance, human resources and project delivery systems have matured, some very important challenges will need to be effectively managed in the years ahead.

A major priority is building a 'New Workforce' in Airservices. Over the next five years about a third of our current workforce will become eligible to retire. In order to ensure the continuity of operations, the organisation is engaged in a large recruitment and training program. This program is built upon the attraction and retention of new employees from backgrounds that have previously been under-represented in our workforce and this in itself will bring about further change in the organisation.

Concurrent with the 'people' challenge is the need to replace much of our existing asset base as many assets are at end of life. In 2009–10, measurable progress was made, including the commissioning of the Automatic Dependent Surveillance–Broadcast network and a program of very high frequency communication upgrades across the Australian continent, the commissioning of Advanced Surface Movement Guidance and Control Systems in Melbourne and Sydney and the completion of new aviation fire stations at Sunshine Coast and Perth airports.

We have also begun the task of replacing our control towers in Adelaide, Melbourne and Rockhampton and signed a contract for the construction of a new integrated control tower and fire station in Broome. Over the next five years, we will invest \$900 million on upgrading and modernising our infrastructure and facilities.

Our third key area of focus is the service we provide to our customers. An integral part of the development of our new pricing proposal has been the development with industry of a service charter to enable industry to measure our performance. This charter will raise the professionalism of our business, improve our relationship with industry and drive further change within our organisation.

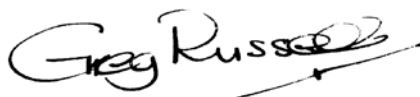
There are ongoing opportunities to work more closely with our customers and major stakeholders to deliver efficiencies across the national airways system.

In 2009–10, we continued to implement technologies that support collaborative decision making with airlines and major airports. We are also mindful that changes to our operations may have an effect on the community, and improving our engagement with communities that surround Australia's major airports is an important priority for the organisation.

Another welcome development has been the close relationship we have forged with the Royal Australian Air Force. Together we have embarked on a program to develop the next generation air traffic management platform for Australia. The commitment to successfully harmonise civil–military aviation will deliver a wide range of benefits, including reduced cost to industry, greater airspace efficiency, joint training and greater industry capability.

As I regularly move around Australia and visit our employees, I am continually reminded of the quality and depth of knowledge of our staff and the importance of the role they play. I thank each of them for their contribution

I would also like to thank our Board, Executive and senior management team for their contribution, and their dedication and professionalism in delivering a range of vital services to Australia's aviation industry.

A handwritten signature in black ink that reads "Greg Russell". The signature is stylized with a large, looped "G" and a long, sweeping underline that extends to the right.

Greg Russell
Chief Executive Officer

01

Corporate overview



Our vision

To be a safe and efficient provider of air traffic management and aviation rescue and fire fighting services with an international reputation for excellence.

Our challenges

While meeting regulatory and legislated obligations, Airservices aims to continually improve the quality and cost-effectiveness of its services.

To enable the organisation to meet its vision and objectives, Airservices has three strategic priorities:

- **Delivering excellent core performance:** we will continue to meet our regulatory and legislated obligations and improve the quality and cost effectiveness of our core services.
- **Building a high-achieving organisation:** we will develop our people, leadership and capabilities.
- **Delivering the future:** we will meet the challenges of the future and position for next generation innovation and technology.

During 2009–10, Airservices operated in accordance with its Corporate Plan, which covers the period from 1 July 2009 to 30 June 2014. The plan outlines the broad strategic direction for Airservices, the organisation's business strategies and key supporting actions and programs.



Enabling legislation, objectives and functions

Airservices operates under the *Air Services Act 1995* (Air Services Act) and is also subject to the *Commonwealth Authorities and Companies Act 1997* (the CAC Act).

Under the Air Services Act, the organisation is responsible for:

- providing facilities for the safe navigation of aircraft within Australian-administered airspace
- promoting and fostering civil aviation in Australia and overseas
- providing air traffic services, aviation rescue and fire fighting services, and aeronautical information, radio navigation and telecommunications services to give effect to the Chicago Convention or for purposes relating to the safety, regularity or efficiency of air navigation
- cooperating with the Australian Transport Safety Bureau (ATSB) in investigations of aircraft accidents and incidents
- acting to protect the environment from the effects of or effects associated with the operation of Commonwealth jurisdiction aircraft or other aircraft, inside or outside Australia
- performing 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* or the *Aviation Transport Security Act 2004* or by regulation
- providing consultancy and management services relating to any of the above matters
- providing other services and facilities to use spare corporate capacity or to maintain or improve the skills of the organisation's employees.

In the day-to-day performance of Airservices functions, the organisation is subject to and empowered by a range of other legislation (a full list is available at www.airservicesaustralia.com).

Annual reporting requirements and responsible minister

Airservices is accountable to the Australian Parliament and to the Government through the Minister for Infrastructure and Transport, the Hon. Anthony Albanese MP

Under the Air Services Act and section 9 of the CAC Act, the Airservices Board must provide an annual report for tabling in Parliament. The report has been prepared in accordance with the Air Services Act, the CAC Act and the Finance Minister's Orders.

Principal activities

Airservices is a statutory authority wholly owned by the Australian Government. Airservices is responsible for providing safe and environmentally sound air traffic management and related services in the Australian Flight Information Region (FIR) and, under contract with the governments of Solomon Islands and Nauru, in the upper airspace of the Honiara and Nauru FIRs.

Airservices provides communication, navigation and surveillance over 11 per cent of the world's surface. This includes the Australian FIR (see Figure 1) and international airspace over the Pacific and Indian oceans.

Airservices delivers:

- en route and terminal air traffic services
- aeronautical data services, such as charts and departure and approach procedures
- management of airspace usage
- tower services at 26 airports
- aviation rescue and fire fighting services at Australia's 21 busiest international and domestic regular public transport airports
- environmental services
- management of the Australian national air navigation infrastructure.

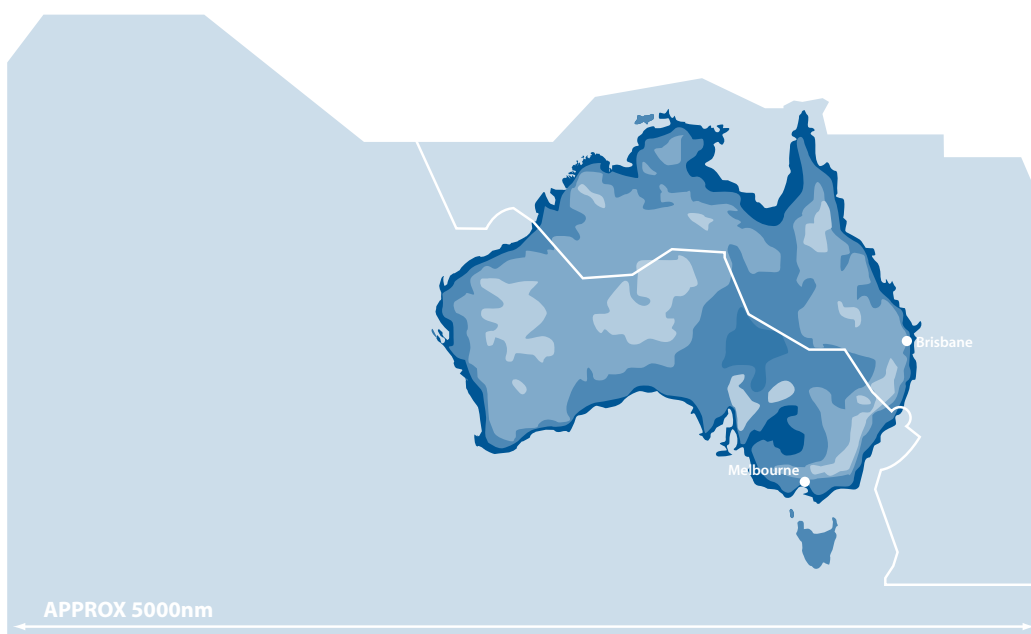
Airservices manages more than 1.5 million flights each year, and maintains an \$847 million fixed asset base at more than 1100 sites around Australia. A list of Airservices major air traffic control and aviation rescue and fire fighting facilities is available at www.airservicesaustralia.com

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

Airservices is a world leader in the take-up of technologically advanced communication, navigation and surveillance systems. Airservices works with the International Civil Aviation Organization, the Civil Air Navigation Services Organisation and the International Air Transport Association, as well as foreign air navigation service providers, to share information and advances in aviation technology, to plan for the future and to improve global aviation safety standards.

Airservices works closely with other Australian Government organisations concerned with aviation safety, regulation, and search and rescue. This includes the Department of Infrastructure and Transport, the Department of Defence, the Civil

FIGURE 1 The Australian Flight Information Region



Aviation Safety Authority, the Australian Transport Safety Bureau and the Australian Maritime Safety Authority.

Airservices has taken a leading role in reducing the impact of aviation on the environment. These actions include the implementation of a number of 'green' initiatives and the creation of international partnerships that aim to reduce aircraft fuel burn and greenhouse gas emissions.

Corporate structure

As part of a continuous improvement process, Airservices made two changes to its business structure during 2009–10. A new business group, Air Traffic Control (ATC) Future Systems, was established to investigate the replacement of the current air traffic management platform. The Audit and Assurance business group was expanded to include business improvement to drive cross-functional business improvement at both the enterprise and business group levels.

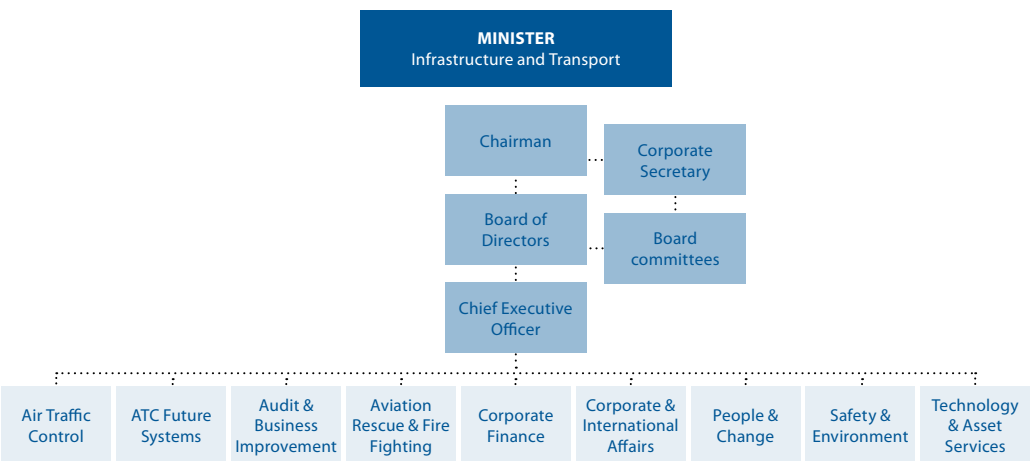
Airservices now operates through the following business groups:

- Air Traffic Control
- ATC Future Systems
- Audit and Business Improvement
- Aviation Rescue and Fire Fighting
- Corporate and International Affairs
- Corporate Finance
- People and Change
- Safety and Environment
- Technology and Asset Services.

The managers of the business groups form the Executive Committee, which reports to the CEO on operational matters and is responsible for formulating strategies and policies for Board consideration.

At 30 June 2010, Airservices employed 3485 permanent staff across Australia. This number

FIGURE 2 Airservices Australia business structure at 30 June 2010



Note: Following the Federal election of September 2010, the portfolio was renamed the Department of Infrastructure and Transport.

has grown largely due to the introduction of new services and an increase in the recruitment of new trainees.

Airservices workforce includes specialists in air traffic control, aviation rescue and fire fighting, engineering, technical services, information technology, human resource management, communications, legal services, security, safety, environment, financial management and administration. Appendix 5 includes staffing statistics.

Corporate governance

Airservices is governed by a Board appointed by the Minister for Infrastructure and Transport. The Board is committed to best practice in corporate governance and regularly reviews its corporate governance arrangements.

The Board

The Airservices Board consists of a Chairperson, a Deputy Chair, the Chief Executive Officer (CEO) and six other non-executive directors. Directors are appointed by the Minister on a part-time basis, and the CEO is appointed by the Board.

The Board is responsible and accountable for deciding the objectives, strategies and policies to be followed by Airservices and for ensuring that it fulfils its statutory functions in a proper, efficient and effective manner.

The Board delegates responsibility for the management of the organisation to the CEO. The Board conducts a formal evaluation of its own performance and the performance of its committees on a regular basis.

Further information on Board membership is in Appendix 1.

TABLE 1 Members of the Executive Committee at 30 June 2010

Mr Greg Russell	Chief Executive Officer
Mr Andrew Clark	Chief Financial Officer
Mr Jason Harfield	General Manager Air Traffic Control
Mr Phil Baxter	General Manager ATC Future Systems
Ms Tracey Lawrance	Acting General Manager Audit and Business Improvement
Mr Andrew Rushbrook	General Manager Aviation Rescue and Fire Fighting
Ms Michelle Bennetts	Acting General Manager Corporate and International Affairs
Ms Caroline Fleming	General Manager People and Change
Mr Stephen Angus	General Manager Safety and Environment
Mr Alastair Hodgson	General Manager Technology and Asset Services

Board committees

The Airservices Board has four committees.

The **Audit Committee** assists the Board in monitoring the maintenance of an effective system of risk management and internal controls, including an extensive audit program. It assures the objectivity and reliability of financial reports, and helps to ensure that Airservices and its Directors comply with all legislative and other government obligations. This includes obligations under the CAC Act. Membership consists of up to four non-executive directors. The Board Chairman is an ex officio member of the committee. Any Director may attend committee meetings.

The **Safety Committee** assists the Board in ensuring that Airservices is compliant with all legislation, government and Board policies, and meets its safety, occupational health and security responsibilities. Its membership consists of up to five non-executive directors and the Board Chairman and CEO, who are ex officio members. Any member of the Board may attend committee meetings. Until April 2010, the committee also had responsibility for environmental matters and was called the Board Safety and Environment Committee.

The **Environment Committee** was established in April 2010 in recognition of the growing importance of a range of environmental matters. The committee assists the Board in ensuring that Airservices is compliant with all legislation and government and Board policies and is meeting its environmental responsibilities. Its membership consists of up to four non-executive directors and the Board Chairman and CEO, who are ex officio members. Any member of the Board may attend committee meetings.

The **Remuneration Committee** recommends remuneration for the CEO after consultation with the Commonwealth Remuneration Tribunal and reviews the CEO's performance and succession. Membership consists of the Board Chairman as Committee Chairman, one other non-executive director and as appropriate, the CEO.

Meeting attendance and membership information for each Board committee is shown in Appendix 1.

Ethical standards

Airservices employs Board-endorsed policy, CEO management instructions and other policies and procedures to inform staff about ethical standards.

As a condition of employment, all staff must comply with a code of conduct while at work and as representatives of the organisation. The code includes guiding principles which govern the behaviour expected of the organisation's employees and the handling of issues like conflict of interest.

Airservices has in place an internal Ethics Hotline to ensure issues of an ethical nature can be raised and addressed constructively.

Risk management

Airservices is committed to best practice risk management, and sees it as integral to effective corporate governance.

The organisation's risk management policy is supported by the Board-endorsed Risk Management Framework, which sets out the requirements for risk management throughout Airservices.

Managers are accountable for identifying and managing risks within their areas of responsibility. They must ensure that they are kept informed of how those risks are being managed, and report these risks regularly to the CEO.

The CEO reports regularly to the Board. The General Managers, Safety and Environment and Audit and Business Improvement report to the Board's Safety, Environment and Audit committees on initiatives to maintain and improve the organisation's risk management system.

Corporate planning

Airservices produces an annual corporate plan in accordance with the Air Services Act and the CAC Act. The plan outlines the organisation's operating environment, outlines corporate and financial strategies, specifies the targets to be achieved, and sets out the benchmarks and key performance indicators used to measure performance.

Airservices corporate plan for the period from July 2009 to June 2014 was submitted to the Minister for review in August 2009.

The corporate plan is available on Airservices website (www.airservicesaustralia.com/aboutus/corpddocuments/corporateplan.pdf).

Airservices Pacific Incorporated

Airservices Pacific Incorporated (API), a wholly owned subsidiary of Airservices and incorporated in Delaware in the United States (US), provided air traffic control services under contract to the United States Federal Aviation Administration (FAA).

The contract with the FAA expired on 31 January 2010, and Airservices did not rebid. The services were delivered from five control towers: three towers on the islands of Hawaii, one in Guam and one in Saipan.

Adverse effect of non-commercial commitments

There were no activities recorded during the 2009–10 financial year.

02 Review of operations



Operational results

This section reports 2009–10 operational results against Airservices 2009–14 Corporate Plan for two operational groups – Air Traffic Control (ATC) and Aviation Rescue and Fire Fighting (ARFF) – supported by Technology and Asset Services and six business groups.

The organisation's aspiration is to be an internationally recognised leader in safety, innovation and environmental performance and to create greater value for industry, stakeholders and the community.

To meet its vision each business group aims to meet three strategic challenges for the short, medium and long term:

- **Delivering excellent core performance:** we will continue to meet our regulatory and legislated obligations and to improve the quality and cost-effectiveness of our core services.
- **Building a high-achieving organisation:** we will develop our people, leadership and capabilities.
- **Delivering the future:** we will meet the challenges of the future and position for next-generation innovation and technology.

The 2009–2014 Corporate Plan outlined strategic objectives and performance measures for each

challenge, along with initiatives and programs to achieve the objectives.

The organisation's strategic objectives support the Australian Air Traffic Management Strategic Plan and the Global Air Traffic Management Target Operational Concept of the International Civil Aviation Organization (ICAO).

Financial results

Operating profit after tax was \$50.6 million, and an interim dividend of \$10.0 million relating to the 2009–10 financial year result was paid in June 2010. The Board has recommended to the Minister that a final dividend of \$15.0 million be paid in February 2011.

Airservices 2009–10 after-tax return on average equity was 14.5 per cent, which was 0.9 per cent below the 2009–10 target.

Income

Total income for the year increased by 2.7 per cent to \$806.4 million, compared to \$784.9 million in the previous year. Gross airways revenue grew by 4.5 per cent across the year, and net airways revenue was \$767.6 million after industry rebates of \$17.7 million, which will be credited to customers in the first half of 2010–11.

Expenses

In 2009–10, overall expenses increased by \$64.7 million. Employee costs increased by \$19.8 million, mainly due to increased staffing levels, pay increases arising from collective agreements and other employment contracts and higher costs associated with superannuation and overtime. There was also an increase in supplier expenses of \$7.6 million mainly relating to provisions to reduce the environmental impact of ARFF activities. There was an increase of \$34.9 million in depreciation, amortisation and impairment of buildings, plant and equipment and intangibles following the impact of prior year revaluations, commissioning of new assets and assessments for impairment under applicable accounting standards.

Significant changes in the state of affairs during the financial year

Changes to legislation

In 2009–10, the *Workplace Relations Act 1996* was replaced by the *Fair Work Act 2009*. The *Fair Work Act 2009* includes a national industrial relations system, national employment standards and changes to bargaining and enterprise agreements, including the removal of Australian Workplace Agreements.

Regulatory changes

On 3 June 2010, Class D airspace procedures came into effect at all six General Aviation Aerodrome Procedures (GAAP) aerodromes in Australia. Procedures at existing Class D locations were also modified. The transition involved considerable work across much of the organisation, including the recruitment and training of additional staff, facility upgrades at all six GAAP towers, development and provision of training in the modified Class D procedures to more than 120 tower controllers and a similar number of tower control unit controllers.

Developments since the end of the financial year

There have been several developments since the end of the financial year that have the potential to affect the operations of Airservices.

On 2 July 2010, the Senate Rural and Regional Affairs and Transport References Committee released a report into the effectiveness of Airservices management of aircraft noise. This report is currently being considered by the Government.

On 20 July 2010, Airservices was asked by the Minister to work with the Civil Aviation Safety Authority (CASA) to implement recommendations

TABLE 2 Ministerial directions still current from previous financial years

Calendar year	Date of issue	Subject
1996	29 May	Handling of aircraft noise complaints at Sydney and other federal airports
1997	30 July	Progressive implementation of Sydney Long Term Operating Plan
1999	3 May	Responsibilities in relation to the environmental effects of aircraft
2001	24 December	Reimbursement of en route charges to operators covered by government en route subsidy
2002	14 May	Limitations to the use of Precision Runway Monitor at Sydney
2004	31 August	Provision of approach radar services at specific airports

on options for improving airspace, air traffic service and facility arrangements at 10 regional airports. This followed a review by CASA of those airports covered by Ministerial Direction No. 4 of 2004 (the Radar Direction).

The Minister announced in August 2010 the Board's decision to appoint Mr Ron Brent as the Aircraft Noise Ombudsman. The function commenced on 1 September 2010.

Further information on these issues can be found on pages 22 and 25.

In September 2010, the Government announced that the Department of Infrastructure, Transport,

Regional Development and Local Government would become the Department of Infrastructure and Transport.

Ministerial directions

During 2009–10, the Minister made no new formal directions to Airservices under section 16 of the Air Services Act. Current directions from previous years are shown in Table 2.



TABLE 3: Key performance indicators

Performance Measure	Purpose and Definition	3-Year Average Per Annum To 2009–10	2009–10 Target	2009–10 Actual
Safety				
ATS attributed en route breakdown of separation rate	ATS attributed number of en route breakdown of separation per 100,000 flight hours (12-month moving average)	0.99	<1.25	0.60
ATS attributed terminal area breakdown of separation rate	ATS attributed number of terminal area breakdowns of separation per 100,000 movements (12-month moving average)	1.09	<1.5	1.03
ATS attributed tower breakdown of separation rate	ATS attributed number of tower breakdowns of separation per 100,000 movements (12-month moving average) excluding GAAP towers	0.81	<1.5	0.55
Airservices lost time injury frequency rate ^(a) (LTIFR)	Measure of impact from work-related injury. LTIFR is calculated from new claims accepted by Comcare with paid incapacity in the reporting period per million hours worked. The rate is moderated as moving average	3.5	<4.0	3.14
Environment				
Emissions reduction ^(b)	Percentage reduction in electricity usage at Canberra (Alan Woods Building) and Melbourne and Brisbane centres	New KPI	2.50%	N/A
Water usage saving ^(b)	Water recycled or harvested for use at the Melbourne and Brisbane centres, as a percentage of total annual usage	New KPI	25%	N/A
Air navigation services				
Air navigation service availability	Hours of service availability as percentage of total hours of coverage	New KPI	99.00%	99.78%
Percentage restoration times met	Percentage of systems/ equipment fault and failures within agreed timeframes	96.20%	95.00%	96.00%
ATS attributable flight delays	Number of ATS attributable flight delays (where the delay is greater than 10 minutes)	New KPI	<28	9
ATS attributable runway incursions	Number of ICAO class A or B Airservices ATS attributable runway incursions	New KPI	<12	12

Performance Measure	Purpose and Definition	3-Year Average Per Annum To 2009–10	2009–10 Target	2009–10 Actual
Aviation rescue and fire fighting				
ARFF operational preparedness	Percentage of time ARFF resources were available to meet required capacity (capacity = regulated ARFF service category (level) for the aerodrome)	99.72%	99%	99.86%
ARFF responsiveness	Percentage of total responses to aircraft incidents on the aerodrome movement area (within three minutes)	99.72%	100%	99.46%
People				
Employee initiated separation	Cumulative number of employee initiated separations per year as a percentage of the Airservices workplace	5.59%	6.00%	4.35%
Financial				
% earnings before interest & tax/revenue (Airservices)	Earnings before interest and income tax as a percentage of total revenues	15.72%	11.40%	11.33%
% Return on assets (Airservices)	Earnings after interest and tax as a percentage of total average fixed assets	16.00%	10.50%	10.40%
Corporate management				
Stakeholder satisfaction	Percentage of key stakeholders across international and domestic airlines, airports, government agencies and key industry bodies who are satisfied to very satisfied with their relationship with Airservices and Airservices service delivery	New KPI	>75%	82%

(a) Calculated by averaging for each annual LTIFR figure (as at 30 June) over a three-year period

(b) KPIs under revision to take account of whole-of-agency emissions and water usage



In 2009–10, Airservices worked to improve core performance. This included initiatives to strengthen safety, minimise the organisation's environmental footprint and build capacity to enable business continuity during contingency situations.

Delivering world-class safety to industry and staff

International comparisons of safety performance put Airservices in the category of world-leading air navigation service providers (ANSPs).

Safety management

Airservices is in the second year of implementing a long-term safety plan. This plan ensures our services and projects are delivered in a manner in which safety benefits are fully realised.

Airservices has an active airspace improvement program, which includes an internal aerodrome risk assessment process that tracks and analyses traffic and passenger movements at over 3000 of Australia's aerodromes and other landing sites.

Airservices program to consolidate key reporting systems also continued during the year. When complete, the project will integrate a number of separate safety and incident reporting systems

into a single application for reporting, tracking and managing safety-related information.

Safety Management System

Airservices Safety Management System (SMS) has been in place for over 15 years. It is the central pillar of the organisation's overall safety program. A crucial element of the SMS is that Airservices maintains a 'Just Culture', ensuring all employees willingly contribute to the improvement of safety through open reporting of incidents and participation in the implementation of safety improvements. The organisation consistently improves its safety systems, reporting, investigations and compliance through training and education and continuously reviewing safety systems and procedures.

A key aim of the SMS is to sustain strong stakeholder relationships so information and data can be shared to improve aviation safety for the whole Australian community.

Investigation regime

Airservices investigation regime is undergoing a significant renovation program. Airservices aims to improve the safety benefit of its investigative efforts, and enhance feedback of lessons learnt

to frontline service delivery areas. Progress to date includes:

- a significant reduction (>90%) in long term or overdue investigations, with status reports now provided weekly to safety managers
- investigation process performance measures developed to enable process monitoring and improvement. This will drive timely results from investigations, feedback will be more responsive, and learning outcomes more relevant to involved parties
- investigation commencement criteria have been developed and are currently under trial. These criteria help to prioritise investigative efforts to those incidents that are potentially systemic, or of high consequence, or offer best safety value
- business rules and workflow for the incident reporting system have been developed to reduce manual effort and streamline data entry. In addition, checkpoints are provided to ensure timely agreement to investigation findings and assure the development of appropriate corrective actions.

Aviation rescue and fire fighting regulatory reform

The National Aviation Policy White Paper detailed a requirement to ensure that the scope, roles and responsibilities of Airservices and other agencies in relation to aviation rescue and fire fighting services (ARFFS) are clearly defined.

A working group, comprising Airservices, CASA and chaired by the Department of Infrastructure and Transport undertook a review of the scope and legal responsibility for the provision of ARFF services and developed a proposed approach for consideration by Government. An ARFF Policy Paper was released and an industry stakeholder consultation program commenced.

Concurrently Airservices commenced a review of its existing arrangements with other emergency services and state and territory fire brigades, with the aim of clarifying and improving operational responses to building emergencies on or near aerodromes.

Stakeholder cooperation

Airservices actively engages with CASA on a range of safety issues and improvements. A quarterly meeting between the two organisations has been established to track safety trends and prioritise safety analysis.

Airservices successfully implemented Class D airspace arrangements at the GAAP and regional towers on 3 June 2010 in accordance with CASA directives.

Airservices continues to improve safety in partnership with airlines and other stakeholders. In 2009–10, Airservices hosted two airline safety forums. These forums are an important opportunity to share safety lessons and information to promote continued safety improvement.

This is now a long standing forum, which is well supported by industry.

Occupational health and safety

Airservices five-year workplace health and safety plan, Homesafe, is now well established within the systems and procedures of the organisation. Considerable work has been undertaken in 2009–10 to deliver formal occupational health and safety (OHS) training and awareness to all managers. OHS induction training delivered to Airservices technical and project management staff has a special focus on contractor safety in the workplace. Further information is available in Appendix 2.

National Aviation Policy White Paper

On 16 December 2009 the Government released the National Aviation Policy White Paper. This brought together all strands of aviation policy into a single, forward-looking document providing a planning, regulatory and investment framework for the aviation industry out to 2020 and beyond.

The White Paper set out the Government's commitment to the continuation of Australia's excellent aviation safety record and to strengthen aviation security systems, while providing a policy framework for the development of the aviation industry at all levels—international, domestic, regional and general aviation, including skills and productivity improvements.

Airservices is working to implement the initiatives outlined in the White Paper to enhance community engagement and improve information to the general public. This includes the establishment of Community Aviation Consultation Groups to ensure local communities have direct input on airport matters, such as aircraft noise. The National Aviation Policy White Paper is available at www.infrastructure.gov.au/aviation/nap/index.aspx

One initiative of the White Paper was the establishment of the Aircraft Noise Ombudsman. Airservices developed the framework and charter for the function during the first half of 2010.

In the coming financial year, the work program will focus on improving the organisation's approach to health surveillance, body stress injuries and dealing with hazardous substances.

During 2009–10, Airservices also issued new 'smart' personal protective equipment to fire fighters nationally as part of a \$2.4 million national upgrade of fire fighting gear. The high-tech turn out gear ensures fire fighters are well placed to protect life and property at Australian airports.

The organisation also launched ARFFSAFE, a program to distribute safety related information and to deliver safety lessons nationally across the aviation rescue and fire fighting service.

Environmental initiatives

Airservices is responsible for safe, environmentally responsible air navigation and aviation rescue and fire fighting services in Australia. The organisation is implementing, and involved in, numerous projects to help reduce the impact of the aviation industry on the environment.

Airservices environment strategy comprises industry and internal environmental improvement initiatives. Airservices commenced a full review and update of its environment strategy in light of the National Aviation Policy White Paper to ensure it is aligned to Government policy and is meeting the increasing community and industry expectations.

Domestic

Airservices continued to deliver initiatives that reduce fuel burn for aircraft operating in-flight and contributed to the reduction of greenhouse gas emissions in Australia's Flight Information Region.

These initiatives included trials for the introduction of required navigation performance (RNP) for Qantas aircraft operating at Melbourne and

Adelaide airports and the continuation of existing RNP trials that operate nationally into 17 airports.

In addition, a five year deed of collaboration was signed with the University of New South Wales Australian Defence Force Academy to enhance Airservices capability in modelling environmental impacts and emissions.

Work has now commenced on baselining aircraft emissions in Australia and developing analytical tools to better understand the environmental impacts of aircraft operations around airports. Metrics are also being created to assess changes and optimise air traffic control (ATC) procedures.

Internal

Airservices internal environmental program focuses on delivering improvements in environmental performance and reducing the environmental impact of aviation rescue and fire fighting activities.

Airservices has continued to progress and manage potential issues arising from the use of fluorosurfactants, which are ingredients in the fire fighting foams used globally since the 1980s. An Environmental Management and Stakeholder Communications Plan is now in place to manage this issue.

Key activities undertaken in the reporting period included a change to water-based training at fire stations and the commencement of the changeover to a more environmentally friendly fire fighting foam for operational purposes.

Airservices began planning for the establishment of a purpose built, centralised training facility in Melbourne. The new fire training ground and training centre will incorporate a Category 10/ Category 8, state-of-the art fire training simulator to equip fire fighters with the competencies to deal with large airframes such as the A380 and 747.

Noise Enquiry Unit

The Noise Enquiry Unit (NEU) is a key interface for the public to record complaints, receive reports about specific flights and seek information from Airservices. Complaints and inquiries made to the NEU are followed up in accordance with the nature and priority of each specific contact.

Each month, complaint statistics and other information are made available to relevant airports and other stakeholders.

The work of the NEU is supplemented by tools such as the Noise and Flight Path Monitoring System (NFPMS) and WebTrak, which allow the public to observe aircraft movements in near real time at major airport locations around Australia. Complaint and enquiry data for airports covered by the NFPMS are available in Appendix 6.

WebTrak is available at www.airservicesaustralia.com/aviationenvironment/noise/webtrak

A threatened species population study was also conducted as a precursor to the development of a management plan for the population of growling grass frogs that has been found at the Launceston aviation rescue and fire fighting site. This species of frog is listed on both State and Commonwealth registers.

Airservices implemented 'Wake on LAN' technology to enable non-operational computers to be shut down at the end of each day and re-awakened when software updates and patches need to be installed, rather than leaving them in the ready state overnight. This provides both environmental and cost savings.

Airservices Environment Management System passed the triennial ISO 14001 recertification audit. The system is applied to all Airservices operations and, as the process requires is formally certified at two sites – Coolangatta fire station and Gellibrand Hill radar in Melbourne.

International

Airservices continued as chair of the Asia and South Pacific Initiative to Reduce Emissions (ASPIRE). ASPIRE completed its planned inclusion of the Japanese Civil Aviation Bureau and the Civil Aviation Authority of Singapore to the group.

Further demonstration flights were completed in 2009–10, including a world first, multi-leg ASPIRE flight in early 2010. This year the ASPIRE group has also accepted entry of AEROTHAI (Thailand's air navigation service provider (ANSP)) to the partnership, further expanding the program and influence into Asia. The design of ASPIRE emission ratings has been completed and will be rolled out throughout 2010–11.

In October 2009, ASPIRE received the US Air Traffic Control Association Earl F. Ward Memorial Award for outstanding achievement in adding to the quality, safety and efficiency of air traffic control.

Airservices is heading a second collaborative environmental air traffic management (ATM) initiative - the Indian Ocean Strategic Partnership to Reduce Emissions (INSPIRE). This is aimed at expanding ATM processes and technology pioneered by ASPIRE across the Indian Ocean.

A draft INSPIRE strategic plan has been formulated and initial partners include the Airports Authority of India, South Africa's Air Traffic and Navigation Services, the United Arab Emirates General Civil Aviation Authority and Oman's Directorate General of Meteorology and Air Navigation. A formal agreement is expected to be signed in 2011.

Community and stakeholders

Airservices continued to improve the provision of aircraft noise information to the community and stakeholders with an upgrade of Noise and Flight Path Monitoring System (NFPMS). This involved the replacement of all hardware and software at the eight major airports where this service is provided.

As a result, enhancements to the WebTrak service include live noise information about aircraft activities around airports. Airservices is now exploring further upgrades to WebTrak to provide individual communities with more localised and specific information on aircraft noise relevant to their neighbourhood.

During 2009–10 a 12-month noise study in the Canberra suburb of Hackett was concluded. It was followed by an independent assessment of aircraft noise in the suburb commissioned by the

ACT Chief Minister's Department which found that ambient noise in the suburb was at times incorrectly reported as aircraft noise.

In response to community concern over aircraft noise impacts identified by the West Australian Route Review Project (WARRP), two temporary noise monitors were deployed at Chidlow, north-east of Perth for a study of noise levels.

WARRP led to a major restructure of airspace in Western Australia in late 2008.

Supporting Government policy

During 2009–10, Airservices provided advice to the Government on significant issues such as airport noise, civil–military ATM integration, new technologies and procedures, safeguarding national aerodromes, the environment and long-term pricing matters.

Strategic direction

The Minister's Statement of Expectations (Appendix 3), for the period 1 November 2008 to 30 June 2010, provides Airservices with a clear understanding of the Government's requirements. Airservices Statement of Intent (Appendix 4) and corporate plan responds to the Government's expectations by identifying the organisation's key strategic priorities and key deliverables.

Airservices Corporate Plan 2009–14 was presented to the Minister for Infrastructure and Transport in August 2009. Airservices also provided quarterly reports to industry in response to customer and stakeholder requests for more frequent, detailed information on a range of issues on Airservices agenda, including project and capital expenditure updates.

Senate inquiry

In November 2009 an inquiry by the Senate Rural and Regional Affairs and Transport References Committee began into the effectiveness of Airservices management of aircraft noise.

The committee received 181 submissions from a wide range of stakeholders and took evidence from approximately 40 witnesses, including representatives of aviation industry organisations, the community and individuals affected by aircraft noise.

The committee also took evidence from representatives of government bodies at Commonwealth, State and Local levels. Airservices appeared before all four public hearings in Perth, Melbourne, Sydney and Canberra.

On 2 July 2010, the committee handed down its report and recommendations which are currently being considered by Government. The report is available at www.aph.gov.au/Senate/committee/rrat_ctte/aircraft_noise/report

Audit program

Airservices has an annual risk-based audit program, developed in conjunction with senior management and approved by the Board Audit Committee. The 2009–10 annual audit program included a comprehensive range of compliance and operational audits across all business groups.

Stakeholder and community engagement

During 2009–10, Airservices consulted widely with stakeholders in Australia and overseas. Consultations took place with governments, the Department of Defence, airline operators, aerodrome operators, regulators, general aviation operators, other air navigation service providers, Airservices staff and the community.

Airservices annual industry consultation conference Waypoint was successfully held on 2 June 2010 and attended by more than 160 industry representatives.

Airservices produced a first draft of its Communication and Consultation Protocol in response to community concerns about the process by which it considers flight route changes.

The document outlines trigger points and requires consultation methods to be implemented before any significant changes are made to flight paths.

The protocol is a living document which will be further refined through ongoing consultation with the community and members of the Community Aviation Consultation Groups established by the National Aviation Policy White Paper.

Financial platform

The prices for Airservices core services are subject to the price notification provisions of the *Trade Practices Act 1974*, with any increases in price subject to Australian Competition and Consumer Commission notification and review.

Airservices most recent Long Term Pricing Agreement expired in December 2009, and the task of establishing a new agreement was complicated by volatility in aviation markets. Airservices sought to minimise further burdens on a struggling industry by deciding to hold prices at current levels until June 2011.

As prices last changed in July 2008, this action equated to a price reduction of 7 per cent to 8 per cent in real terms over three years. While this price freeze is in place, discussions have continued on pricing models and options, including consideration of reform in charging the general aviation community. These discussions will provide the basis for determining a preferred price structure that will be implemented from July 2011.

Airservices released to industry a terminal navigation discussion paper in March 2010. Initial consultation was completed in 2009–10.



Building a high-achieving organisation

Airservices efforts to build a high-achieving organisation focused on meeting customer expectations and embedding a culture of continuous improvement.

Delivering excellent, cost-effective services

Airservices is committed to delivering safe, customer-focused, efficient and environmentally sustainable air navigation and aviation rescue and fire fighting services.

Service charter

Work continued throughout 2009–10 on the development of a service charter and a draft charter was presented to industry at Airservices annual consultation forum, Waypoint, in June 2010.

This charter outlines proposed key result areas and key performance indicators in the areas of safety, cost effectiveness, capacity, flight efficiency and environment, and response times across business groups.

Improving aviation rescue and fire fighting

During the year, Airservices continued to ensure standardised best practice procedures and processes across all ARFF locations. This included the rollout of environmental, safety and operational

procedures. In particular, the ongoing work to transition training responsibilities for aviation fire fighter recruits and senior fire fighters to the Learning Academy will ensure consistent delivery and the improvement of skills across the geographically dispersed national workforce.

Central Traffic Management System

Increases in aircraft movements at Perth over the last few years has led to air traffic demand exceeding airport capacity at peak times. Airservices National Operations Centre has continued to develop the processes for managing demand and capacity imbalances with the rollout of the Central Traffic Management System (CTMS) to Perth Airport. Since the beginning of February 2010, the CTMS has provided arrival and departure slots for flights inbound to Perth to minimise airborne holding.

Continuous improvement and performance in people, assets and services

Airservices focus on rebuilding core business in three key areas—people, assets and service delivery—continued through a wide-ranging reform program across the organisation to improve efficiency, provide value for money and improve services to customers.

Extensive planning and rebuilding work over the past year has seen Airservices progress a number of initiatives and programs to build our long-term organisational capacity. The transformation will modernise the organisation, prepare Airservices workforce to meet future requirements, build and renew the organisation's asset base and ensure continued capability to deliver future operational service delivery needs.

Air Traffic Control Future Systems

In 2009–10, Airservices initiated a program to replace its ageing air traffic management platform. The Air Traffic Control (ATC) Future Systems program has been managed as a separate business group to plan and implement the program addressing ATC service delivery, system support, system architecture and collaboration.

ATC Future Systems is being closely coordinated with Defence Project AIR 5431, which will replace the Defence air traffic management (ATM) platform. The future ATM platform is one of the agreed harmonisation activities overseen by the Australian Civil–Military Air Traffic Management Committee (AC-MAC).

AC-MAC is also overseeing the development of the joint National Air Traffic Management Surveillance Infrastructure Plan which aims to ensure optimal use of civil and military resources in providing surveillance for air traffic management.

Aviation rescue and fire fighting culture review

Airservices aviation rescue and fire fighting (ARFF) business group commenced a review into organisational culture in May 2010. The review is examining a wide range of issues, including generational and regional differences, communication, leadership, staff engagement, recruitment and retention. The review will contribute to the development of a five-year roadmap for the fire service.

Asset management

An ongoing review of the state of Airservices existing asset base continued as part of the development of an extensive capital investment program. As in previous years, much of this program involves replacing assets which are at end of life.

In 2009–10, Airservices was recognised for the advancement of asset management practices by the Asset Management Council, the peak body for asset management and maintenance engineering.

Air Traffic Control Reform Program

The ATC Reform Program, which commenced two years ago has involved reviewing and developing systems and processes to meet the needs of our operating environment now and in the future.



Air traffic controller, Sally Drury at Rockhampton tower

The program has delivered a range of improvements and initiatives, including:

- the implementation of a new career model for controllers
- a communications framework
- a centralised rostering cell
- a revised operations room procedure
- the separation of check and standardisation functions.

Work will continue next year on the integration of a new rostering tool, new recruitment process, training curriculum, endorsement reform and finalising Airservices move to a service delivery environment.

Integrated Project Delivery

As part of an initiative to deliver an Integrated Project Delivery program, Airservices commenced activities to strengthen project accountabilities and focus on the realisation of project benefits. This included a review of Airservices project management practices in August 2009 by UK

NATS, the United Kingdom's air navigation service provider.

This work is part of an ongoing improvement program to refine Airservices decision-making capability and to enhance project delivery and governance practices. In consultation with UK NATS, Airservices has defined a roadmap for project delivery improvement over the coming three years.

The Integrated Project Delivery program will ensure project outcomes are aligned to Airservices strategic objectives and improve the way projects are initiated, managed and controlled into the future.

Mercury Project

The Mercury Project aims to modernise the way the organisation captures, stores, manages and uses aeronautical data critical to the safe operation of the nation's aviation industry. This includes information on aerodromes, runways, instrument approach and departure procedures and geographical information and aeronautical maps. A contract was signed with IDS Ingegneria dei Sistemi

S.p.A of Italy in May 2010, to acquire and implement a new Aeronautical Information Management System by April 2012.

Business Systems Improvement Program

Airservices Business Systems Improvement Program continued in 2009–10. This is a program of system upgrades, replacements and enhancements that will improve reporting and analysis capability and update and enhance safety, rostering, billing, information management, records management and executive reporting systems.

A number of the enabling activities and foundation projects, including technical implementation and upgrade of systems and platforms, were completed. This included the technical upgrade of SAP which supports core finance and human resource processes and the engagement of a supplier for the Physical Records Management Stream of our Electronic Document and Records Management System upgrade program.

Airservices replaced existing business data storage systems with larger, expandable, high-reliability storage area networks. An overarching IT hardware supply and service arrangement has been implemented to provide greater certainty in terms of price and the supply of IT equipment.

Project Services

On 1 July 2010, Airservices established a Project Services branch to equip the organisation with specialised project support and advisory capabilities. The branch specialises in the application of Airservices Safety Management System and workplace safety systems. All of Airservices major projects now have dedicated safety specialists attached to each project team.

Developing highly effective team leadership

Airservices unique workforce requires most skills to be developed internally and, as such, careful workforce planning is required to ensure that the workforce supply matches current and future demands. To address the challenges of attracting, developing and retaining our workforce for the future, Airservices is implementing a comprehensive program to ensure that we develop strong leaders.

Workforce Plan

Over the next five to ten years the number of skilled employees in the labour market is expected to decline significantly and competition between industry sectors for new and skilled staff will rapidly intensify. Airservices faces the challenge of an ageing workforce and the need to build capacity during this challenging period. Airservices developed enterprise-wide workforce planning in 2006 and since that time has updated its workforce plan each year.

In June 2010, Airservices released its Workforce Plan 2010–13. The plan identifies Airservices workforce challenges and lays out a strategy to build a 'New Workforce' for the future. The strategy recognises the need to attract people from backgrounds that have previously been under-represented in the workforce and outlines measures to improve the way it retains and engages employees.

The most crucial aspect of the plan is a change to the culture of the organisation. Over the next five years Airservices will be entering a significant transformation period covering changes to services, systems and people. The implementation of the Workforce Plan will increase the success of that transition and allow the organisation to foster a culture that drives business improvement, builds

efficiencies for our customers and improves the way it works. This will ensure Airservices continues to provide safe, reliable and efficient services to the aviation industry into the future.

Senior Leadership Program

Airservices has established a Senior Leadership Program with Mt Eliza Business School to strengthen succession planning for critical management roles and build senior management capability. In 2010, two intakes of 24 participants commenced and two senior management intakes completed the program. Senior managers from Brisbane Airport Corporation Limited, Airways New Zealand and Papua New Guinea Airservices Limited joined the second program.

Women in Leadership

In April 2010, Airservices launched a Women in Leadership network. The network gives female managers an opportunity to share personal and professional experiences and develop initiatives that will improve the workplace for female employees and improve the way Airservices attracts and retains employees.

Leaders Leading

Delivery of the Leaders Leading program to all Airservices managers continued in 2009–10. The program aims to reinforce Airservices leadership principles—that all managers are accountable for the continuous improvement of their teams over time.



Cairns terminal controller, Paul Sciberras



Airservices program to deliver future capacity includes measures to recruit and manage core talent, foster safety, harmonise and integrate air traffic management (ATM) in the Asia-Pacific region and implement next-generation ATM services and technologies in collaboration with our customers and other stakeholders.

Next generation air traffic management services and technologies

The investment in state-of-the-art technology to further improve safety and meet future air traffic capacity demand, is one of the key policy directions of the National Aviation Policy White Paper.

Automatic Dependent Surveillance—Broadcast

In December 2009, Airservices commissioned the world's first satellite-based air navigation system that delivers radar-like coverage of aircraft in upper level airspace across the entire continent.

This is a key milestone in Airservices five-year \$900 million capital expenditure program.

The project involved the deployment of 28 Automatic Dependent Surveillance—Broadcast (ADS-B) ground stations and was supported

by the replacement of the existing analogue telecommunications network infrastructure with a new digital communications backbone connecting over 200 remote sites.

The new ADS-B technology allows a reduction in the separation between suitably equipped aircraft to five nautical miles, as opposed to previous separation of 30 nautical miles or more, leading to improvements in safety and the efficiency of the airways system.

Working with other government agencies and in consultation with industry, Airservices sought to support and influence regional industry directions through the ICAO Asia-Pacific Air Navigation Planning and Implementation Regional Group and encouraging of the rollout of ADS-B across the region.

Global ATM strategic planning

Airservices supports the initiatives of ICAO's Global ATM Operational Concept and is investing in new technologies to improve safety and efficiency for all industry stakeholders.

Satellite based technologies, such as ADS-B and RNP, reduce fuel burn and emissions by allowing optimised flight paths. Collaborative decision making (CDM) improves air traffic management by sharing information and data between airport

operators, aircraft operators, ground handlers and air traffic control.

Australian Mode S Terminal Area Radar

The program to replace ageing terminal area radar equipment at nine locations continued with the commissioning of a new radar at Melbourne Airport in May 2010. The new radar provides improved surveillance of air traffic up to 250 nautical miles around Melbourne. The radar is the second to be commissioned as part of Airservices national \$80 million Australian Mode S Terminal Area Radar upgrade project.

National Towers Program

The National Towers Replacement and Improvement Program is a major component of the organisation's capital expenditure program.

In 2009–10, work commenced to upgrade air traffic control towers at Karratha, Sydney, Perth, Tamworth, Coolangatta and Jandakot and refurbishment work on the Avalon tower was completed in July 2010.

Airservices has entered into contracts for the construction of new towers at Adelaide, Rockhampton and Melbourne as well as the construction of an integrated air traffic control tower and fire station at Broome Airport, which will be the first of its type in Australia. The new facility is scheduled to be completed in mid-2011.

The design of a standardised suite of air traffic control tower technology is progressing and is aligned with the forecast delivery of the new towers.





Airservices new fire station at Sunshine Coast Airport

Aviation fire stations

Construction of a new fire station was completed at Sunshine Coast Airport and was officially opened by the Minister for Infrastructure and Transport in May 2010. Construction of a new fire station at Perth Airport was completed in the reporting period.

Other developments in our aviation rescue and fire fighting service during the year included establishing a new Category 7 service at Karratha in July 2010.

Fire vehicles

The ongoing program to maintain a modern fleet of fire fighting vehicles continued. Airservices currently has 48 ultra large fire vehicles in service with a further 10 due to be delivered by early 2011.

Airservices is managing four vehicle projects involving the purchase of 33 ultra large fire vehicles, six smaller vehicles and two aerial fire fighting

vehicles. These projects will see the renewal of the vehicle fleet by 2014.

During the last quarter of 2009–10, Airservices welcomed one of the new aerial fire fighting vehicles at Sydney Airport. The aerial vehicle provides safe and rapid access for aviation fire fighters to the upper decks of an A380 in the event of an emergency incident.

Fire control centre upgrades

As part of a project to modernise fire and rescue services, Airservices fire control centres (FCC) are being upgraded. This project replaces existing analogue systems with a standardised, modern digital system incorporating the latest technology, integrated communications and incident management resources.

In 2009–10, Airservices upgraded FCCs at Gold Coast, Rockhampton, Sunshine Coast, Canberra, Adelaide, Avalon and Karratha airports.

Civil–military harmonisation

During 2009–10, the ATC Future Systems program moved from concept to initiation phase with significant progress on scoping of the program and a focus on greater harmonisation with the Department of Defence.

In August 2009, the Department of Defence and Airservices established the Australian Civil–Military Air Traffic Management Committee (AC-MAC) and related working groups. A Joint Operational Concept was signed by the Chief of Air Force and Airservices CEO in April 2010.

In recognition of the significance of this project, an ATC Future Systems business group was established. The group will investigate the replacement of the current air traffic management platform and address air traffic control service delivery, system support, system architecture and collaboration by considering global air traffic management developments, business continuity capability, software management and civil–military collaboration.

The program is being closely coordinated with Defence Project AIR 5431 which will replace the Defence ATM platform.

Airservices and Defence are currently undertaking a first-of-type procurement activity which will inform the development of business cases for the acquisition of a future ATM platform.

Other harmonisation activities include:

- conclusion of a Quality of Service Agreement for radars
- significant progress in regulatory, infrastructure and training by AC-MAC working groups

- drafting of a memorandum of understanding to guide the partnership relationship between the two organisations
- development of a joint National ATM Surveillance Infrastructure Plan.

The Department of Finance and Deregulation, Department of Infrastructure and Transport and CASA have been involved in this nationally important project.

Wide Area Multilateration

In June 2010, Airservices commissioned Australia's first Wide Area Multilateration (WAM) radar system in Tasmania. The \$6 million system is one of the largest geographical deployments of WAM in the world. The system provides enhanced en route surveillance of air traffic across Tasmania and radar-like coverage down to the surface at Hobart. The same technology will be deployed in Sydney later in 2010 to enhance parallel runway operations.

Performance-based navigation

Airservices continued to work with CASA to implement performance-based navigation and approaches with vertical guidance. RNP technology can increase aircraft safety, reduce fuel consumption on approach through the use of an optimised vertical profile and enhance airspace capacity through reduced navigation tolerances.

However, as with all new technology, Airservices recognises that RNP needs to be implemented with open and inclusive community engagement and consultation.



Advanced Surface Movement Guidance and Control System

Advanced Surface Movement Guidance and Control System (A-SMGCS) at Melbourne Airport was commissioned in December 2009 and in Sydney in May 2010. Work is progressing to rollout the technology to Brisbane and Perth airports in 2010–11.

A-SMGCS provides tower controllers with an electronic picture of aircraft and transponder equipped vehicles on the manoeuvring area, thus significantly reducing the risk of runway incursions, particularly during reduced visibility conditions.

Ground-based Augmentation System

Airservices and partner Honeywell Aerospace have used trials of the Ground-based Augmentation System (GBAS) in Sydney and selected sites around the world to aid system development and certification of the product in the US. GBAS is a replacement technology for Instrument Landing Systems and offers the potential for major

improvements in airport safety, efficiency and capacity. Certification by the US Federal Aviation Administration was achieved in September 2009.

Instrument Landing Systems

In cooperation with airport owners, Airservices commissioned an Australian-first Category III Instrument Landing System (ILS) and associated infrastructure in Melbourne in March 2010 to improve reliability and safety in marginal weather conditions. In June 2010, the organisation commenced a major upgrade of the ILS at Cairns Airport as part of a major enhancement of this technology nationally.

In May 2010, Airservices entered into a collaborative agreement with Wagga Wagga City Council and Regional Express to purchase, install and operate an ILS at Wagga Wagga Airport. The ILS will be commissioned in November 2010.

Very high frequency radio

Work continued on the project to upgrade Airservices very high frequency (VHF) radio network to enhance communications between aircraft and air traffic controllers.

As part of the project, Airservices technicians replaced analogue and relay-based VHF radios with new digital equipment at 39 air traffic control communication sites in Australia, including 26 aerodrome control towers.

The project included installing new antennas, lightning protection and earthing associated with the VHF radios.

Flight Plan Conflict Function software

Performance-based navigation initiatives such as RNP allow aircraft to track on user preferred

flight paths in en route airspace, providing greater fuel efficiencies.

The availability of User Preferred Routes (UPRs) is dependent not only on technology in the aircraft but also on sophisticated tools on the ground.

Software has been developed within the air traffic management system to automate aircraft conflict detection in the upper airspace. The Flight Plan Conflict Function (FPCF), is a key enabler of UPRs. Site testing of the FPCF software is underway, with operational validation and deployment planned for 2010–11.

Navigation aids

Airservices continued to renew and replace ageing en route radars and selected ground-based navigation aids supporting safe surveillance and navigation of aircraft within Australian airspace.

Collaborative decision making

In June 2010, Airservices signed a contract with Metron Aviation to implement new software to support collaborative decision making (CDM).

This software will replace the current Central Traffic Management system (which manages operations at Sydney and Perth) with an advanced application capable of simultaneously managing traffic flows at multiple airports. This new application will initially manage traffic flows at Sydney, Perth, Brisbane and Melbourne.

CDM aims to improve air traffic management through information exchange and data sharing among airlines, airports and the air traffic provider. The program will deliver tools and processes enabling the continuous update and integration of information. All network stakeholders are provided with a common operational picture and the ability to proactively manage air traffic demand and

airport capacity, thereby improving the operation of the national airways system.

Remote operated towers

In March 2010, Airservices signed a memorandum of understanding (MOU) for a trial of remotely operated tower technology with SAAB Australia Pty Ltd and the Swedish air traffic provider Luftfartsverket (LFV). The MOU was then expanded to include Airways New Zealand.



Managing recruitment and development

Airservices faces the challenges of an ageing workforce and the need to build capacity during a challenging period. This is expected to see the number of skilled employees in the labour market decline significantly and competition between industry sectors for new and skilled staffed to rapidly intensify.

Airservices Learning Academy

A major project to prepare the organisation for the future has been the further consolidation of training into the centralised Airservices Learning Academy based in Melbourne.

The Learning Academy was established to provide robust internal and external learning partnerships and to expand the training curriculum which includes ab-initio and conversion ATC training, aviation rescue and fire fighting training and advanced qualifications, technology and asset services and corporate and safety training.



Airservices technical trainee, Nithya Nagaraj

Preparation for the delivery of the \$32 million Eurocat simulator is well advanced and this important training aid will be commissioned in late 2010. This project includes the upgrade to the training capabilities of operational training simulators in Brisbane, Perth and Sydney.

Airservices investment in new learning technologies includes ongoing development of the tower visual simulator.

Airservices decided to focus its efforts on the establishment of a centralised aviation rescue and fire fighting training centre at Melbourne airport and formal agreements are expected to be concluded shortly.

The Learning Academy is developing advanced online training across all business groups. These packages are consistent with those provided by other leading training organisations and prepare Airservices for future training advances.

Air Traffic Control Career Model

The new ATC Career Model was officially launched on 1 July 2010 and includes a proactive approach to workforce planning with an underpinning career development policy to meet employee career aspirations and business requirements. It provides a structured opportunity for controllers to discuss, plan, review and progress through a defined career structure supported by organisational management and systems. This is achieved by defining career stages and matching individual aspiration with tailored opportunities.

Technical trainees

In February 2010, Airservices second intake of 15 trainees commenced a two-year Diploma of Electrical Engineering at TAFE NSW's Riverina Institute. The course, based at the Wagga Wagga campus, is designed to give trainees the skills

they need to maintain Airservices air navigation systems equipment.

International capacity building

Airservices continued to foster safety in the region and collaborated with neighbouring flight information regions to improve air traffic management services.

Indonesia

Airservices continued to deliver work under the Government's Indonesian Transport Safety Assistance Package (ITSAP), including the completion of the 'Pathfinders Program', a review of Indonesia's National Aviation Safety Program and a gap analysis of Indonesia's Air Traffic Control safety management system.

Significant effort has been invested in assisting Indonesia's Directorate General of Civil Aviation plan the transition to a single air navigation services provider. Airservices has completed several projects within Indonesia, including the establishment of safety hubs at Palembang and Semarang, the delivery of Safety Management System training seminars and the delivery of a report on flight planning processes in Indonesia. Airservices also reviewed operational procedures and practices prior to the opening of a new crossing runway at Makassar Airport in eastern Indonesia.

Papua New Guinea

In 2009–10, Airservices signed an annex to the memorandum of understanding (MOU) between the Department of Infrastructure and Transport and Papua New Guinea's Department of Transport to enable the delivery of AusAID-funded priority projects.

A new computer-based air traffic control training simulator was commissioned in Port Moresby. Developed by Airservices and funded by AusAID, the simulator enhances operational co-operation between Australia and PNG.

Civil Air Navigation Services Organisation

Airservices is a founding member of the Civil Air Navigation Services Organisation (CANSO) and is involved in CANSO's Global Vision—Transforming Global ATM Performance by supporting programs, and associated workgroups.

In 2009, Airservices CEO Greg Russell was appointed to the CANSO Executive Committee, which provides guidance in CANSO's strategic vision and global programs. Mr Russell is also Chairman of the Asia Pacific CANSO CEO Committee, which provides overarching direction and planning of projects in the region.

Airservices is an active member on the CANSO Operations Standing Committee, Safety Standing Committee, Human Resources working group, Environment working group, and Seamless Airspace working group.

In October 2009, Airservices hosted a meeting of the CANSO Environment working group at the Brisbane Air Traffic Services Centre. The group has been working on developing a coordinated position on environmental principles and practices in air traffic management operations for member ANSPs.

03 Financial Statements



INDEPENDENT AUDITOR'S REPORT

To the Minister for Infrastructure, Transport, Regional Development and Local Government

Scope

I have audited the accompanying financial statements of Airservices Australia Group (Airservices) for the year ended 30 June 2010, which comprise: a Statement by Directors, Chief Executive Officer, and Chief Financial Officer; Consolidated Statement of Comprehensive Income; Consolidated Balance Sheet; Consolidated Statement of Changes in Equity; Consolidated Cash Flow Statement; Consolidated Schedule of Commitments; and Notes to the Financial Statements, including a Summary of Significant Accounting Policies. The group comprises Airservices Australia and the entity it controlled at the year's end or from time to time during the financial year.

The Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards (which include the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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Phone (02) 6203 7300 Fax (02) 6203 7777

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Airservices' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airservices' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial statements of the Airservices Australia Group:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Airservices Australia Group's financial position as at 30 June 2010 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Peter Kerr
A/Executive Director
Delegate of the Auditor-General
Canberra

27 August 2010

Airservices Australia
Statement by Directors, Chief Executive Officer and Chief Financial Officer

For the year ended 30 June 2010

In our opinion, the attached financial statements and notes are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Airservices Australia Group will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the Directors.



David Forsyth
Chairman



Greg Russell
Chief Executive Officer



Andrew Clark
Chief Financial Officer

Brisbane, 25 August 2010

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
CONTINUING OPERATIONS			
INCOME			
<i>Revenue</i>			
Airways revenues		767,568	731,555
Finance income	3	2,916	6,385
Other commercial revenue		26,500	31,231
Miscellaneous income	7	9,392	2,571
Total Revenue		806,376	771,742
<i>Gains</i>			
Reversal of previous asset write-down		-	13,185
Total Gains		-	13,185
TOTAL INCOME		806,376	784,927
EXPENSES			
Employee expenses	3	464,866	445,087
Suppliers		147,983	140,379
Depreciation	13	57,634	45,914
Amortisation	14	19,106	15,560
Finance costs	3	14,401	12,785
Write-down and impairment of assets	13	21,838	2,168
Net loss on disposal of non-current assets and assets held for sale	3	1,025	287
TOTAL EXPENSES		726,853	662,180
PROFIT BEFORE INCOME TAX		79,523	122,747
Income tax expense	4	28,879	37,252
PROFIT AFTER INCOME TAX		50,644	85,495
OTHER COMPREHENSIVE INCOME			
Gain on revaluation of land and buildings	22	1,336	9,565
Foreign exchange hedge	22	361	(1,559)
Exchange differences on translation of foreign operations	22	(25)	12
Actuarial losses	22	(26,737)	(111,518)
TOTAL OTHER COMPREHENSIVE INCOME		(25,065)	(103,500)
TOTAL COMPREHENSIVE INCOME/(LOSS)		25,579	(18,005)

Consolidated Balance Sheet

As at 30 June 2010

	Notes	2010 \$'000	2009 \$'000
CURRENT ASSETS			
Cash and cash equivalents	8	72,738	110,589
Trade and other receivables	9	96,781	86,063
Prepayments		6,690	4,148
Inventories		1,073	873
Assets classified as held for sale	10	125	875
Other current assets	11	2,930	-
TOTAL CURRENT ASSETS		180,337	202,548
NON-CURRENT ASSETS			
Land and buildings	13	174,092	176,491
Infrastructure, plant and equipment	13	614,814	561,251
Deferred tax assets	12	91,198	73,018
Intangible assets	14	57,645	41,945
Other non-current financial assets	15	5,531	-
Other non-current assets	16	4,664	-
TOTAL NON-CURRENT ASSETS		947,944	852,705
TOTAL ASSETS		1,128,281	1,055,253
CURRENT LIABILITIES			
Trade and other payables	17(a)	127,243	123,577
Provisions	17(a)	151,003	145,034
Borrowings	18	44,828	44,604
Other current liabilities	20	759	-
TOTAL CURRENT LIABILITIES		323,833	313,215
NON-CURRENT LIABILITIES			
Borrowings	18	248,763	248,358
Provisions	17(b)	56,476	39,464
Defined benefit fund liability	19	134,426	112,311
Other non-current liabilities	21	6,835	-
TOTAL NON-CURRENT LIABILITIES		446,500	400,133
TOTAL LIABILITIES		770,333	713,348
NET ASSETS		357,948	341,905
SHAREHOLDER'S EQUITY			
Contributed equity		222,190	222,190
Reserves	22(a)	69,219	68,621
Retained earnings	22(b)	66,539	51,094
TOTAL EQUITY		357,948	341,905

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Retained earnings		Asset revaluation reserve		Other reserves		Total reserves		Contributed equity		Total equity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance	51,094	75,921	71,720	63,351	(3,099)	(1,538)	68,621	61,799	222,190	222,190	341,905	359,910
Comprehensive income												
Actuarial gains/(losses)	(26,737)	(111,518)	-	-	-	-	-	-	-	-	(26,737)	(111,518)
Net revaluation	-	-	1,336	9,565	336	(1,547)	1,672	8,018	-	-	1,672	8,018
Profit for the period	50,644	85,495	-	-	-	-	-	-	-	-	50,644	85,495
Total comprehensive income/(loss)	23,907	(26,023)	1,336	9,565	336	(1,547)	1,672	8,018	-	-	25,579	(18,005)
Transactions with owners												
Returns on capital:												
Dividends	(10,000)	-	-	-	-	-	-	-	-	-	(10,000)	-
Sub total Transactions with Owners	(10,000)	-	-	-	-	-	-	-	-	-	(10,000)	-
Revaluation reserve - disposals	1,538	-	-	-	-	-	-	-	-	-	1,538	-
Revaluation reserve - disposals (net of deferred tax)	-	1,196	(1,074)	(1,196)	-	-	(1,074)	(1,196)	-	-	(1,074)	-
Closing balance	66,539	51,094	71,982	71,720	(2,763)	(3,085)	69,219	68,621	222,190	222,190	357,948	341,905

Consolidated Cash Flow Statement

For the year ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		863,829	833,046
Income tax refund		12,994	-
Payments to suppliers and employees (inclusive of GST)		(692,595)	(666,298)
Borrowing costs		(11,316)	(12,085)
Income tax paid		(44,671)	(44,820)
Net cash flows from operating activities	33	128,241	109,843
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,780	3,028
Purchase of property, plant and equipment		(160,452)	(142,845)
Purchase of intangibles		(388)	(272)
Interest received		2,968	1,967
Net cash flows used in investing activities		(156,092)	(138,122)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(10,000)	-
Proceeds from borrowings		-	128,650
Net cash flows from/(used in) financing activities		(10,000)	128,650
Net increase/(decrease) in cash and cash equivalents		(37,851)	100,371
Cash and cash equivalents at the beginning of period		110,589	10,218
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8	72,738	110,589

Consolidated Schedule of Commitments

As at 30 June 2010

	2010 \$'000	2009 \$'000
BY TYPE		
CAPITAL COMMITMENTS		
Infrastructure, plant and equipment	135,018	113,422
TOTAL CAPITAL COMMITMENTS	135,018	113,422
OTHER COMMITMENTS		
Operating leases	188,076	138,096
Other commitments	60,212	68,440
TOTAL OTHER COMMITMENTS	248,288	206,536
COMMITMENTS RECEIVABLE		
Other commitments receivable ⁽¹⁾	(26,510)	(28,691)
GST recoverable on commitments ⁽²⁾	(32,436)	(26,479)
TOTAL COMMITMENTS RECEIVABLE	(58,946)	(55,170)
TOTAL NET COMMITMENTS BY TYPE	324,360	264,788
BY MATURITY		
CAPITAL COMMITMENTS		
Within one year	81,170	76,812
After one year but no more than five years	53,848	36,610
TOTAL CAPITAL COMMITMENTS	135,018	113,422
OPERATING LEASES		
Within one year	26,456	16,756
After one year but no more than five years	72,547	39,712
More than five years	89,073	81,628
TOTAL OPERATING LEASES	188,076	138,096
OTHER COMMITMENTS		
Within one year	24,606	33,059
After one year but no more than five years	35,331	34,991
More than five years	275	390
TOTAL OTHER COMMITMENTS	60,212	68,440
COMMITMENTS RECEIVABLE		
Within one year	(23,336)	(21,592)
After one year but no more than five years	(27,351)	(24,593)
More than five years	(8,259)	(8,985)
TOTAL COMMITMENTS RECEIVABLE	(58,946)	(55,170)
TOTAL NET COMMITMENTS BY MATURITY	324,360	264,788

(1) These relate to contracts associated with Other Commercial Activities

(2) This amount is disclosed for the first time this financial year and includes the prior year amount for comparative purposes.

NB: Commitments are GST inclusive where relevant.

Operating leases are effectively non-cancellable and comprise:

Leases for computer equipment

A number of operating leases for the provision of computer equipment are in place. A majority of these items have a lease term of 2 to 3 years, with some printers having a lease term up to 5 years. It is Airservices Australia's general practice that at the completion of these lease terms, these items are returned to the lessor.

Leases for office accommodation

Airservices Australia's leases are subject to differing review mechanisms which can include fixed increases every two years. The initial periods of office accommodation leases are still current and each may be renewed depending on their individual option periods.

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1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. All amounts are shown in thousands of dollars and are expressed in Australian dollars, unless disclosure of the full amount is specifically required.

(a) Basis of preparation

The financial report is required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997* and is a general purpose report. The report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and Finance Minister's Orders being the Commonwealth Authorities and Companies Orders (Financial Statements for periods ending on or after 1 July 2009).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of Airservices Pacific Incorporated (API) which is controlled by Airservices Australia as at 30 June 2010. API's reporting date is 30 June. Airservices Australia and API together are referred to in this financial report as the Airservices Australia Group, the Group, or the consolidated entity.

For accounting purposes, the Airservices Australia Group also controls (as defined in UIG Interpretation 112) four special purpose entities which are involved in the US cross-border arrangement in relation to equipment associated with The Australian Advanced Air Traffic System (TAAATS) and radar systems. However, as the Airservices Australia Group has no ownership interest in these entities and they are immaterial to the Group, these entities are not consolidated but instead are disclosed in note 6(b).

1: Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The parent entity and consolidated entity's results are not considered materially different for the year ended 30 June 2010 and therefore the parent entity results are not separately disclosed in this financial report.

(c) Statement of compliance

Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include Australian equivalents to IFRS (AIFRS). Compliance with AIFRS ensures that the consolidated financial report of the Airservices Australia Group is compliant with IFRS.

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

The following new standards, revised standards, interpretations and amending standards were issued prior to the signing of the statements by the Chairman, Chief Executive Officer and Chief Financial Officer and were applicable to the current reporting period and had either a financial and/or presentation impact on the Group.

AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123

The revised AASB 123 has removed the option to expense all borrowing costs and required the capitalisation of costs which were directly attributable to the acquisition, construction or production of a qualifying asset. This has been a change to the Group's previous accounting policy which was to expense all borrowing costs as incurred.

1: Summary of significant accounting policies (continued)

(c) Statement of compliance (continued)

Adoption of new Australian Accounting Standard requirements (continued)

AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

The revised AASB 101 requires the presentation of a statement of comprehensive income which includes all non-owner changes in equity. As a consequence, Airservices had to change the presentation of its financial statements with comparative information being re-presented so that it is also in conformity with the revised standard. The revised standard will not affect any of the amounts recognised in the financial statements unless an entity has made a prior period adjustment or has reclassified items in the financial statements. If so, the entity is required to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group has not made any prior period adjustments or reclassified items in the financial statements and as such is not required to disclose a third balance sheet.

AASB 7 Financial Instruments: Disclosures and AASB 2009-2 Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments

In April 2009, the AASB published amendments to AASB 7 Financial Instruments: Disclosures to improve the information that entities report about their liquidity risk and the fair value of their financial instruments. The amendments require fair value measurement disclosures to be classified into a new three level hierarchy and additional disclosures for an item whose fair value is determined by valuation techniques other than observable market values. The AASB also clarified and enhanced the existing requirements for the disclosure of liquidity risk of derivatives. The Group has applied the amendments from 1 July 2009. The amendments will not affect any of the amounts recognised in the financial statements but will impact the current disclosures of the Group's financial instruments as disclosed in note 29.

Other new standards, revised standards, interpretations and amending standards that were issued prior to the signing of the statements by the Chairman, Chief Executive Officer and Chief Financial Officer and are applicable to the current reporting period did not have a financial impact and are not expected to have a future financial impact on the Group.

Future Australian Accounting Standard requirements

The following new standards, revised standards, interpretations and amending standards were issued prior to the signing of the statements by the Chairman, Chief Executive Officer and Chief Financial Officer which are expected to have a financial impact on the Group for future reporting periods.

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9

The revised AASB 9 addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 and the group is yet to assess its full impact.

1: Summary of significant accounting policies (continued)

(c) Statement of compliance (continued)

Future Australian Accounting Standard requirements (continued)

Other new standards, revised standards, interpretations and amending standards that were issued prior to the signing of the statements by the Chairman, Chief Executive Officer and Chief Financial Officer and are applicable to the future reporting period are not expected to have a future financial impact on the Group.

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Airservices Australia Group and the subsidiary are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of API is the United States dollar. The consolidated financial statements are presented in Australian dollars, which is Airservices Australia's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

Group companies

The results and financial position of API (which does not have the currency of a hyperinflationary economy) which has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that balance sheet;
 - income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
 - all resulting exchange differences are recognised in other comprehensive income.
-

1: Summary of significant accounting policies (continued)

(e) Revenue recognition

Rendering of services

Revenue is recognised when services are rendered for both airways and other commercial revenue. The prices charged for regulated services are in accordance with the agreements negotiated with customers and endorsed by the Australian Competition and Consumer Commission (ACCC). In accordance with the Long Term Pricing Agreement implemented in January 2005, revenue in excess of the risk sharing threshold agreed with customers and revenue related to new Civil Aviation & Safety Authority (CASA) regulations which have not yet been introduced, have been set aside in a provision against airways revenue and subsequently rebated to customers through issued credit notes.

Sale of goods

Revenue is recognised when significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest income

Interest income is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

(f) Property, plant and equipment

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases less than \$1,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Cost and valuation

Property, plant and equipment are measured at cost or at fair value, less, where applicable, accumulated depreciation and any accumulated impairment losses.

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

All costs associated with repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

1: Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at a re-valued amount which is the fair value at the date of the revaluation. Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Where there was no market based evidence of fair value due to the specialised nature of some of the buildings, plant and equipment, an estimate of the fair value was used by the valuer based upon a depreciated replacement cost approach.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income, in which case the increase is recognised in profit or loss. Any revaluation deficit is recognised in the statement of comprehensive income, except that a decrease offsetting a previous surplus for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset. The revaluation surplus is accounted for net of deferred tax in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date. Revaluations are conducted by an independent qualified valuer.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition, calculated as the difference between net disposal proceeds and carrying value, is included in the statement of comprehensive income in the year the asset is derecognised.

Impairment of non-financial assets

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable, and, as a minimum, at least annually.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which it belongs. If any such indication exists and where the

1: Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

Impairment of non-financial assets (continued)

carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a market determined risk adjusted discount rate. Any impairment losses are recognised immediately in the statement of comprehensive income. Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

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. Any rent free periods are accounted for as per UIG 115 Operating Leases - Incentives.

Leases of fixed assets where substantially all the risks and benefits incidental to ownership of the asset, but not legal ownership, are transferred to the Airservices Australia Group are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the present value of minimum lease payments, including any guaranteed residual values, and fair value.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are accounted for as an expense.

Depreciation

Depreciable property, plant and equipment are written-off to their estimated residual values over their estimated useful lives to the Airservices Australia Group using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2010	2009
- Buildings (including fittings)	10-40 years	10-40 years
- Infrastructure, plant and equipment	3-20 years	3-20 years

1: Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

Spares

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

(g) Intangible assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Where amortisation is charged on assets with finite lives, this expense is taken to the statement of comprehensive income. Software is amortised over 3-10 years.

Research costs associated with in house developed intangible assets are expensed as incurred. Costs incurred on development projects (relating to the design and testing of new improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its cost can be measured reliably. The carrying value of development costs is reviewed for impairment annually or more frequently if there is evidence to suggest that the carrying value may not be recoverable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying value of the asset as at that date and are recognised in the statement of comprehensive income.

(h) Decommissioning and site rehabilitation

Where the Group has an obligation to incur site rehabilitation costs and the requirements outlined below in section (o) Provisions, have been met, the estimated cost to 'make good' the site has been recorded as a provision.

The net present value of the obligation is measured using the 10 year Government bond rate at 30 June each year.

(i) Inventories

Inventories consist of retail and publication material held for sale to the aviation industry, and consumable spares used for operational equipment. Inventories are valued at the lower of cost and net realisable value, using the weighted average unit cost method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

1: Summary of significant accounting policies (continued)

(j) Dividends

A provision is made for the amount of any dividend approved by the Airservices Australia Board but unpaid, prior to the end of the period.

(k) Cash and cash equivalents

Cash in the balance sheet comprises cash at bank and in hand and deposits at call which are readily convertible to cash on hand. For the purposes of the cash flow statement, cash includes cash and cash equivalents net of outstanding bank overdrafts.

(l) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

1: Summary of significant accounting policies (continued)

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed GST inclusive.

(n) Recoverable amount of non-current assets

All assets are subjected to impairment tests at each reporting date. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made. Where the carrying amount exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for each asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash flows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a market-determined risk adjusted discount rate.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1: Summary of significant accounting policies (continued)

(o) Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the obligation is measured using a discount rate which reflects current market assessments and the risks specific to the liability. Increases in the provision due to the passage of time (unwinding of the discount) are then recognised as interest expense.

(p) Employee benefits

Classification of employee entitlements

Where employees are entitled to take their accrued annual leave or long service leave during the next 12 months, the provision relating to these employees is recorded as a current liability, even though the employee may not be expected to take the leave for an extended period.

Wages, salaries and annual leave

Liabilities for wages, 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.

Valuation

Employee benefit provisions for long service leave, early retirement benefit and superannuation are assessed by qualified actuaries on an annual basis. Various actuarial assumptions are required when determining the Group's obligations, and these are discussed at Note 2 and Note 19.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds 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 applicable Airservices Australia Collective Agreement 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 market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

1: Summary of significant accounting policies (continued)

(p) Employee benefits (continued)

Superannuation

Contributions are made predominantly to AvSuper (sponsored by Airservices Australia) and Commonwealth Superannuation Administration (ComSuper) which administers the Commonwealth Superannuation Scheme (CSS) and Public Sector Superannuation (PSS) funds. AvSuper has a defined benefit section and an accumulation section within its fund. Contributions to the AvSuper defined benefit fund are made in accordance with advice received from the fund's actuary. Contributions to accumulation funds are in accordance with the organisation's Collective Agreement(s) and other employee contracts, having regard to legislative requirements. Contributions to ComSuper for the PSS and CSS funds are in accordance with actuarial reports as notified by the Department of Finance and Deregulation.

Contributions to all funds except the AvSuper defined benefit fund are recognised as an expense as they become payable. With respect to the AvSuper defined benefit fund, the net of current service costs, interest costs and the expected return on fund assets is recognised in the profit before income tax, whereas actuarial gains and losses are recorded in other comprehensive income.

A liability or asset in respect of the AvSuper defined benefit superannuation plan is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by an independent actuary. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(q) Assets classified as held for sale

Assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the asset is recognised at the date of de-recognition.

Assets are not depreciated or amortised while they are classified as held for sale. Assets classified as held for sale are presented separately from the other assets in the balance sheet.

1: Summary of significant accounting policies (continued)

(r) Working capital

Although the Groups' current liabilities exceed current assets as at the end of the current reporting period, this is mainly a result of the disclosure requirements of the accounting standards. Due to a large proportion of the Group's employees being presently entitled to long service leave and accrued recreation leave, these provisions are classified as current liabilities, even though the employees are expected to take the leave over an extended period of time (i.e. beyond 12 months).

2: Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

AvSuper defined benefit plan

Various actuarial assumptions are required when determining the Group's obligations under the AvSuper defined benefit plan. The assumptions relied on for the year to 30 June 2010 are discussed in Note 19.

Long Service Leave and Early Retirement Benefits

Various actuarial assumptions are required when determining the Group's obligations for Long Service Leave and the Early Retirement Benefit Scheme. The assumptions relied on for the year to 30 June 2010 are based on new collective agreements that were introduced throughout the year. On average, these included six monthly salary increases of around 2%. A discount rate of 5.1% per annum has also been applied and represents the 10 year Commonwealth Government Bond rate at 30 June 2010.

Recoverable amount of non-current financial assets

The estimated future cash flows for value in use calculations include:

- discount rate;
- expected sales; and
- period that technology will remain valid.

Other provisions

Estimates have been used to establish the provision for the assessment of possible contaminated Aviation Rescue and Fire Fighting (ARFF) training sites; the removal of underground fuel storage tanks and the remediation and restoration of leased property sites as discussed in note 17 (c).

3: Profit from continuing operations

Profit from continuing operations before income tax is arrived at after including the following items of revenue and expenditure:

	2010 \$'000	2009 \$'000
Revenue		
Finance income		
- Investments	2,605	1,261
- Deposits	53	88
- Interest rate swap fair value gain	-	4,214
- Other	258	822
Total finance income	2,916	6,385
Expenses		
Employee expenses		
- Wages and salaries	302,796	285,841
- Superannuation (defined contribution funds)	26,290	25,903
- Leave and other entitlements	108,007	106,934
- Separation and redundancies	6,687	10,402
Employee expenses (excluding defined benefit superannuation expense)	443,780	429,080
Net defined benefit superannuation expense recognised in employee expenses		
- Current service cost	26,693	27,983
- Interest cost	32,919	34,219
- Expected return on fund assets	(38,526)	(46,195)
Defined benefit superannuation expense	21,086	16,007
Total employee expenses	464,866	445,087
Finance costs		
- Loans	12,864	12,295
- Interest rate swap fair value loss	885	-
- Other	652	490
Total finance costs	14,401	12,785
Impaired loss on trade and other receivables		
Movement in allowance for impairment (receivables)	895	(1,041)
Bad debts written off	100	1,278
Total bad and doubtful debt expense	995	237
Operating lease charges	20,567	17,758
Gain/(loss) from sales/(write-off) of non-current assets and assets held for sale		
- Proceeds from disposal of non-current assets	1,780	3,028
- Written down value of disposed non-current assets	(1,798)	(3,005)
- Proceeds from disposal of assets held for sale	650	-
- Written down value of disposed assets held for sale	(750)	-
Net gain/(loss) from sale of non-current assets and assets held for sale	(118)	23
Written down value of scrapped assets	(907)	(310)
Net loss from disposal of non-current assets and assets held for sale	(1,025)	(287)

4: Income tax

(a) Income tax expense

	2010 \$'000	2009 \$'000
Current tax	35,855	29,925
Deferred tax	(6,976)	7,327
Income tax expense attributable to profit from continuing operations	28,879	37,252

(b) Reconciliation of income tax expense to prima facie tax payable

	2010 \$'000	2009 \$'000
Profit from continuing operations before income tax expense	79,523	122,747
Prima facie income tax expense at 30%	23,857	36,824
Tax effect of amounts which are not deductible/assessable in calculating taxable income:		
Non-deductible legal costs	135	53
Other non-deductible expenditure	279	127
Prior year under / (over) provision of tax	(470)	248
Unrealised losses on revaluation of assets to fair value	5,078	-
Income tax expense	28,879	37,252

5: Dividends

(a) Dividend paid

An interim dividend for the year ending 30 June 2010 of \$10.0m (2009: An interim dividend for the year ended 30 June 2009 was not paid) was paid on 15 June 2010. A final dividend for the year ended 30 June 2009 was not paid (2009: A final dividend for the year ended 30 June 2008 was not paid).

(b) Franking credits

Franking credits available for subsequent financial years based on a tax rate of 30% (30 June 2009: 30%) are \$240.0m (30 June 2009: \$208.3m).

The above amounts represent the balance of the franking account as at the end of the financial year.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

6: Investments in controlled entities

(a) Airservices Pacific Incorporated (API)

Airservices Australia has owned 100% of API, based in Delaware in the United States of America, since December 2004. The investment comprises 1,000 shares at a nominal value of US\$1.00 per share. API provided air traffic control services under contract to the Federal Aviation Administration at five control towers (three towers on the islands of Hawaii, one in Guam and one in Saipan) until the expiry of the contract on 31 January 2010. Airservices Australia did not rebid for the contract.

Airservices Australia provided a loan of US\$0.700m to API at normal commercial terms and conditions in December 2006, which was fully repaid with interest in December 2009. An additional facility of US\$0.700m was made available to API in March 2008, and was partly drawn down by API in December 2009 (US\$0.400m) and fully repaid with interest in April 2010.

(b) Special purpose entities

In accordance with the indicators of control for accounting purposes detailed in UIG Interpretation 112, the Airservices Australia Group controls four special purpose entities which are involved in the US cross-border arrangement in relation to equipment associated with 'The Australian Advanced Air Traffic System' (TAAATS) and radar systems discussed in note 32. However the issued capital in these entities, which totals US\$4,000, is not owned by the Airservices Australia Group but is held by two finance companies. These entities are not consolidated due to materiality considerations.

7: Events occurring after the reporting period

Legal claims

On 31 May 2010 Airservices Australia issued a letter of demand for the payment of liquidated damages against a supplier. The liquidated damages claim of \$7.0m was paid in full on 19 July 2010. This amount is recorded as part of miscellaneous income in the statement of comprehensive income.

On 23 August 2010 the Airservices Australia Group was advised of potential litigation in relation to the provision of its services. At this stage it is not possible to estimate the amounts of any eventual payments that may be required in relation to this matter.

8: Current assets - Cash and cash equivalents

	2010 \$'000	2009 \$'000
Cash at bank and in hand	438	2,289
Deposits at call	57,300	48,300
Term deposits	15,000	60,000
	72,738	110,589

(a) Cash at bank and in hand

Cash at bank has a floating interest rate of 4.40% (30 June 2009: 2.50%). Cash in hand is non-interest bearing.

(b) Deposits at call

The deposits at call have a floating interest rate of 4.50% (30 June 2009: 3.00%). These 11am cash deposits are rolled over on a daily basis.

(c) Term deposits

The term deposits have a floating interest rate of 5.16% (30 June 2009: 3.62%). These term deposits mature on a monthly basis.

9: Current assets - Trade and other receivables

	2010 \$'000	2009 \$'000
Loans and receivables		
Trade receivables (a)	86,013	78,924
Provision for impairment of receivables (b)	(1,708)	(813)
	84,305	78,111
Other receivables (c)	1,229	2,004
Accrued revenue and interest	11,247	3,407
Income tax receivable	-	2,541
Total current receivables	96,781	86,063

(a) Ageing analysis of trade receivables

	2010 \$'000	2009 \$'000
Current	76,535	72,247
Overdue by:		
1 to 30 days	4,519	3,500
31 to 60 days	1,092	1,048
61 to 90 days	423	400
90 + days	3,444	1,729
Total	86,013	78,924

(b) Reconciliation for the provision for impairment of receivables

	2010 \$'000	2009 \$'000
Opening balance	813	1,854
Increase/(decrease) recognised in net profit	895	(1,041)
Closing balance	1,708	813

The provision for impairment of receivables is aged as follows:

	2010 \$'000	2009 \$'000
Current	67	331
Overdue by:		
1 to 30 days	39	129
31 to 60 days	108	67
61 to 90 days	27	18
90+ days	1,467	268
	1,708	813

(c) Other receivables

Other receivables is comprised of the current portion of the royalty stream which Airservices is entitled to receive from the sales of navigation augmentation system technology and balances associated with salary sacrifice arrangements.

10: Assets classified as held for sale

A total of three land assets have been identified as surplus to the requirements of the Airservices Australia Group and have been classified as assets held for sale. The decision to dispose of the above assets has been endorsed by the Board of Directors and their disposal is expected to be completed within the 2010-11 financial year. The carrying amount of the assets amounted to \$0.125m (30 June 2009: \$0.875m).

11: Current assets - Other

	2010 \$'000	2009 \$'000
Lease incentive - Current	2,930	-

This represents the current portion of the rent free period associated with a new lease on existing office accommodation.

12: Non-current assets - Deferred tax assets

	2010 \$'000	2009 \$'000
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in the statement of comprehensive income</i>		
Depreciation for accounting purposes	2,586	(1,890)
Allowance for impairment	512	244
Employee benefits	50,590	52,032
Provision for revenue to be returned to customers	5,324	5,973
Provision for legal costs	322	362
Other provisions	6,980	2,991
Accruals	448	2,728
	66,762	62,440
<i>Amounts recognised directly in equity</i>		
Foreign exchange hedge reserve	1,176	(1,321)
Revaluation of land, buildings, plant and equipment	(30,850)	(30,752)
Defined benefit liability	54,110	42,651
	24,436	10,578
Net deferred tax assets	91,198	73,018
Movements:		
Opening balance at 1 July	73,018	36,819
Credited/(charged) to the statement of comprehensive income	4,322	(7,327)
Credited to equity	13,858	43,526
Closing balance at 30 June	91,198	73,018

13: Non-current assets - Infrastructure, plant and equipment

(a) Revaluation of land, buildings, plant and equipment

The valuation basis for land, buildings, plant and equipment is fair value. Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Where there was no market based evidence of fair value due to the specialised nature of some of the buildings, plant and equipment, an estimate of the fair value was used by the valuer based upon a depreciated replacement cost approach.

Airservices Australia Group engaged accredited valuers CB Richard Ellis to value its land and Aon Valuation Services for the valuation of buildings, plant and equipment (these valuers were also used for the previous year). The reversal of prior year revaluation decreases (for the same asset), were recognised by crediting the statement of comprehensive income. In all other cases, the revaluation surplus net of deferred income taxes was credited to the asset revaluation reserve. The effective date of the revaluation was 30 June 2010.

	Land \$'000	Buildings \$'000	Total Land and Buildings \$'000	Plant and equipment \$'000	Assets under construction \$'000	Total \$'000
Gross value - 1 July 2009	48,259	128,666	176,925	321,288	254,132	752,345
Additions	-	45	45	10,132	161,727	171,904
Commissioned assets under construction	-	10,962	10,962	90,593	(101,555)	-
Assets under construction commissioned as intangible assets (refer note 13)	-	-	-	-	(34,431)	(34,431)
Assets under construction commissioned as a financial asset (refer note 15)	-	-	-	-	(6,054)	(6,054)
Revaluations	1,280	(12,301)	(11,021)	(27,883)	-	(38,904)
Disposals	(20)	(272)	(292)	(5,135)	-	(5,427)
Impairment (b)	-	-	-	-	(17,811)	(17,811)
Reclassifications from intangible assets	-	-	-	12	-	12
Gross value - 30 June 2010	49,519	127,100	176,619	389,007	256,008	821,634
Accumulated depreciation - 1 July 2009	-	(434)	(434)	(14,169)	-	(14,603)
Depreciation charged	-	(11,354)	(11,354)	(46,280)	-	(57,634)
Revaluations	-	9,249	9,249	27,539	-	36,788
Disposals	-	12	12	2,710	-	2,722
Reclassifications from intangible assets	-	-	-	(1)	-	(1)
Accumulated depreciation - 30 June 2010	-	(2,527)	(2,527)	(30,201)	-	(32,728)
Net book value - 30 June 2010	49,519	124,573	174,092	358,806	256,008	788,906

13: Non-current assets - Infrastructure, plant and equipment (continued)

	Land \$'000	Buildings \$'000	Total Land and Buildings \$'000	Plant and equipment \$'000	Assets under construction \$'000	Total \$'000
Gross value - 1 July 2008	56,892	125,388	182,280	265,028	210,867	658,175
Additions	-	95	95	4,122	159,512	163,729
Commissioned assets under construction	-	6,360	6,360	101,822	(108,182)	-
Assets under construction commissioned as intangible assets (refer note 13)	-	-	-	-	(5,897)	(5,897)
Revaluations	(7,783)	(3,075)	(10,858)	(38,462)	-	(49,320)
Disposals	-	(102)	(102)	(6,751)	-	(6,853)
Impairment (b)	-	-	-	-	(2,168)	(2,168)
Assets transferred to held for sale	(850)	-	(850)	-	-	(850)
Reclassifications to intangible assets	-	-	-	(4,471)	-	(4,471)
Gross value - 30 June 2009	48,259	128,666	176,925	321,288	254,132	752,345
Accumulated depreciation - 1 July 2008	-	(4,676)	(4,676)	(43,628)	-	(48,304)
Depreciation charged	-	(9,403)	(9,403)	(36,511)	-	(45,914)
Revaluations	-	13,570	13,570	62,478	-	76,048
Disposals	-	75	75	3,432	-	3,507
Reclassifications to intangible assets	-	-	-	60	-	60
Accumulated depreciation - 30 June 2009	-	(434)	(434)	(14,169)	-	(14,603)
Net book value - 30 June 2009	48,259	128,232	176,491	307,119	254,132	737,742

13: Non-current assets - Infrastructure, plant and equipment (continued)

(b) Impairment

In line with accounting standards, Management has performed an impairment review of both existing assets and assets under construction. Principally, the review has focused on future use of existing assets, and changes in technology and business system requirements.

As a consequence of this review, and partly as a result of the impact of the Global Financial Crisis on both the domestic and international aviation industry, the organisation has recorded impairments totalling \$17.8m which included writing down its investment associated with a navigation augmentation system to its recoverable amount of \$6.1m. This impairment resulted in an expense of \$16.4m being recorded in the statement of comprehensive income. The decision to impair the investment was primarily associated with the uncertainty surrounding the timing of the expected future cash flows.

The impairment does not impact on Airservices Australia's commitment to introduce the technology, which is an important enabler for improving Air Traffic Management efficiency.

(c) Carrying amounts that would have been recognised if land, buildings, plant and equipment were measured using the cost model:

	2010 \$'000	2009 \$'000
Land		
At cost	3,678	3,680
Buildings		
At cost	214,497	204,427
Accumulated depreciation	(129,265)	(123,983)
Net carrying amount	85,232	80,444
Plant and equipment		
At cost	789,523	708,518
Accumulated depreciation	(415,615)	(387,772)
Net carrying amount	373,908	320,746

14: Non-current assets - Intangible assets

	2010			2009		
	Internally developed software \$'000	Other intangible assets \$'000	Total intangible assets \$'000	Internally developed software \$'000	Other intangible assets \$'000	Total intangible assets \$'000
Gross value - 1 July	101,447	31,239	132,686	94,995	28,580	123,575
Reclassified from / (to) plant and equipment	-	(12)	(12)	4,471	-	4,471
Additions	-	386	386	-	272	272
Transferred from assets under construction	28,353	6,078	34,431	3,510	2,387	5,897
Disposals	-	(89)	(89)	(1,529)	-	(1,529)
Gross value - 30 June	129,800	37,602	167,402	101,447	31,239	132,686
Accumulated amortisation - 1 July	(70,486)	(20,255)	(90,741)	(60,449)	(16,200)	(76,649)
Reclassified (from) / to plant and equipment	-	1	1	(60)	-	(60)
Amortisation for the year	(13,937)	(5,169)	(19,106)	(11,505)	(4,055)	(15,560)
Disposals	-	89	89	1,528	-	1,528
Accumulated amortisation - 30 June	(84,423)	(25,334)	(109,757)	(70,486)	(20,255)	(90,741)
Net intangibles - 30 June	45,377	12,268	57,645	30,961	10,984	41,945

15: Non-current assets - Other financial assets

	2010 \$'000	2009 \$'000
Navigation augmentation system receivable	5,531	-

This represents the non-current portion of the royalty stream which Airservices Australia is entitled to receive from the sale of this technology.

16: Non-current assets - Other

	2010 \$'000	2009 \$'000
Lease incentive - Non-current	4,664	-

This represents the non-current portion of the rent free period associated with a new lease on existing office accommodation.

17: Provisions and payables

(a) Current payables and provisions

	2010 \$'000	2009 \$'000
Current payables		
Suppliers		
- Trade payables	17,395	15,372
Employees		
- Salaries and wages	12,089	10,127
- Superannuation	1,498	1,466
- Recreation leave ⁽¹⁾	42,411	39,021
Revenue received in advance	3,176	4,338
Interest payable	1,651	1,636
Group tax payable	3,914	4,355
Accrued payroll tax	2,920	3,372
Net goods and services tax payable	10,274	9,491
Other accrued expenses	31,915	34,399
Total current payables	127,243	123,577
Current provisions		
Employee benefits		
- Long service leave ⁽²⁾	118,006	109,276
- Separations and redundancies	2,545	4,203
Workers compensation	430	469
Taxation	1,624	-
Revenue to be returned to customers	17,745	19,910
ARFF decontamination	7,826	9,969
Litigation and legal costs	1,075	1,207
Other	195	-
Makegood on leasehold assets	1,557	-
Total current provisions	151,003	145,034
Total current provisions and payables	278,246	268,611

(b) Non current provisions

Employee benefits		
- Long service leave	16,204	11,159
- Separations and redundancies	23,261	25,976
ARFF decontamination	9,400	-
Makegood on leasehold assets	5,426	-
Workers compensation	2,185	2,329
Total non-current provisions	56,476	39,464

(1) Recreation leave expected to be settled within 12 months from the reporting date is \$27.8m, and greater than 12 months is \$14.6m. Refer to note 1 (r) for further information.

(2) Long service leave expected to be settled within 12 months from the reporting date is \$13.6m, and greater than 12 months is \$104.4m. Refer to note 1 (r) for further information.

17: Provisions and payables (continued)

(c) Description of provisions

Employee benefits:

- *Workers compensation*

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

- *Separations and redundancies*

This includes \$23.3m (30 June 2009: \$25.8m) in early retirement benefits which have been elected to be taken by employees as a lump sum on retirement. Also, \$2.5m (30 June 2009: \$4.2m) relates to redundancy provisions in relation to the restructuring of the organisation.

Revenue to be returned to customers

The provision relates to the revenue in excess of the risk sharing threshold that was agreed to under the Long Term Pricing Agreement (LTPA). Under the LTPA, revenue in excess of 5% of agreed revenue levels is available to be returned to customers (30 June 2009: \$18.7m).

ARFF decontamination

The provision relates to the assessment, management and remediation of possible contaminated ARFF training sites as outlined in the Environmental Management Plan (EMP) as discussed in note 23.

Cross-border transaction

The provision represented compliance and monitoring costs for the cross-border financing arrangement discussed in note 32.

Litigation and legal costs

This provision includes the settlement and legal costs of the Airservices Australia Group on ongoing matters which commenced prior to 30 June 2010.

Makegood on leasehold assets

The provision relates to the decommissioning and restoration of leased property sites.

Other

The provision relates to the removal and decommissioning of underground fuel storage tanks.

17: Provisions and payables (continued)

(d) Movements in provisions (excluding Employee benefits)

	2010 \$'000	2009 \$'000
(i) Revenue to be returned to customers (Current)		
Carrying amount at start of period	19,910	26,263
Additional provisions recognised	17,745	19,910
Credit notes issued	(19,633)	(26,263)
Rebate not returned to customers	(277)	-
Carrying amount at end of period	17,745	19,910
(ii) ARFF decontamination (Current/Non-Current)		
Carrying amount at start of period	9,969	7,196
Additional provisions recognised	8,020	2,773
Payments	(763)	-
Carrying amount at end of period	17,226	9,969
(iii) Cross border transaction (Current/Non-current)		
Carrying amount at start of period	-	1,507
Payments	-	(1,507)
Carrying amount at end of period	-	-
(iv) Litigation and legal costs (Current)		
Carrying amount at start of period	1,207	1,207
Additional provisions recognised	1,075	-
Payments	(1,207)	-
Carrying amount at end of period	1,075	1,207
(v) Decommissioning and restoration (Makegood - Current/Non-current)		
Carrying amount at start of period	-	-
Additional provisions recognised	6,983	-
Carrying amount at end of period	6,983	-
(vi) Other (Current)		
Carrying amount at start of period	-	-
Additional provisions recognised	195	-
Carrying amount at end of period	195	-

18: Borrowings

	2010 \$'000	2009 \$'000
Unsecured - Bank loans		
Current ⁽¹⁾	44,828	44,604
Non-current ⁽²⁾	248,763	248,358
Total borrowings	293,591	292,962

(1) This amount was issued under a \$300m commercial paper program in two separate tranches on 21st May and 18th June 2010. These mature on 21st and 19th July 2010 respectively.

(2) This represents two medium term note (MTN) issuances for \$100m on 15th November 2006 and \$150m on 19th May 2009. These mature on 15th November 2011 and 19th May 2014 respectively.

19: Defined benefit fund liability

(a) Superannuation plan

Airservices Australia is the principal sponsor of the superannuation fund, AvSuper. The Plan has a defined benefit section and an accumulation section. The defined benefit section provides benefits based on the length of service and final average salary. The accumulation section receives fixed contributions in accordance with the Superannuation Guarantee Administration Act requirements and Airservices Australia's legal constructive obligation is limited to these contributions and member benefits reflect these contributions and the funds market performance.

The following sections (b) to (i) set out details relating only to the defined benefits section of the Plan.

(b) Benefit Liability

The amounts recognised in the balance sheet are determined as follows:

	2010 \$'000	2009 \$'000
Present value of the defined benefit obligation	(749,747)	(663,409)
Fair value of defined benefit plan assets	615,321	551,098
Net benefit liability - Non-current	134,426	112,311

(c) Categories of plan assets

The major categories of plan assets are as follows:

	2010 \$'000	2009 \$'000
Cash	35,665	23,882
Equity instruments	363,829	327,086
Debt instruments	111,820	92,413
Other assets	104,007	107,717
	615,321	551,098

19: Defined benefit fund liability (continued)

(d) Reconciliations

	2010 \$'000	2009 \$'000
<i>Reconciliation of the present value of defined benefit obligation:</i>		
Balance at the beginning of the year	663,409	626,910
Current service cost	26,693	27,983
Contributions by members	10,605	10,612
Interest cost	32,919	34,219
Actuarial losses on obligation	63,087	5,902
Benefits paid	(46,966)	(42,217)
Balance at the end of the year	749,747	663,409

	2010 \$'000	2009 \$'000
<i>Reconciliation of the fair value of plan assets:</i>		
Balance at the beginning of the year	551,098	651,682
Expected return on plan assets	38,526	46,195
Actuarial (losses) / gains	24,891	(153,410)
Contributions by Airservices Australia	37,167	38,236
Contributions by members	10,605	10,612
Benefits paid	(46,966)	(42,217)
Balance at the end of the year	615,321	551,098

(e) Net amount recognised in the Statement of Comprehensive Income

The amounts recognised in the Statement of Comprehensive Income are as follows:

	2010 \$'000	2009 \$'000
Current service cost	26,693	27,983
Interest cost on benefit obligation	32,919	34,219
Expected return on plan assets	(38,526)	(46,195)
Total included in employee benefits expense	21,086	16,007
Actual return on plan assets	63,417	(107,215)

19: Defined benefit fund liability (continued)

(f) Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	2010	2009
Discount rate	4.70%	5.10%
Expected return on plan assets	7.00%	7.00%
Future salary increases	6.00%	6.00%

The economic assumptions used by the actuary to make the funding arrangements were:

- the 10 year Government bond rate (5.10%) at 30 June 2010 adjusted for the effective tax rate on the assets of the Plan of 8%;
- the expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected allocation of plan assets to these major categories. This resulted in the selection of an 7.6% p.a. rate of return gross of tax and net of expenses (7.6% p.a. in 2008–09) and a 7% p.a. rate of return net of tax and expenses (7% p.a. in 2008–09); and
- the salary increase rate is the long term expected rate including a full allowance for promotional increases.

(g) Employer contributions

Employer contribution rates are reviewed with each actuarial investigation of the Plan undertaken for the Trustee.

An actuarial investigation of the Plan is made each year and the last such assessment was made as at 1 July 2009.

Employer contributions for Airservices Australia to the defined benefit section of AvSuper are currently:

- 16.5% of gross salary for Air Traffic Controllers (2008–09: 12%);
- 16.5% of gross salary for other employees (2008–09: 9%); and
- 3% for those employees who remain members of the Commonwealth Superannuation Scheme (CSS) (2008–09: 3%).

The employer has decided to make additional contributions to the Plan, if required, in June each year, after considering the advice of the actuary and the Trustee.

19: Defined benefit fund liability (continued)

(g) Employer contributions (continued)

The objectives in setting the contribution rate are to ensure:

- i. the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable; and
- ii. there is a low probability that the assets are insufficient to meet the minimum benefit liabilities of the Fund should it terminate.

To achieve the first objective, the actuary has adopted a method of funding benefits known as the Attained Age Normal funding method. This funding method seeks to have benefits funded by means of a total contribution which is expected to be a constant percentage of member's salaries over their remaining working lifetimes. To achieve the second objective, the actuary undertakes scenario testing of the short term financial position of the Plan.

Employer contributions expected to be paid by Airservices Australia for the year ending 30 June 2011 amount to approximately \$27.8m, not including any additional contributions required.

(h) Net financial position of the plan

In accordance with AAS 25 Financial Reporting by Superannuation Plans, the Plan's net financial position is determined as the difference between the present value of the accrued benefits and the net market value of Plan assets. This was determined as at the date of the most recent financial report of AvSuper (1 July 2009), when a deficit of \$14.3m was reported. Last year in these financial statements the organisation (Airservices Australia) recognised a defined benefit liability of \$112.3m at 30 June 2009. The difference between the amounts is due to the different accounting treatment of the net financial position for the employer under AASB 119, and the Plan under AAS 25.

At 30 June 2010 these financial statements disclose a defined benefit liability of \$134.4m, AvSuper though will not report the net financial position of the Plan under AAS 25 until after these financial statements have been signed.

(i) Historic summary

	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000
Plan assets	615,321	551,098	651,682	717,523	703,315
Defined benefit plan obligation	(749,747)	(663,409)	(626,910)	(606,379)	(625,327)
Surplus / (deficit)	(134,426)	(112,311)	24,772	111,144	77,988
Experience (gains)/losses adjustments arising on plan liabilities	(41,588)	(19,861)	(47,567)	(34,959)	1,677
Experience gains/(losses) adjustments arising on plan assets	24,891	(153,410)	(96,519)	(33,804)	31,282

20: Current liabilities - Other

	2010 \$'000	2009 \$'000
Lease incentive - Current	759	-

This represents the current portion of the rent free period associated with a new lease on existing office accommodation.

21: Non-current liabilities - Other

	2010 \$'000	2009 \$'000
Lease incentive - Non-current	6,835	-

This represents the non-current portion of the rent free period associated with a new lease on existing office accommodation.

22: Reserves and retained earnings

(a) Reserves

	2010 \$'000	2009 \$'000
Asset revaluation reserve	71,982	71,720
Foreign exchange hedge reserve	(2,743)	(3,104)
Foreign currency translation reserve	(20)	5
	69,219	68,621
Movements:		
<i>Asset revaluation reserve</i>		
Opening balance	71,720	63,351
Net revaluation	1,336	9,565
Revaluation reserve - disposals (net of deferred tax)	(1,074)	(1,196)
	71,982	71,720
<i>Foreign exchange hedge reserve</i>		
Opening balance	(3,104)	(1,545)
Net revaluation	361	(1,559)
	(2,743)	(3,104)
<i>Foreign currency translation reserve</i>		
Opening balance	5	(7)
Net revaluation	(25)	12
	(20)	5

22: Reserves and retained earnings (continued)

(b) Retained earnings

Movements in retained earnings were as follows:

	2010 \$'000	2009 \$'000
Opening balance	51,094	75,921
Net profit after tax for the year	50,644	85,495
Defined benefit fund movements direct to equity (net of deferred tax)	(26,737)	(111,518)
Revaluation reserve - disposals	1,538	1,196
Dividend paid	(10,000)	-
	66,539	51,094

23: Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2010 in respect of:

Aviation Rescue and Fire Fighting (ARFF) decontamination

During 2007-08 a number of ARFF training sites around the country were identified to have been possibly contaminated with a product used for fire fighting purposes. The product was widely used internationally and by Airservices Australia from 1998 and has subsequently been phased out. The identified contaminant does not breakdown naturally. Subsequent testing and assessment of some of the affected sites was undertaken during 2008-09 with further site assessments required in 2009-10. To facilitate this process, a sum of \$10.0m was provided for at 30 June 2009.

Over the past year site assessment, testing and management of the contamination at two significant sites has taken place. Assessment of the remaining 31 sites will be conducted between 2010 and 2015. To facilitate this process, a sum of \$17.2m has been provided for at 30 June 2010 (refer to Note 17). Long-term remediation costs are not yet quantifiable.

Legal Claim

On 23 August 2010 the Airservices Australia Group was advised of potential litigation in relation to the provision of its services. At this stage it is not possible to estimate the amounts of any eventual payments that may be required in relation to this matter.

24: Standby arrangements and unused credit facilities

	2010 \$'000	2009 \$'000
Bank overdraft	5,000	5,000
Total credit facilities	5,000	5,000
Unused credit facilities	5,000	5,000
Loan facilities		
- Commercial paper (only expires if cancelled)	300,000	300,000
- Domestic bond (matures 15 November 2011)	100,000	100,000
- Medium Term Note program	400,000	400,000
- Standby Facilities	180,000	130,000
- 11am Borrowing	85,000	40,000
Total loan facilities	1,065,000	970,000
Amount utilised	(295,000)	(295,000)
Unused loan facilities	770,000	675,000

25: Remuneration of auditors

	2010 \$	2009 \$
Auditing services provided by the Australian National Audit Office	309,000	286,318

Audit services for the Airservices Australia Group are provided by the Australian National Audit Office and are subcontracted to PricewaterhouseCoopers. Also included in the amount above is \$23,500 (2009: \$29,045) relating to the audit of API's Financial Statements.

Other services provided by PricewaterhouseCoopers during the year totalled \$150,737 (2009: \$108,590).

26: Remuneration of directors

	2010 \$	2009 \$
Amounts received, or due and receivable, by Directors	481,870	427,487

The remuneration of the Chief Executive Officer (who was an Executive Director during the year) is disclosed with the remuneration of executives in note 27 and is not included in Director's remuneration. Two Directors served for only part of the 2010 year as detailed in note 28(a).

27: Remuneration of executives

	2010 \$	2009 \$
Amounts received, or due and receivable, by Executives	4,324,860	4,913,555

Executive remuneration payments include base salary, termination payments and pay at risk. Remuneration received by Executive managers totalled \$4,324,860 (2009: \$4,913,555). Executive managers are those who are concerned with, or take part in, the management of the Airservices Australia Group and include the Chief Executive Officer.

The \$4,324,860 for 2010 consists of short term employee benefits (\$3,615,800); long term benefits (\$122,798); post employee benefits (\$400,760) and termination benefits (\$185,502). A number of Executives served for only part of the 2010 year as detailed in note 28(b).

28: Related party transactions

(a) Directors

The names of persons who were Directors of the Airservices Australia Group during the financial year and up to the date of signing these financial statements are as follows:

	Status	Commenced	Finished
Chairman			
David Forsyth		On-going	Current
Deputy Chairman			
Warren Mundy		On-going	Current
Directors			
David Burden		On-going	Current
Liza Carver		On-going	Current
Robert Maher		On-going	Current
Roxley McLennan		On-going	Current
Henk Meertens		On-going	Current
Jude Munro		3-Jun-10	Current
Alice Williams	Term expired	On-going	2-Jun-10
Chief Executive Officer			
Greg Russell (i)		On-going	Current
Andrew Clark	Acting	19-Jun-09	12-Jul-09
		22-Jan-10	3-Feb-10
		4-Mar-10	14-Mar-10
		11-Jun-10	4-Jul-10
Jason Harfield	Acting	30-Sep-09	15-Oct-09

(i) Mr Russell is also the ongoing Chairman of the Board of Airservices Australia's wholly-owned subsidiary, Airservices Pacific Incorporated.

28: Related party transactions (continued)

(b) Executives

The names of persons who were Executives of the Airservices Australia Group during the financial year (excluding the CEO, included above) and up to the date of signing these financial statements are as follows:

Executives	Title	Commenced	Finished
Stephen Angus	GM Safety & Environment	Ongoing	Current
Phil Baxter	GM ATC Future Systems	01-May-10	Current
Michelle Bennetts	GM Audit & Assurance	Ongoing	06-06-10
	A/GM Corporate & International Affairs	07-06-10	Current
Andrew Clark	Chief Financial Officer	Ongoing	Current
Richard Dudley	GM Corporate & International Affairs	Ongoing	04-06-10
Caroline Fleming	GM People & Change	Ongoing	Current
Jason Harfield	GM Air Traffic Control	Ongoing	Current
Alastair Hodgson	GM Technology & Assets Services	Ongoing	Current
Tracey Lawrance	A/GM Audit & Assurance	07-06-10	Current
Andrew Rushbrook	GM Aviation Rescue & Fire Fighting	Ongoing	Current

(c) 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 the Airservices Australia Group that occur within normal customer or supplier relationships on terms and conditions no more favourable than those which it is reasonable to expect the Airservices Australia Group 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:

- Employer superannuation contributions were made to AvSuper Pty Ltd, a superannuation fund, of which Mr Tom Grant is a trustee director. Mr Tom Grant is employed by the Airservices Australia Group under a non ongoing contract to assist with an overseas Commonwealth Government funded aid development program. The Airservices Australia Group is reimbursed by AvSuper Pty Ltd for administration costs incurred on behalf of the superannuation fund's management.
- To the extent permitted by law, the Airservices Australia Group provides indemnities to its directors and officers to complement the insurance arrangements that it has in place.
- Airservices Pacific Incorporated (the wholly owned subsidiary of Airservices Australia) received consulting services from Mr Roger Ray (Director of API) amounting to US\$5,000.

29: Financial instruments

Airservices Australia Group 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 movements 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.

(a) Fair value measurements

	Carrying amount 2010 \$'000	Fair value 2010 \$'000	Carrying amount 2009 \$'000	Fair value 2009 \$'000
Assets				
Forward exchange contracts	-	(3,919)	-	(4,403)
Cash and cash equivalents	72,738	72,738	110,589	110,589
Receivables	96,781	96,781	86,063	86,063
Interest rate swaps	-	1,137	-	2,042
Total assets	169,519	166,737	196,652	194,291

Liabilities				
Long term debt	248,763	252,486	248,358	246,431
Trade and other payables	84,832	84,832	84,556	84,556
Commercial notes	44,828	44,880	44,604	44,681
Total liabilities	378,423	382,198	377,518	375,668

2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets				
Financial assets at fair value through profit or loss				
Interest rate swaps	-	1,137	-	1,137
Total	-	1,137	-	1,137

2009	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets				
Financial assets at fair value through profit or loss				
Interest rate swaps	-	2,042	-	2,042
Total	-	2,042	-	2,042

29: Financial instruments (continued)

(b) Financial risk

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

Risk management is carried out by a central treasury unit under policies approved by the Board. Group treasury identifies, evaluates and hedges financial risk in close co operation with the Group's operating units based on clear principles for overall risk management, as well as written instructions covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

As a result of the nature of the Group's business and internal policies dealing with the management of financial risk, the Group's exposure to: market, credit, liquidity, cash flow, and fair value interest rate risk is considered to be low.

(c) Credit risk

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 Group invests money and enters into financial derivative contracts with authorised counterparties whose long term credit rating is at, or above, A- (Standard and Poor's) or A3 (Moody's). The maximum credit limit for each approved counterparty is currently \$100 million. Counterparty credit exposure is assessed using the principals of the Australian Prudential Regulatory Authority 'Current Exposure Method'.

The Group is exposed to credit risk arising from potential default of debtors. This is equal to the total amount of trade and other receivables (2010: \$96.781m and 2009: \$86.063m). Airservices Australia Group has assessed the risk of the default on payment and has allocated \$1.708m in 2010 (2009: \$0.813m) as an allowance for impairment.

Airservices Australia Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

29: Financial instruments (continued)

(c) Credit risk (continued)

Credit risk of financial instruments not past due or individually determined as impaired:

	Not Past Due Nor Impaired 2010 \$'000	Not Past Due Nor Impaired 2009 \$'000	Past Due Nor Impaired 2010 \$'000	Past Due Nor Impaired 2009 \$'000
Loans and receivables	76,468	71,916	9,545	7,008
Total	76,468	71,916	9,545	7,008

The Group is also exposed to credit risk arising from the cross-border financing arrangement as detailed in note 32.

(d) Liquidity risk

Liquidity risk management is concerned with ensuring there are sufficient funds available to meet financial commitments in a timely manner whilst also planning for unforeseen events which may curtail cash flows and cause pressure on liquidity.

The primary objectives of short term liquidity risk management are to ensure sufficient funds are available to meet daily cash requirements, whilst ensuring that cash surpluses in low interest bearing accounts are minimised.

The primary objective of long term liquidity risk management is to ensure that funding (i.e. debt) facilities are in place to meet future long term funding requirements.

2010	Notes	Average interest rate	Floating interest rate \$'000	Fixed interest maturing in			Non-interest bearing \$'000	Total \$'000
				1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000		
Financial liabilities								
Trade and other payables	17	- %	-	-	-	-	87,248	87,248
Bank loans - bonds	18	5.99%	-	-	248,763	-	-	248,763
Interest rate swaps		- %	175,000	-	(175,000)	-	-	-
Interest rate swaps		- %	(122,500)	14,000	108,500	-	-	-
Commercial paper	18	4.74%	44,828	-	-	-	-	44,828
Net financial liabilities			97,328	14,000	182,263	-	87,248	380,839

29: Financial instruments (continued)

(d) Liquidity risk (continued)

2009	Notes	Average interest rate	Floating interest rate \$'000	Fixed interest maturing in			Non-interest bearing \$'000	Total \$'000
				1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000		
Financial liabilities								
Trade and other payables	17	- %	-	-	-	-	84,556	84,556
Bank loans - bonds	18	5.99%	-	-	248,358	-	-	248,358
Interest rate swaps		- %	100,000	-	(100,000)	-	-	-
Interest rate swaps		- %	(73,500)	28,000	42,000	3,500	-	-
Commercial paper	18	3.30%	44,604	-	-	-	-	44,604
Net financial liabilities			71,104	28,000	190,358	3,500	84,556	377,518

(e) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. The following table is a sensitivity analysis of the market risk that Airservices Australia Group is exposed to through the use of foreign exchange and interest rate derivatives as well as investments and borrowings.

Interest rate sensitivity analysis is calculated on a 'reasonably possible' basis with reference to the key drivers of interest rates, market expectations and historical data. In analysing interest rate sensitivities the Group has adopted to vary actual interest rates by +/- 1.50%.

Airservices Australia Group has adopted a simplified approach to calculate market risk sensitivities for foreign exchange contracts. A standard sensitivity variable of 14% has been applied to all currencies. The Group acknowledges that it is necessary to monitor annual movements in currencies to ensure the relevance of using a single constant rate.

29: Financial instruments (continued)

(e) Market risk (continued)

2010	Carrying amount \$'000	Change in risk variable + / %	Effect of positive movement		Effect of negative movement	
			Profit and loss \$'000	Equity \$'000	Profit and loss \$'000	Equity \$'000
Currency risk						
Buy EUROS	6,452	14.00	-	(686)	-	909
Buy US Dollars	12,532	14.00	-	(1,085)	-	1,439
Interest rate risk						
Cash and cash equivalents	72,738	1.50	1,117	-	(1,117)	-
Bank loans - bonds	248,763	-	-	-	-	-
Interest rate swaps	297,500	1.50	1,384	-	(1,438)	-
Commercial paper	44,828	1.50	(675)	-	675	-

2009	Carrying amount \$'000	Change in risk variable +/- %	Effect of positive movement		Effect of negative movement	
			Profit and loss \$'000	Equity \$'000	Profit and loss \$'000	Equity \$'000
Currency risk						
Buy EUROS	8,551	12.00	-	829	-	(1,046)
Buy US Dollars	16,986	12.00	-	1,654	-	(2,048)
Interest rate risk						
Cash and cash equivalents	110,589	0.75	827	-	(827)	-
Bank loans - bonds	248,358	-	-	-	-	-
Interest rate swaps	173,500	0.75	409	-	(409)	-
Commercial paper	44,604	0.75	(338)	-	338	-

(f) Forward exchange contracts

Airservices Australia uses Forward Exchange Contracts (FECs) to hedge foreign currency exchange rate risk arising from committed transactions primarily relating to capital expenditure program undertakings. Airservices Australia classifies all of its FECs as Fair Value Hedges. The Group's policy is to achieve 100% hedge effectiveness. All foreign currency exposures have a greater than 95% certainty of occurring as all exposures are committed.

The effectiveness test is on a FEC rate to market rate comparison. Prospective testing is on a critical terms basis with the retrospective test based on an effectiveness ratio of 80-125%. Gains or losses are recognised on the hedging instrument (i.e. the FEC) and hedged item (i.e. the committed foreign exchange exposure) with any ineffectiveness recognised in the statement of comprehensive income.

29: Financial instruments (continued)

(f) Forward exchange contracts (continued)

At balance date, the details of outstanding contracts are (Australian dollar equivalents):

Buy EUROS	Sell Australian Dollars		Average Exchange Rate	
	2010 \$'000	2009 \$'000	2010 EURO/\$1	2009 EURO/\$1
Maturity				
3 months or less	2,249	2,784	0.6037	0.5027
Greater than 3 months but less than 1 year	4,203	5,501	0.6055	0.4997
Greater than 1 year	-	265	-	0.4932

Buy US Dollars	Sell Australian Dollars		Average Exchange Rate	
	2010 \$'000	2009 \$'000	2010 \$US/\$1	2009 \$US/\$1
Maturity				
3 months or less	2,439	398	0.6070	0.9111
Greater than 3 months but less than 1 year	3,627	5,507	0.6065	0.6179
Greater than 1 year	6,465	11,082	0.5976	0.6020

(g) Capital management

Airservices Australia Group is a price regulated government-owned statutory authority providing air navigation services. Pricing for Airservices Australia core airways services are subject to the price notification provisions of the *Trade Practices Act 1974* and any increase in prices must be notified to the Australian Competition and Consumer Commission (ACCC) for its review.

In 2005 Airservices set its prices with airlines and other customers using a five-year Long Term Pricing Agreement (LTPA). Endorsed by the ACCC, the LTPA allows pricing to recover all reasonably incurred costs (including a return on capital employed) relating to the delivery of services. This agreement expired in December 2009.

While the 2005 LTPA was set to be renewed in January 2010, the establishment of a new agreement was put on hold. This decision recognised the prevailing market volatility associated with the global financial crisis, and its potential to effect future pricing projections. In place of a new agreement, prices have been maintained at current levels with a new agreement to be established in July 2011.

Airservices Australia's Group target was to achieve a return on equity after tax for 2010 of 15.4%; during the year ended 30 June 2010 the return was 14.5% (30 June 2009: 14.5%).

29: Financial instruments (continued)

(g) Capital management (continued)

Airservices Australia's Group practice has been to provide for and pay a dividend to Government in two instalments. The Minister agreed that no dividends were payable during the 2008-2009 financial year due to the impact of the Global Financial Crisis on superannuation and airways activity and the need to maintain investment in safety critical infrastructure. Due to the stabilisation of the global economy and an increase in airways activity during 2009-10, an interim dividend has been paid to Government (refer note 5).

There were no changes to the Group's approach to capital management during the year.

30: Monies held on behalf of third parties

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 the Airservices Australia Group to retain cash received and to remit funds at a later date to the Solomon Islands and Nauru Governments as required under the respective agreements. At balance date, the money held on behalf of third parties totalled \$0.438m (2009: \$0.398m) for the Solomon Islands and \$0.034m (2009: \$0.118m) for Nauru.

31: Economic dependency

Airservices Australia is dependent on airline activity in the Australian aviation industry, of which the Qantas Group is the dominant operator. Of the airways revenue earned during the year 32% (2009: 34%) related to the Qantas Group excluding Jetstar and 10% (2009: 9%) related to Jetstar.

32: Cross-border financing arrangement

During the 2003 and 2004 years, the Airservices Australia Group completed cross-border financing arrangements in relation to equipment associated with The Australian Advanced Air Traffic System (TAAATS) and radar systems. The arrangements are for periods up to 2026.

Airservices Australia has provided certain guarantees and indemnities to various participants in the transaction. If certain events occur, the Airservices Australia Group could be liable to make substantial payments under the lease guarantees and indemnities. The future underlying exposure against which these guarantees and indemnities have been provided are up to a maximum of US\$694m (30 June 2009: US\$712m).

Airservices Australia actively monitors and manages its exposures under the transaction in order to mitigate any material risk factors affecting this transaction on an ongoing basis.

Expert external advisors consider that unless exceptional circumstances arise, Airservices Australia Group would not be required to make a significant payment under these guarantees and indemnities.

33: Notes to the statement of cash flows

	2010 \$'000	2009 \$'000
Reconciliation of cash and cash equivalents		
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:		
Cash advances and cash on call	72,738	110,589
Total cash and cash equivalents	72,738	110,589
Reconciliation of net profit after income tax to net cash flows from operations		
Net profit after income tax	50,644	85,495
Adjustments for:		
Depreciation	57,634	45,914
Amortisation	19,106	15,560
Impairment	21,838	2,168
Interest received	(2,916)	(2,171)
Reversal of previous asset write-downs	-	(13,185)
Net loss on sale/write-off of non-current assets	1,025	287
Fair value adjustments to derivatives	1,389	(6,443)
Foreign exchange (gain) / loss	131	(717)
Prepayments & accruals relating to plant & equipment	(5,567)	(20,772)
Excess AvSuper defined benefit contributions (after tax)	(11,257)	(15,560)
Change in assets		
(Increase)/decrease in gross receivables	(14,627)	(553)
(Increase)/decrease in inventories	(200)	(319)
(Increase)/decrease in prepayments	(2,542)	5,595
(Increase)/decrease in deferred tax	(6,976)	7,327
Change in liabilities		
Increase/(decrease) in employee benefits	14,603	16,858
Increase/(decrease) in allowance for impairment	895	(1,041)
Increase/(decrease) in legal provisions	(132)	-
Increase/(decrease) in income tax payable	1,624	(13,750)
Increase/(decrease) in cross-border transaction provision	-	(1,507)
Increase/(decrease) in other provisions	7,452	2,773
Increase/(decrease) in creditors and accruals	(1,718)	10,237
Increase/(decrease) in revenue to be returned to customers provision	(2,165)	(6,353)
Net cash flow from operating activities	128,241	109,843

04 Appendices

Appendix 1: Board membership, meetings and committees

Directors of the Board and their term of appointments

Board Directors for the period from 1 July 2009 to 30 June 2010 were as follows.



Mr Forsyth was appointed to the Board on 28 January 2005 and appointed as Chair on 3 June 2008. His current term expires 2 June 2012. Mr Forsyth was Chairman of the Board Safety and Environment Committee until his appointment as Chairman of the Board.

Mr Forsyth is an aeronautical engineer with over 40 years experience in airline operations and aviation engineering. He is a former Qantas Airways Executive General Manager responsible for flight operations, engineering and maintenance. He has also been General Manager, Qantas Regional Airlines covering four wholly-owned subsidiaries to 47 destinations Australia-wide.

Mr Forsyth is Vice President of the Royal Flying Doctor Service of Australia (South Eastern Section), President of the Royal Aeronautical Society Australian Division, Chairman of Safeski's Conferences and a visiting lecturer at the University of New South Wales. He was previously a Board member of Aviation Australia.



Dr Mundy was appointed to the Board on 3 June 2008 and was appointed Deputy Chairman on 1 June 2009. His current term expires on 2 June 2011. He is the Chair of the Board Environment Committee and a member of the Board Audit Committee, the Board Safety Committee and the Board Remuneration Committee.

Dr Mundy is Director of Bluestone Consulting, a specialist consulting firm providing advice to investors, providers, regulators and users of a wide range of infrastructure services in relation to planning, policy and commercial issues. Previously he has been the principal regulatory and economic advisor to the Australian Council for Infrastructure Development, the Head of Strategy and Planning at Melbourne Airport and Group General Manager Corporate Strategy with Infratil Airports Europe.

He is an Associate Commissioner of the Productivity Commission and a member of the Joint NSW–Commonwealth Government Steering Group overseeing the development of the Aviation Strategic Plan for Sydney. He has been Director of the Airport Operators Association of the United Kingdom, of James Watt College of Higher and Further Education in Scotland and of Vicforests, and a Business Adviser to the Board of Sports Medicine Australia.



Mr Burden was appointed to the Board on 1 June 2009 and his current term expires on 31 May 2012.

Mr Burden took a First in Special Honours Mathematics from the University of Bristol, (UK). He worked in Operations Research consulting in the United Kingdom, France and Canada for a subsidiary of Paribas.

After 10 years in technology venture capital, he served as a senior advisor to the Canadian Prime Minister's National Advisory Board on Science and Technology. Subsequently, he was the Chief Information Officer of Air Canada in Montreal.

In 1993 he joined Qantas Airways Limited as Group Executive General Manager of Technology and Services, with responsibility for information technology, purchasing, property and fuel services.

In 2002 he was appointed to the Board of Directors of Royal Mail Group Plc, the UK postal service, as an Executive Director with responsibility for IT, postal automation, engineering services and procurement.

He retired from the Royal Mail in 2007.



Ms Carver was appointed to the Board on 1 June 2009 and her current term expires on 31 May 2012.

Ms Carver is a partner at Gilbert + Tobin and advises in relation to restrictive trade practices under Part IV of the Trade Practices Act. Her expertise includes the analysis of economic conditions of industries and markets, commercial transactions, and mergers and acquisitions, including all aspects of national competition policy and the restructure of public sector organisations, third-party access regulation, legislative review and pricing regulation.

Ms Carver was an Associate Commissioner with the Trade Practices Commission, a part-time Associate Commissioner with the ACCC and a part-time member of the Independent Pricing and Regulatory Tribunal of New South Wales. She is currently a part-time Commissioner with the Australian Energy Market Commission.

Ms Carver has qualifications in law and economics, including a Master of Laws specialising in trade practices (University of Sydney).



Robert Maher, AM
BA (ANU)

Chair Board Audit
Committee

Mr Maher was appointed to the Board on 8 August 2006 and his current term expires on 7 October 2011. Mr Maher is the Chair of the Board Audit Committee.

Mr Maher is a graduate of the Royal Military College, Duntroon and the Australian National University in Canberra. He served with the Australian Army in Singapore, Malaysia and Vietnam.

Mr Maher was appointed a Member of the Order of Australia in 1989. For the past decade he has provided consulting advice to investment banks and to the commercial defence sector. He has wide experience in both the public and private sectors and has extensive knowledge of Australia's economic, business, political and legislative structure.

Mr Maher is currently a Senior Adviser with UBS AG and a Director of Brooker Consulting Company Pty Ltd.



**Air Vice-Marshal
Roxley McLennan, AO**
BSc MSc FRAeS FAICD (Rtd)

AVM Roxley McLennan was appointed to the Board on 1 May 2006 and his current term expires on 30 April 2012.

AVM McLennan retired from the Royal Australian Air Force in March 2006, after a distinguished military career that culminated in his serving as Deputy Chief of Air Force. He has over 6,000 flying hours, the majority being on C130 Hercules aircraft in operational, check and training roles.

AVM McLennan was appointed a Member of the Order of Australia for exceptional service in East Timor. He was appointed Officer of the Order of Australia for his outstanding achievements in international relations and managing the Air Force.

He is committed to the vision of a single, national air traffic management system for Australia.

AVM McLennan is Vice President – Defence Aerospace Australasia for Rolls-Royce, an Officer of the RAAF Active Reserve, National President of the Royal Australian Air Force Association, Member of the RAAF Heritage Council, Member of the Australian Air Force Cadets National Council, Member of the Battle for Australia National Council and a Director of the Williams Foundation.



Henk Meertens, AM
BArch (UNSW)
Chair Board Safety
Committee

Mr Meertens was appointed to the Board on 28 January 2005 and his current term expires on 2 June 2012. Mr Meertens is Chairman of the Board Safety Committee.

Mr Meertens was appointed as a Member of the Order of Australia in 2008, is a recipient of the Australian Sports Medal 2000 and was awarded the Federation Aeronautique Internationale Silver Medal 2010.

An architect, Mr Meertens has been actively involved in recreational and sport aviation for 30 years and has logged over 3000 hours flying time in gliders. Mr Meertens was President of the Australian Sport Aviation Confederation from 1996 to 2004, a past President of the Gliding Federation of Australia and has represented the Australian sport and recreational aviation industry at international level and on a number of national forums and committees, including Civil Aviation Safety Authority regulatory reviews.

Mr Meertens is a Director of Rhibrae Pty Ltd and Wesky Pty Ltd and Vice President (Australia) of the Federation Aeronautique Internationale.



Jude Munro, AO
BA Hons (University of Melbourne)
Grad Dip Public Policy (Melbourne) Grad Dip Business Administration (Swinburne)

Ms Munro was appointed to the Board on 2 June 2010 and her current term expires on 2 June 2013.

Ms Munro recently retired as the Chief Executive Officer of the Brisbane City Council. As Brisbane City Council CEO she oversaw the \$2 billion plus CLEM7 tunnel public private partnership, record bus patronage growth, strategic procurement initiative resulting in \$69 million savings, asset management and project management reforms and organisational cultural change.

She is a fellow of the Australian Institute of Company Directors and the Australian Institute of Public Administration. She is Chairman of Queensland Urban Utilities, a Director of Uniting Care Queensland, a member of the Prime Minister's Expert Panel on Cities and a member of the Queensland Premier's Infrastructure Taskforce.

Ms Munro was CEO of the Cities of Moreland and St Kilda in Victoria and the City of Adelaide. She was a Director of the Translink Transit Authority, Brisbane Institute, Australia Trade Coast Pty Ltd, City of Brisbane Investment Corporation, International River Foundation, United Way Queensland, Brisbane Riverfestival, Adelaide City Marketing, Adelaide Convention and Tourism Authority, and the 7th Australian Masters Games Board. She is a former chair of the National Local Government Drugs and Alcohol Committee and Queensland president of the Institute of Public Administration Australia.



Mr Russell was appointed Airservices Chief Executive Officer on 19 July 2005.

Mr Russell was Chief Operating Officer at Athens International Airport until June 2005 and, from 1999 to 2003, Director Aviation, Sydney Airport Corporation. Prior to that he was an executive with regional operator Hazelton Airlines for six years and General Manager of the company. He has also held a range of management positions in private companies and government organisations.

He is currently a member of the Executive Committee of the Civil Air Navigation Services Organisation (CANSO), Chairman of the Asia-Pacific CANSO CEO's Committee and is Chairman of Airservices wholly owned subsidiary, Airservices Pacific Incorporated.

Previous members

Alice Williams BComm, CFA, FAICD, FCPA, AIF from 25 January 2005 – 2 June 2010

Corporate Secretary

Airservices Corporate Secretary is Ditta Zizi, who was appointed to the position on 14 June 2007. Ditta is an Associate of the Institute of Chartered Secretaries and Administrators and a Member of the Australian Institute of Company Directors.

Benefits and interests in contracts with Airservices Australia

Details of directors' benefits and interests in contracts with Airservices are set out in Note 28 of the financial statements.

Directors' and officers' indemnities and insurance

In 2009–10, Airservices 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 is required to do so by law, or
- the insurer consents in writing to such disclosure.

Meetings of the Board, Board committees and Directors' attendance

TABLE 4: Meeting attendance

	Board	Safety ⁽¹⁾	Audit	Remuneration	Environment ⁽²⁾
No. of meetings convened	9	5	5	3	1
David Forsyth ^{(a)(b)}	9	5	5	2	1
Warren Mundy ^(c)	9	5	5	3	1
David Burden	9	5			
Liza Carver	8	1*	5		1
Robert Maher ^(d)	8	1*	5		
Roxley McLennan	9	5			
Henk Meertens ^(e)	7	4			
Jude Munro ^(f)	1				
Alice Williams ^(g)	6	2*	5		
Greg Russell ^(h)	8	5	4	3	1

(1) Safety and Environment Committee until 30 April 2010

(2) Committee established on 30 April 2010

(a) Chairman of the Board

(b) Ex officio member of all Board committees and Chair of Remuneration Committee

(c) Deputy Chair and Chair of Environment Committee

(d) Chair of Audit Committee

(e) Chair of Safety Committee

(f) Appointed on 2 June 2010

(g) Appointment ended 2 June 2010

(h) Ex officio member of all Board committees, excluding Audit Committee

* Not a Committee member

Correction of Meetings of the Board, Board committees and Director's attendance table for 2008–09

Robert Maher attended four Board Audit Committee meetings and not four Board Safety and Environment Committee meetings.

Appendix 2: Statutory and administrative information

Occupational health and safety

Workplace health and safety—executive commitment

The Airservices Executive supported a strategic approach to workplace health and safety in 2009–10. The work program focused on improving risk management of identified hazards and system deficiencies.

Legislative change to occupational health and safety

There were no changes to occupational health and safety (OHS) legislation that affected Airservices during 2009–10. Airservices program of work included a refinement of the health and safety management arrangements under the *Occupational Health and Safety (Safety Arrangements) Regulations 1991*.

Consultation and health and safety committees

Consultative arrangements have been revised over the year with an improved process to trigger and manage consultation activities.

The National Health and Safety Committee met on seven occasions (five formal meetings and two informal meetings). The committee membership was expanded to include employee representatives.

An open staff forum with the National Health and Safety Committee was held during the year.

Five formal local health and safety committees exist, with other forums at local management level, providing opportunities for consultation on workplace health and safety matters. Online communication is used to advise staff of consultative arrangements.

Workplace health and safety strategy

The Airservices Board Safety Committee and National Health and Safety Committee monitored the progress of the first phase of implementation of the Workplace Safety Strategy 2009–12. The work program focused on improving risk management of identified hazards and system deficiencies (see Table 5).

The strategy covers all aspects of OHS, from prevention to injury management. It is designed to embed Airservices systematic OHS approach in specific programs and business processes. Programs will target key risks and gaps in safety by design, improving risk controls for hazards, health surveillance, health promotion, early intervention and return to work.

Key achievements for 2009–10 included enhancements to Airservices specialist resource workforce, management of risks associated with contractors and projects (particularly for our infrastructure renewal projects) and reviewing risk controls for key activities with potential to impact on our people and operations.

Education and consultation

Training activity included:

- 71 employees were trained in OHS legal obligations by Comcare including all executives and senior managers
- 179 employees attended a managing OHS risk for contractors and projects course
- 38 new health and safety representatives attended accredited training for their roles.

Occupational health and safety incidents

Airservices required reporting to Comcare complied with section 68 of the *Occupational Health and Safety Act 1991*. Table 6 compares performance for the past three financial years.

The one fatality reported related to the death of an employee (in the 2009–10 financial year) with

an undiagnosed medical condition. The fatality occurred on our premises during work activity.

National OHS Targets

Airservices performance against the established National OHS Targets is detailed in Table 7.

TABLE 5: Initiatives and achievements summary under the Workplace Safety Strategy 2009–12

Initiatives	Achievements
Implement first phases of the Workplace Safety Strategy	Plan endorsed by the Board Safety Committee and monitored by Executive.
Contractor, procurement and project management program Stage 1	Systematic risk management requirements implemented. First phase of training completed for 179 attendees.
Supporting decision makers and managers to enable risk management.	‘Safety by Design’ resources and tools provided; together with manager advisory services from Workplace Safety specialists.
Develop enhanced health and well-being program	Program proposal has been endorsed by the Executive for implementation in 2010–11.
Improve risk controls for regulated hazards	Compliance review for licensed plant completed. Reviews of risk management for asbestos, hazardous substances, radiation, manual tasks, and health surveillance processes. Revised requirements for monitoring workplace environments and risk controls. Risk reviews completed for manual tasks risk profile, plant design certification and licensing compliance, and Morita (an operational use vehicle) risk management review.
Improved management of OHS risk information	Balanced metrics developed and Australian Standards adopted for OHS performance reporting. Standardised incident management response processes.
Injury management system improvements	Systematic requirements implemented with enhanced specialist resource support.

TABLE 6: OHS incidents 2006–07 to 2009–10

Incident category	2006–07	2007–08	2008–09	2009–10
Workplace fatality	0	0	1	1
Serious personal injury	9	14	15	16
Incapacity with more than 1 week lost time*	21	9	19	10
Dangerous occurrence	18	34	34	35

* based on data supplied by Comcare

Workers compensation premium

Airservices workers compensation premium for 2009–10 was 0.45 per cent of salary and wages. The rate represents little change from the previous period (2008–09: 0.46 per cent), and was very low when compared with the combined rate for all Comcare scheme members (1.25 per cent) (2008–09: 1.36 per cent).

Comcare investigations

Two investigations were conducted by Comcare in 2009–10. Both were related to fatalities on Airservices premises.

One investigation was for the suicide of an employee (which occurred in the 2008–09 financial year) and was determined to be not work related, and not counted in Table 6.

The second investigation related to the death of an employee (in the 2009–10 financial year) which was a result of an undiagnosed medical condition. The fatality occurred on our premises during work activity.

No recommendations or notices were raised from these investigations.

Inspections conducted

At least 1063 separate planned inspections of sites, including technical workshop facilities, and asbestos surveys were conducted.

Provisional improvement notices

No provisional improvement notices were raised by health and safety representatives during 2009–10.

Commonwealth Disability Strategy

Under the Commonwealth Disability Strategy, Airservices fulfils both provider and employer roles. As a provider, Airservices deals with the aviation industry and with aviation customers, including individual members of the Australian community. During the year, Airservices ensured that corporate information was available in a variety of formats for people with disabilities.

In its role as an employer, Airservices aims to eliminate disability discrimination in the workplace through fair and equitable workplace practices and policies supported by a formal equity and diversity program.

TABLE 7: Performance against National OHS Targets 2009–10

Target	Performance
Target 1: Incidence of workplace injury and disease	Airservices is performing significantly better (21 claims) than the indicated national target (28 claims).
Target 2: Work related fatality	As in Table 6, one employee died on Airservices premises in the 2009–10 financial year due to an undiagnosed medical condition.
Target 3: Weeks lost time	Airservices has reduced the weeks lost time for injury claims in 2009–10 (378.50 weeks cumulative total) compared to the previous year 2008–09 (504.81 weeks cumulative total). Airservices remains above the Comcare target for the number of weeks lost time (215.67 weeks cumulative total). Activity to continue to address this deficiency is a key part of our planned strategy to improve our injury management system.
Target 4: Average weeks to commence return to work activity	Airservices has not met the target (of 9.74 weeks). The organisation continues to work to address this deficiency through a renewed systemic approach to respond to injured employees (an early intervention injury management approach by managers).

Airservices applies the merit process to all recruitment practices and use the principle of reasonable adjustment to facilitate the permanent employment of people with a disability, for example by providing special computer equipment for employees with visual impairment.

Equity and diversity

As a statutory authority, Airservices is required under the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* to develop an equity and diversity program and provide annual progress reports on the employment of women, people with disabilities, Indigenous Australians and people from non-English speaking backgrounds.

The 2008–09 progress report was submitted to the Minister for Infrastructure, Transport, Regional Development and Local Government on 24 September 2009.

Airservices equity and diversity objectives have been designed to support the corporation in creating and maintaining a work environment in which:

- respect, dignity and honesty are our key values
- value the differences of individuals in our workforce
- judgements and decisions are based on fairness and merit
- artificial, unfair or inappropriate barriers to workplace participation are eliminated
- acknowledge and use the contribution of individuals to deliver our business outcomes
- workplace harassment and discrimination are eliminated
- conflict is resolved by an unbiased decision-maker.

During 2009–10, Airservices continued to focus on embedding new people systems and initiatives, and increasing the organisation's

leadership capability in support of fair and equitable management.

Particular areas of focus included the review of the Fair Treatment Review System to ensure a more efficient and fair process for reviewing employee complaints of unfair treatment, and the creation of a 'Women in Leadership Network'. The network will enable female managers to take account of their experiences in the organisation when developing initiatives to improve the employment experiences of current female staff and to better attract and retain future female employees.

Aviation security

Airservices maintains a Transport Security Program, as required by the *Aviation Transport Security Act 2004* and the *Aviation Transport Security Regulations 2005*. The program describes the security measures and procedures that the organisation uses to minimise the risk of unlawful interference with aviation and major security threats against critical air traffic, aeronautical navigation, telecommunications, and surveillance and emergency facilities. These physical security measures and procedures affect all Airservices operations and facilities. Enhanced CCTV and access control systems have been delivered during 2009–10. Identified security risks to non-operational facilities and functions are managed according to the Protective Security Manual issued by the Attorney-General's Department.

Fraud control

Airservices 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*.

Privacy

The *Privacy Act 1988* requires Airservices to maintain a record of personal information 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
- how individuals can get access to records about themselves.

Airservices personal information digest record is available on the website of the Office of the Federal Privacy Commissioner at www.privacy.gov.au.

During 2009–10, the Privacy Commissioner did not undertake any investigations under section 40 of the Privacy Act in relation to Airservices.

Freedom of information

The *Freedom of Information Act 1982* (FOI Act) requires Australian Government agencies to make available information about their organisation, 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 report.

FOI procedures and initial point of contact

Under the FOI Act, the Chief Executive Officer or authorised officers may grant or refuse access to any document held by Airservices. Within the organisation, the FOI and Inquiries Coordinator in the Office of Legal Counsel makes initial decisions about access and fees.

A request for access to documents must be in writing, include the required \$30 application fee, and provide an address in Australia to which notices can be sent.

In certain circumstances the fee may not be required or may be remitted. To enable a prompt response and to help the organisation meet its obligations under the FOI Act, you should provide as much information as possible about the documents you are seeking. It is also advisable to include a telephone number or an email address to allow the coordinator to contact you in case clarification is needed. Applicants may be liable to pay administrative charges for the processing of a request, at rates prescribed by the Freedom of Information (Fees and Charges) Regulations.

Although the *Electronic Transactions Act 1999* provides for FOI requests to be made via email, a request must be accompanied by the application fee. In most cases, no action will be taken on a request received by email until the application fee is received by post, or a request has been made for remission of the application fee. Airservices does not currently have facilities in place to accept FOI payments electronically.

The address for lodging requests is:

FOI and Inquiries Coordinator
Office of Legal Counsel
Airservices Australia
GPO Box 367
Canberra ACT 2601
Telephone: (02) 6268 5108
Fax: (02) 6268 5148
Email: foi@airservicesaustralia.com

FOI activity in 2009–10

Table 8 shows Airservices FOI activity for 2009–10.

Commonwealth Ombudsman activity

During 2009–10, Airservices responded to five formal requests for information from the Office of the Commonwealth Ombudsman (2008–09: three requests).

Consultative arrangements

Airservices welcomes comment from other organisations and from the public on its policies

and practices. The organisation maintains many channels for consultation, including consultative committees, the Airservices website (www.airservicesaustralia.com), airport community consultative committees, telephone enquiry services, industry and pilot briefings, and locally advertised public meetings. The Minister, the Board, the Chief Executive Officer, the Executive and business centre managers also respond to posted comments.

The National Aviation Policy White Paper outlined a new requirement for major airports to establish Community Aviation Consultation Groups to give residents and businesses the opportunity to comment on airport planning and operations.

Airservices is a member of various Australian and international aviation bodies, including the

Regional Core Planning Group of the 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 Basin development committees; the International Air Transport Association; CANSO; joint Airservices–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 Aviation Policy Group; the Aviation Implementation Group; the Standards Consultative Committee; and the Australian Firefighters Council.

Categories of documents held by Airservices

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

- **Legal and ministerial:** legislation affecting the organisation; 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

TABLE 8: FOI activity

Activity in 2009–10	Numbers
Requests:	
• On hand at 1 July 2009	2
• New requests received	24
• Total requests handled	26
• Total requests completed at 30 June 2010	25
• Outstanding at 30 June 2010	1
Action on requests:	
• Access in full	9
• Access in part	10
• Access refused	5
• Access transferred in full	0
• Request withdrawn	1
Response times (excluding withdrawn):	
• 0–30 days	16
• 31–60 days	8
• 61–90 days	0
• 90+ days	1
Internal review:	
• Requests received	1
• Decision affirmed	1
• Decision amended	0
• Request withdrawn	0
Review by Administrative Appeals Tribunal:	
• Applications received	0

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; backup tapes; quality management records, procedures and manuals.
- **Employees:** workplace agreements; procedural manuals; employee and personnel management records; service and employment agreements; occupational health and safety 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 enquiries and aircraft noise complaints.
- **Airspace:** airspace change proposals and associated data; change assessment guidelines, procedures, standards and manuals; records in support of decisions; audit, monitoring and review procedures, plans and findings; consultation material; website subscription and stakeholder records.
- **Air traffic control (ATC):** 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; national operation standards, safety and surveillance system records, policies and manuals.
- **Aviation rescue and fire fighting (ARFF):** operational, engineering, quality assurance and safety management procedures and instructions; documents and procedures on recruitment, occupational health and safety, environment, hazardous materials and fire

safety; aviation fire fighting manual; Australian Public Safety Training Package and associated training manuals, including module descriptors, assessment manuals and associated records; ARFF systems training/instruction manuals, incident and investigation records.

Categories of documents available for purchase

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

- Airservices 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, Global Positioning System 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: www.airservicesaustralia.com/publications

Superannuation

Airservices employer superannuation arrangements 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 that Act. Employees are generally defined benefit and/or defined contribution members of the AvSuper

fund. AvSuper's trustee, AvSuper Pty Ltd, holds a public offer Registrable Superannuation Entity (RSE) licence (L0000147). The AvSuper defined benefit scheme was closed to new members in 2002.

Airservices Australia is a Commonwealth Superannuation Scheme (CSS) approved authority under the Superannuation (CSS) Approved Authority Declaration (1995). Approximately 300 employees are defined benefit members of the CSS, which is administered by the Australian Reward Investment Alliance (RSE licence L0001397). The CSS has been closed to new members since 1 July 1990.

Except for members of the CSS and some non-collective agreement employment instruments, employees are able to select an eligible choice fund other than AvSuper to receive employer contributions.

Judicial decisions and reviews by outside bodies

No judicial decisions or decisions of administrative tribunals during 2009–10 had, or may have, a significant impact on the operations of Airservices.

Environmental protection and ecologically sustainable development

In 2009–10, Airservices reduced greenhouse gas emissions and protected the environment through such air traffic management initiatives as:

- pre-departure tactical management
- use of the Long-range Optimal Flow Tool
- Flextracks
- trials of required navigation performance (RNP) procedures at Melbourne and Adelaide airports
- the Asia and South Pacific Initiative to Reduce Emissions
- the Indian Ocean Strategic Partnership to Reduce Emissions.

See 'Delivering excellent core performance' in the review of operations for full details of these initiatives.

In internal operations, we protected the environment by:

- conducting training for Airservices staff on environmental issues, the environmental management system, risk management and staff accountabilities
- promoting environmental awareness and initiatives, including Earth Hour and World Environment Day, through internal communications
- implementing 'Wake on LAN' technology to allow computers to be 're-awakened' as updates are required
- continued active involvement in the CANSO Environment Working Group, including hosting a meeting of the group in Brisbane in October 2009
- enhancing the WebTrak service, which provides public access to information about aircraft noise and operations around eight of Australia's busiest airports
- replacing hardware and software as part of an upgrade of the noise and flight path monitoring system, which is the world's largest integrated system of its type
- continuing to examine ways to reduce Airservices environmental footprint and that of the aviation industry
- maintaining ISO 14001 (the international standard for environmental management systems) certification for operations at Coolangatta Airport and Gellibrand Hill radar site
- changing to water-based training for aviation rescue and fire fighting activities
- developing and implementing an environment management plan to manage potential issues

from the use of fire fighting foams containing fluorosurfactants at ARFF training grounds

- supporting the preservation of Australia's aviation history through the Civil Aviation Museum
- conducting a threatened species population study at the Launceston fire station site
- undertaking assessments in accordance with *Environment Protection and Biodiversity Conservation Act 1999* requirements in support of new and changing internal business processes for projects, property and operational procedures
- ensuring that the impacts of Airservices executive fleet and ARFF vehicle operations are offset by membership of Greenfleet (trees are planted as carbon offsets)
- upgrading environmental legal and other requirements register
- improving the system to monitor the organisation's greenhouse gas emissions and energy consumption and production on an ongoing basis, in order to enable reporting in accordance with *National Greenhouse and Energy Reporting Act 2007* requirements for the 2010–11 financial year.

The report on Airservices achievements against its Heritage Strategy 2006–09 was submitted to the Minister for the Environment, Heritage and the Arts in accordance with *Environment Protection and Biodiversity Conservation Act 1999* requirements in December 2009. Key achievements included the study of heritage values of air traffic control towers, nomination of six towers (Bankstown, Sydney No.5, Essendon, Launceston, Hobart and Parafield) for inclusion on the Commonwealth Heritage list (decision pending), and publication of Airservices heritage register on our website.

Appendix 3: Statement of expectations



The Hon Anthony Albanese MP

Minister for Infrastructure,
Transport, Regional Development
and Local Government
Leader of the House

CHAIRMAN

28 OCT 2008

RECEIVED

CH08100012

Reference: 08350-2008

Mr David Forsyth
Chair
Airservices Australia
GPO Box 367
CANBERRA ACT 2601

Dear Mr Forsyth

David,

I am writing to you about my Statement of Expectations (the Statement) for the Board of Airservices Australia, which I have enclosed.

This Statement replaces the previous statement issued by the former Minister for Transport and Regional Services, the Hon Mark Vaile on 12 March 2007 and represents a notice of strategic direction under Section 17 of the *Air Services Act 1995*.

The Statement will cover the period from 1 November 2008 to 30 June 2010, in order to provide a level of certainty to the Board and Airservices Australia in performing its functions.

I look forward to your support and cooperation in achieving each of the key points outlined in the Statement and I ask that you provide me with a Statement of Intent within a month of the date of this letter, outlining how you intend to meet these expectations.

It is important to note that in drafting your Statement of Intent, that it outlines appropriate targets and key performance indicators, so that Airservices Australia's performance can be measured accordingly.

Yours sincerely

ANTHONY ALBANESE

Enc

PARLIAMENT HOUSE CANBERRA ACT 2600
Telephone: 02 6277 7680 Facsimile: 02 6273 4126

**Statement of Expectations
For the Board of Airservices Australia
For the period 1 November 2008 to 30 June 2010**

This Statement of Expectations (SOE) outlines in a formal and public way, my expectations concerning the operations and performance of Airservices Australia (Airservices) from 1 November 2008 to 30 June 2010. This SOE serves as a notice of strategic direction to Airservices under section 17 of the *Air Services Act 1995*.

The Government's vision for Airservices is that it efficiently and effectively performs its statutory functions to deliver safe, high quality air navigation and related services for the benefit of the Australian community. The Government expects that, consistent with section 9(1) of the *Air Services Act 1995*, Airservices must regard the safety of air navigation as the most important consideration in performing its functions.

As the Board of Airservices, I expect that you:

- will ensure that Airservices acts in accordance with the *Air Services Act 1995*, *Commonwealth Authorities and Companies Act 1997* (and associated regulations) and the established *Governance Arrangements 1997* as well as other relevant legislation and legal instruments; and
- will keep me and the Secretary of the Department of Infrastructure, Transport, Regional Development and Local Government (the Department), through the Chair of the Board, fully informed of Airservices' actions in relation to the initiatives and activities stated below, and alert me to events or issues that may impact on the operations of Airservices.

My expectations are that Airservices will:

1. perform its functions in a manner that supports Government policy with particular focus on aviation safety.
2. provide input for the development of the National Aviation Policy Statement in conjunction with the Department, Civil Aviation Safety Authority, the Australian Transport Safety Bureau, the Department of Defence, the Department of Finance and Deregulation, and other relevant Government agencies.
3. support the Government's environmental initiatives in relation to climate change and aircraft noise management. This includes the maintenance and appropriate resourcing of the Noise Enquiry Unit.

4. maintain and improve the organisation's financial platform to support investment in current and future infrastructure, by developing a detailed capital expenditure program consistent with the Government's infrastructure policy.
5. modernise radar and other air traffic navigation and surveillance systems to ensure air traffic management services are provided with maximum safety and efficiency.
6. develop through consultation with key stakeholders a new long term pricing agreement for the period 2010 to 2015 that addresses Government policy and organisational needs.
7. develop a detailed workforce capability plan to address the immediate and future operational needs of Airservices. This plan must be developed consistent with the Government's training and industrial relations policies, in particular the Australian Government Employment Bargaining Framework.
8. continue to support the Government's aviation safety agenda in the Asia/Pacific region.
9. adhere to values and a code of conduct that maintains high standards of professionalism, customer service, probity, reporting, accountability and transparency, consistent with the Government's aim of excellence in the public sector.
10. actively engage and consult with government, commercial, industrial, consumer and other relevant bodies in a timely manner.

Appendix 4: Statement of intent



AIRSERVICES AUSTRALIA

Chairman

GPO Box 367, Canberra ACT 2601
25 Constitution Avenue, Canberra ACT 2601
t 02 6268 4189
f 02 6268 5686
ABN 59 008 720 886

The Hon Anthony Albanese MP
Minister for Infrastructure, Transport,
Regional Development and Local Government
Parliament House
CANBERRA ACT 2600

Dear Minister

The Board of Airservices Australia was pleased to receive on 28 October 2008, your Statement of Expectations (the Statement) for the period 1 November 2008 to 30 June 2010. On behalf of the Board I am responding with our Statement of Intent (SOI).

In developing the SOI the Board has been cognisant of the need to provide appropriate targets and key performance indicators (KPIs). These are set out in the attached table which shows the linkages between your expectations and the organisation's response through key actions and result areas.

In framing its response the Board has drawn on the Airservices Australia Corporate Plan 2008-2013 which the Board was pleased to note received your endorsement late in October 2008. The Plan presents the organisation's priorities, performance measures and budget outcomes against key objectives and business strategies. Accordingly performance against the key result areas outlined in the SOI can be measured by reports against the Plan's key performance indicators.

As is current practice, progress against the KPIs will be reported to you on a quarterly basis. I have asked Management to work with your Department to ensure that this approach meets your requirements.

If your Office requires any further information, please contact Ditta Zizi, Corporate Secretary on 02 6268 5530.

Yours sincerely

David Forsyth
Chairman
28 November 2008

cc: Mr Michael Taylor AO, Secretary, Department of Infrastructure, Transport,
Regional Development and Local Government

airspace | airside | AIRSERVICES AUSTRALIA

www.airservicesaustralia.com



AIRSERVICES AUSTRALIA STATEMENT OF INTENT

This Statement of Intent responds to the Statement of Expectations (November 2008 to June 2010) received from the Minister for Infrastructure, Transport, Regional Development and Local Government. This Statement draws on the Airservices Australia Corporate Plan 2008-2013 which presents the organisation's priorities, specific performance measures and budget outcomes against key objectives and business strategies. The KPIs have been developed to provide appropriate measures by which the organisation's performance can be assessed. The specific quantitative targets are outlined in the existing Corporate Plan. As is current practice, progress against the KPIs will be reported to the Minister on a quarterly basis. Airservices Australia formally commits to meeting the expectations of the Minister. This will be achieved through the following key actions and key result areas.

Statement of Expectations	Airservices Australia Key Actions	Key Result Areas
1. Perform functions in a manner that supports Government policy with particular focus on aviation safety.	<ul style="list-style-type: none"> Airservices will develop a Corporate Plan each year with initiatives to address its functions, and relevant Government Policies. 	<ul style="list-style-type: none"> Ministerial approval of Corporate Plan. Regular quarterly reports against the Corporate Plan including performance against KPIs, and progress on initiatives and programs for improving safety.
2. Provide input for the development of the National Aviation Policy Statement in conjunction with the Department, Civil Aviation Safety Authority, the Australian Transport Safety Bureau, the Department of Defence, the Department of Finance and Deregulation, and other relevant Government agencies.	<ul style="list-style-type: none"> Work cooperatively with the Department and Government agencies in the development of the National Aviation Policy Statement. 	<ul style="list-style-type: none"> Submission to the Aviation Policy Green Paper. Submission to the Aviation Policy White Paper.
3. Support the Government's environmental initiatives in relation to climate change and aircraft noise management. This includes the maintenance and appropriate resourcing of the Noise Enquiry Unit.	<ul style="list-style-type: none"> Implement the E-Change Program to minimise Airservices' environmental footprint. Continue to develop Air Traffic Management and ARFF initiatives to improve the environmental performance of operations. 	<ul style="list-style-type: none"> Over the next 12 months implement a monitoring system to capture Airservices' resource usage data. Progress on the development and implementation of Air traffic management initiatives. Over the next 12 months enhance the tools and systems used by Noise Enquiry Unit to enable improved noise and complaints handling.
4. Maintain and improve the organisation's financial platform to support investment in current and future infrastructure, by developing a detailed capital expenditure program consistent with the Government's infrastructure policy.	<ul style="list-style-type: none"> Develop a corporate financial plan, as part of the Airservices' Corporate Plan, to achieve a return on assets that supports investment in technology and infrastructure to maintain and improve the safety and efficiency of the organisation's services. This plan will include a detailed capital expenditure program. 	<ul style="list-style-type: none"> The achievement of a reasonable return on assets as set out in the Corporate Plan approved by the Minister. Delivery of the capital expenditure program as set out in the approved Corporate Plan.
5. Modernise radar and other air traffic navigation and surveillance systems to ensure air traffic management services are provided with maximum safety and efficiency.	<ul style="list-style-type: none"> Undertake relevant capital expenditure (Capex) projects set out in the Corporate Plan approved by the Minister. Continue rollout of Radar replacement programs, Automatic Dependent Surveillance Broadcast (ADS-B) program and Wide Area Multilateration (WAM) surveillance infrastructure. 	<ul style="list-style-type: none"> 28 ADS-B ground stations operational by end 2009. Conduct WAM operational trials in Tasmania and Sydney in 2008 and 2009 Commence location specific ADS-B Trial in WA. Completion of Australian Mode S Terminal Area Radar Project by 2011. Replacement of Navigation Aids Backup Network – completion of current phase by 2013.



6. Develop through consultation with key stakeholders a new long term pricing agreement for the period 2010 to 2015 that addresses Government policy and organisational needs.	<ul style="list-style-type: none"> • New Long Term Pricing Agreement (LTPA) to be developed in conjunction with industry stakeholders that support Airservices Corporate Plan. 	<ul style="list-style-type: none"> • Stakeholder consultation conducted in 2008 and 2009. • New LTPA implemented by 31 December 2009.
7. Develop a detailed workforce capability plan to address the immediate and future operational needs of Airservices. This plan must be developed consistent with the Government's training and industrial relations policies, in particular the Australian Government Employment Bargaining Framework.	<ul style="list-style-type: none"> • Develop Airservices' Workforce Plan 2008-2013. 	<ul style="list-style-type: none"> • Implement Collective Agreements that are consistent with the Australian Government Enterprise Bargaining Framework. • Implement Airservices' training and development programs as set out in Airservices Corporate Plan with specific emphasis on addressing current staffing requirements as identified in the Workforce Plan. • Establish the Wagga Wagga Campus of the Airservices Learning Academy to train facilities maintenance staff. • Successfully establish the ARFF Training facility at Fiskville.
8. Continue to support the Government's aviation safety agenda in the Asia/Pacific region.	<ul style="list-style-type: none"> • Seek to foster increased safety, harmonisation and integration of air traffic management, in the Asia/Pacific region, and in particular, in Australia's adjoining airspace. 	<ul style="list-style-type: none"> • Ongoing support for the implementation of the Neighbourhood Program including the Indonesian Transport Safety Assistance Package (ITSAP) and work with aviation authorities in Papua New Guinea.
9. Adhere to values and a code of conduct that maintains high standards of professionalism, customer service, probity, reporting, accountability and transparency, consistent with the Government's aim of excellence in the public sector.	<ul style="list-style-type: none"> • Act responsively to Government and the Parliament. • Manage Airservices' affairs with diligence and in compliance with all relevant legislative requirements and applicable Government policies. 	<ul style="list-style-type: none"> • Maintain Board endorsed Code of Conduct and the Airservices' Ethics Hotline. • Maintain a high quality internal Audit Program, with Board Audit Committee oversight, to enhance the professionalism and accountability of management. • Develop the Airservices management team through appropriate training and on job experience.
10. Actively engage and consult with government, commercial, industrial, consumer and other relevant bodies in a timely manner.	<ul style="list-style-type: none"> • Develop and maintain effective relationships with key stakeholders in Government and industry. • Finalise Stakeholder Engagement Plans for all major groups. 	<ul style="list-style-type: none"> • Maintain a high level of stakeholder satisfaction as determined by annual stakeholder survey. • Engage through regular industry forums including Waypoint conferences in 2009 and 2010. • Participate in relevant community and industry forums.

Appendix 5: Staffing

TABLE 9: Number of Permanent ongoing staff, by classification and state, at 30 June 2010

Job Type	ACT	NSW	NT	Qld	SA	Tas.	Vic.	WA	Total
Air Traffic Controller	15	130	4	369	52	13	316	60	959
Air Traffic Control Trainee	0	8	0	2	0	0	92	2	104
Air Traffic Services Support Specialist	14	4	0	18	0	0	32	0	68
Aviation Fire Fighter	17	64	49	191	32	31	92	77	553
Clerical/Administration	289	16	1	67	3	0	103	4	483
Executive Manager	9	0	0	0	0	0	0	0	9
Aviation Fire Officer	7	19	18	56	10	12	21	20	163
Flight Data Co-ordinator	0	0	0	12	0	0	12	0	24
Flight Information Service Officer	0	0	0	73	0	0	0	0	73
Professional	10	2	0	10	0	0	8	1	31
Senior Manager	135	7	0	53	2	0	31	3	231
Senior Manager/Aviation Fire Fighter	4	0	0	1	0	0	0	0	5
Team Leader	9	6	2	16	2	1	9	2	47
Technical Officer	13	75	12	125	19	6	102	25	377
Technology Professional	86	3	1	50	3	0	53	2	198
Target Generator Officer	0	6	0	33	0	0	59	3	101
Trades	4	10	3	19	5	0	11	7	59
Total	612	350	90	1095	128	63	941	206	3485

Appendix 6: Noise complaint and enquiry data

TABLE 10: Number of complaints, comments and enquires received by the Noise Enquiry Unit in 2009–10

Airport	Complaints	Complainants	Comments	Clients	Enquiries	Enquirers
Adelaide	513	125	5	5	33	31
Brisbane	2646	260	24	20	28	26
Cairns	81	29	3	3	8	7
Canberra	298	75	15	9	19	15
Gold Coast (Coolangatta)	1898	228	111	10	35	32
Melbourne	1454	163	40	16	43	27
Sydney	11987	1725	107	82	471	371
Perth	9837	767	64	45	139	74
Total	28714	3372	369	190	776	583

Glossary

AC-MAC	Australian Civil–Military Air Traffic Management Committee
ADS-B	Automatic Dependent Surveillance—Broadcast
Air Services Act	<i>Air Services Act 1995</i>
ANSP	air navigation service provider
ARFF	aviation rescue and fire fighting
ATC	air traffic control
ATM	air traffic management
ATSB	Australian Transport Safety Bureau
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CANSO	Civil Air Navigation Services Organisation
CASA	Civil Aviation Safety Authority
CEO	Chief Executive Officer
Department, the	The Department of Infrastructure and Transport
FIR	flight information region
FOI Act	<i>Freedom of Information Act 1982</i>
GAAP	general aviation airport procedures
Government, the	the Australian Government
ICAO	International Civil Aviation Organization
ISO	International Organization for Standardization
KPI	key performance indicator
Learning Academy	Airservices Learning Academy
NEU	Airservices Noise Enquiry Unit
NFPMS	Noise and Flight Path Monitoring System
OHS	occupational health and safety
RNP	required navigation performance
SMS	Safety Management System
White Paper	The Government's National Aviation Policy White Paper

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