



2015–16 Annual Report



INTERNATIONAL DAY OF THE
AIR TRAFFIC CONTROLLER
2016

airservices

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Letter of transmittal



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The Hon. Darren Chester MP
Minister for Infrastructure and Transport
Parliament House
Canberra ACT 2600

Dear Minister

Airservices Annual Report 2015–16

On behalf of the Board of Airservices Australia, I am pleased to submit to you the Airservices Australia Annual Report for the financial year 2015–16 as required under section 46 of the *Public Governance, Performance and Accountability (PGPA) Act 2013*.

The Board, as the accountable authority of Airservices Australia, is responsible for preparing and submitting this report to you and we endorsed it at our meeting on 7 September 2016.

The report has been prepared in accordance with the *Air Services Act 1995*, the PGPA Act, the *PGPA (Consequential and Transitional Provisions) Rule 2014*, and other relevant legislation.

During 2015–16 we were accountable to the Australian Parliament and to the Australian Government through the Minister for Infrastructure and Regional Development; the Hon. Warren Truss from 1 July 2015 to 17 February 2016 and the Hon. Darren Chester MP Minister for Infrastructure and Transport from 18 February 2016.

This report outlines the achievements and milestones met by Airservices and includes an annual performance statement and financial statements for the year ending 30 June 2016.

In the Board's opinion, the annual performance statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.

The performance statement has been prepared to demonstrate our performance over the 2015–16 period against the *Airservices Corporate Plan 2015–2020*. It reports against the core outcomes, key performance measures and strategic initiatives articulated within the plan.

Yours sincerely

A handwritten signature in black ink, appearing to read "Angus Houston".

Air Chief Marshal Sir Angus Houston AC, AFC (Ret'd)
Chair

23 September 2016



Chair's report

It brings me great pleasure to report on the performance of Airservices Australia for 2015–16, which is my fourth year as Chair of this organisation.

Airservices supports an industry of national strategic importance to Australia. Safe, secure and efficient aviation underpins trade and tourism activities that contribute to our economic prosperity. Safe and affordable air transport allows us to connect safely with our families across the continent and our trading partners across the world and ensure the security of our nation.

Airservices will always have the safety of air navigation as its primary responsibility, but it is not just about getting aeroplanes safely from one location to another. Our industry is on a journey of enormous technological change and at Airservices we are using technology to improve safety, make aviation more efficient and more environmentally friendly.

We are moving from ground radar surveillance to satellite systems; from voice to digital data; and from traditional airspace control to four dimensional predictive technologies.

During the year our efforts in oceanic tracking were recognised and applauded by the international community, with several countries following Australia's lead. We reached a critical milestone in the transition to satellite as the primary means of navigation and we continue to lead the introduction of Automatic Dependent Surveillance Broadcast (ADS-B) for surveillance and navigation.

Our ongoing collaboration with Defence through the OneSKY Australia Program will see the most significant transformation of air traffic management in our aviation history. OneSKY continued to be a major focus for Airservices

during 2015–16, and we reached some significant milestones on our path to introducing the joint system by 2021.

While our focus is firmly on the future, we continued to deliver ongoing efficiency benefits for our customers during the year under a range of programs that are reducing fuel burn and emissions and improving the efficiency of the network, ultimately to the benefit of the travelling public.

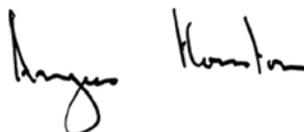
With our customers at the centre of everything we do, during the year we recognised that Airservices current business model was not sustainable and it needed to become more efficient and agile in order to deliver improved commercial outcomes for our customers. Under the resulting Accelerate Program Airservices has implemented a new operating model, is improving projects and asset management, and is introducing ways to better use technology to improve business efficiency.

This financial year was one of Airservices most financially challenging, with the organisation delivering a small underlying profit, with a headline loss. Pleasingly, the changes to be delivered under the Accelerate Program will return Airservices to profitability in 2016–17.

I am confident that Australia has and will continue to have a world leading air traffic management system in our regions, in our cities and globally. The changes we are now delivering will ensure the Australian aviation industry remains at the forefront in using new technologies to deliver safety and efficiency improvements.

During the year the Board was also pleased to appoint Jason Harfield to the role of Chief Executive Officer. Jason leads an organisation of dedicated professionals that are among the best in the world and I thank them all for their efforts every day.

I would also like to acknowledge the support of the Airservices Board throughout the year, and to thank departing member Annette Kimmit for her valuable contribution to the Board and its Committees since 2012.



**Air Chief Marshal Sir Angus Houston
AK, AFC (Ret'd)**

Chair



Chief Executive Officer's report

Our role in safely delivering air navigation and aviation rescue fire fighting services provides the backbone of the industry. However, our ability to remain relevant to our customers in the ever changing aviation sector rests on our capacity to evolve and adapt.

This means we have to be an organisation capable of dealing with a dynamic environment while pursuing those standards of safety, excellence and innovation that have brought us global recognition and respect.

Following the contraction in air traffic over 2014–15, traffic growth in 2015–16 has remained weak. Although we experienced modest increases in some international markets, the recovery of the domestic market continues to be slow.

The financial impact of the more difficult operating environment confirmed that our operating model was unsuitable and urgently needed to change. This was acutely exposed following the mining boom which saw a rapid growth in staff to support the planning and deployment of new regulated services and improved congestion management at key airports, however we were unable to appropriately react and adjust as the market contracted and the future growth profile flattened.

We were not operating as efficiently as we should and, as a result, Airservices underlying financial performance remained flat in 2015–16 with an underlying net profit after tax (NPAT) of \$1.8 million.

We moved to address this early in the financial year through a business diagnostic review, leading to the establishment of the Accelerate Program and my announcement in May of a new operating model designed to match our commitment to safety with a customer-centred and commercially rigorous approach to business.

Accelerate is an ambitious program designed to make Airservices more efficient and agile and better position us to handle future challenges. The new operating model puts our aviation rescue fire fighting and air navigation services at the heart of everything we do.

The outcome of Accelerate is that our profitability will return to more sustainable levels by the next financial year and given the increase in capability and efficiency, we will continue to deliver our services as well as delivering the OneSKY Australia Program with no real increase in our prices going forward.

We will also continue our assistance to the general aviation (GA) sector. Airservices does not charge GA aircraft for aviation rescue and fire fighting services, nor levy enroute charges for Visual Flight Rules aircraft. Together with a \$500 charging threshold, this results in at least six out of 10 aircraft below 5700 kilograms not incurring any charge for our services. This will continue into 2016–17.

Accelerate will also better position us to deliver the world-first harmonisation of civilian and military air traffic systems under the OneSKY Australia Program. In the past year we further progressed towards our goal of unifying civilian and military air traffic control systems, with a focus on negotiating acquisition and support contracts for the Civil Military Air Traffic Management System (CMATS) with Thales Australia.

Achieving the Accelerate Program benefits has resulted in substantial one-off restructure costs and associated impairment of assets of \$151 million. This has turned the small underlying profit into a headline net loss after tax of \$127.3 million and is Airservices first headline loss in almost two decades.

While the Accelerate and OneSKY Australia programs were key focuses during 2015–16, we continued to deliver on other promises for a safe, efficient and modern air traffic control system.

Helping our airline customers move their passengers safely and efficiently across our skies is key to our service delivery and to that end, through a range of initiatives, we were able to achieve a further 15 second reduction in the average airborne delay per aircraft across all flights in the national network during peak periods.

In February, the Global Navigation Satellite System became the required method of primary navigation for aircraft in Australia and in May we began decommissioning from operational service the ageing ground navigation aids that had exceeded their operational life.

As a result of strong collaboration between Airservices, the Civil Aviation Safety Authority and industry, Australian aircraft will be fitted with next generation Automatic Dependent Surveillance Broadcast technology for all Instrument Flight Rules flights from February 2017, delivering significant safety and efficiency benefits for industry.

Another notable success was the international recognition of our Meteorological Collaborative Decision Making (MET-CDM) program. MET-CDM combines the strength of weather forecasters at Airservices, Australia's major airlines and the Bureau of Meteorology to help offset the impact of disruptive weather on aircraft arrivals.

These developments and others were made possible by the contributions of our highly capable staff as well as those from stakeholders and customers. I thank them all for past and forthcoming contributions as we make Airservices a more efficient, responsive and sustainable organisation.



Jason Harfield
Chief Executive Officer



O I

Corporate
overview

Purpose

Our primary purpose is to provide safe, secure, efficient and environmentally responsible air navigation and aviation rescue fire fighting services that are valued by the aviation industry.

We are funded through charges levied on customers for our services and capital raised from debt markets. Our prices are set by the Airservices Board and subject to economic oversight by the Australian Competition and Consumer Commission (ACCC). Airservices does not receive any government appropriations.

Global benchmarking routinely places Airservices as one of the top three air navigation service providers in the world and safety is always our most important consideration. To ensure that we continue to be recognised as an industry leader, we deliver environmentally responsible services that are valued by our customers, supported by customer-centric investment in innovation and commercially rigorous decisions.

Enabling legislation

We are a Commonwealth Statutory Authority, established by the *Air Services Act 1995*, and a government owned organisation. Airservices is designated as a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013*.

A range of other legislation informs our day to day operations. More information is available at www.airservicesaustralia.com/acts-and-regulations

Our objectives and functions under the *Air Services Act 1995* are to:

- regard the safety of air navigation as our most important consideration
- provide facilities for the safe navigation of aircraft within Australian administered airspace
- promote and foster civil aviation in Australia and overseas
- provide air traffic services, aviation rescue fire fighting services, aeronautical information, radio navigation and telecommunications services
- cooperate with the Australian Transport Safety Bureau in investigating aircraft accidents and incidents
- help protect the environment from effects associated with the operation of Commonwealth jurisdiction aircraft or other aircraft within and outside Australia's airspace
- adhere to regulations associated with the operation of Commonwealth jurisdiction aircraft
- undertake functions as required under the *Air Navigation Act 1920* and the *Aviation Transport Security Act 2004*
- provide services and facilities to maintain or improve the skills of our employees.

Minister's Statement of Expectations and Statement of Intent

The Government formally provided the Airservices Board with its Statement of Expectations on 15 June 2015 and the Airservices Board responded with its formal Statement of Intent through the *Airservices Corporate Plan 2015–2020*.

Both the Statement of Expectations and Statement of Intent are included at Appendix 2.

Ministerial directions

From time to time our Minister has issued ministerial directions which inform the performance of our functions. Four ministerial directions were current in 2015–16. They are:

- Handling of aircraft noise complaints at Sydney and other federal airports (issued 29 May 1996)
- Progressive implementation of the Sydney Long Term Operating Plan (issued 30 July 1997)
- Responsibilities in relation to the environmental effects of aircraft (issued 3 May 1999)
- Provision of approach radar services at specific airports (issued 31 August 2004).

Strategic direction

Over 2015–16 we used our position within the aviation industry to connect with our customers and other stakeholders to leverage safe, efficient and cost effective services.

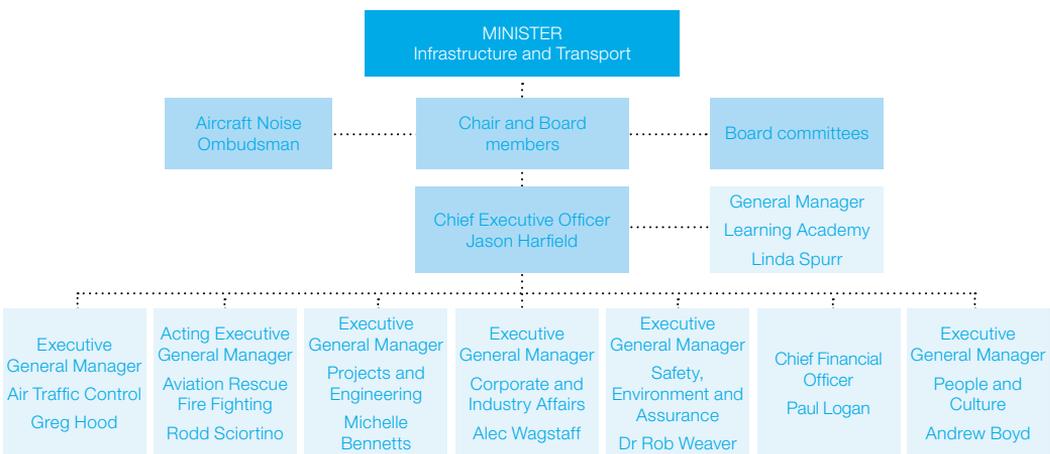
We produced our corporate plan in accordance with the *Air Services Act 1995* and the *Public Governance, Performance and Accountability Act 2013*.

Our *Corporate Plan 2015–20* outlines three strategic themes with outcomes that support delivery of our vision. These are:

- maximising safety performance
- high performing organisation
- core operational and business excellence.

Our publications are available at www.airservicesaustralia.com/publications/corporate-publications

FIGURE 1 Airservices Australia business structure at 30 June 2016



Organisational structure

Airservices is led by our Chief Executive Officer (CEO) and his Executive Team. The Airservices organisational structure for 2015–16 is depicted in Figure 1.

Jason Harfield was appointed Acting CEO following the resignation of former CEO, Margaret Staib on 10 August 2015. He was subsequently permanently appointed to the position on 9 March 2016.

Work was undertaken over the year to review our operating model. The new operating model focuses around our service delivery lines and took effect from 1 July 2016. A new organisational structure and leadership team also took effect from 1 July 2016. Our operating model is pictured on pages 16–17.

Our locations

Our head office is located in Canberra and we employed 4468 staff across Australia including approximately:

- 1000 air traffic controllers, working from two air traffic services centres in Melbourne and Brisbane, four terminal control units and 29 towers at international and regional airports
- 900 aviation rescue fire fighters at 26 of Australia's biggest airports.

More information about our workforce is included in appendices 5 and 6, and more information about our facilities is available at www.airservicesaustralia.com/about/our-facilities.

Corporate governance

We are governed by a Board, whose members are appointed by the responsible Minister (except the CEO who is appointed by the Board). Our Board consists of a Chair, Deputy Chair, Chief Executive Officer and six other members. The Board is committed to best practice in corporate governance.

The Board decides the objectives, strategies and policies to be followed by Airservices and ensures that it fulfils its statutory functions in a proper, efficient and effective manner. The Board conducts regular evaluations of its own performance and the performance of its committees.

Further information on Board membership is available in Appendix 1.

Board committees

The Audit and Risk Committee assists the Board to discharge its duties in relation to the objectivity and reliability of financial and performance reporting, the maintenance of effective systems of risk management and internal control, and helps ensure that Airservices complies with all relevant legislative and other government obligations. This includes obligations under the *Airservices Act 1995* and *Public Governance, Performance and Accountability Act 2013*. Membership consists of four members, all of whom must be independent non-Executive Board members.

The Safety Committee helps the Board ensure that we meet our operational safety and work, health and safety obligations. The Committee also monitors organisational preparedness to counter security threats. Its membership consists of four non-Executive Board members, as well as the Board Chair and Chief Executive Officer, both of whom are ex officio members of the committee.

The Technology and Investment Committee assists the Board to discharge its responsibilities by providing oversight of our technology, systems engineering and information technology strategies and policies. It oversees the strategic direction and policies of business systems, operational technology and IT security. It provides oversight of the development and delivery of our capital investment program. Membership consists of up to three non-Executive Board members, together with the Board Chair and Chief Executive Officer, both of whom are ex officio members of the committee.

The Remuneration and Human Resources Committee assists the Board by reviewing the performance, remuneration and succession plans for the Chief Executive Officer and the Chief Executive Officer's direct reports. The Committee also considers other human resource issues as required. Membership consists of three non-Executive Board members, together with the Board Chair who is an ex officio member of the committee.

The **Environment Committee** assists the Board to discharge its environmental responsibilities by ensuring we have an appropriate organisational strategy for dealing with environmental issues. Membership consists of three non-Executive members, plus the Board Chair and Chief Executive Officer, both of whom are ex officio members of the committee.

This committee was disbanded by the Board in June 2016. It was established in 2010 to focus on management's performance in relation to aircraft noise monitoring and complaints and the Board was satisfied that significant improvements in performance had occurred. Further, due to their significance, legacy issues associated with the historical use of fire fighting foams containing polyfluorinated chemicals will now be dealt with by the full Board, together with all other environmental issues, including noise monitoring and complaints.

Meeting attendance and membership information for each Board committee is detailed at Appendix 1.

Ethical standards

We issue Board-endorsed policies, management instructions and other procedures to inform employees, contractors and consultants about ethical standards. As a condition of employment or engagement, all employees, contractors and consultants must comply with our Code of Conduct and Code of Conduct Management Instruction. The Code of Conduct sets out standards that are expected from all Airservices employees, contractors and consultants and provides a framework for decisions, actions and behaviours.

We are committed to ensuring the highest standards of ethical behaviour and fully support individuals who report wrongdoing or suspected wrongdoing. Our Ethics Hotline is available for confidential reporting of an alleged breach of our Code of Conduct or Code of Conduct Management Instruction including Public Interest Disclosures. Alternatively, Public Interest Disclosures can also be reported directly to an Airservices Public Interest Disclosure Authorised Officer.

The Ethics and Fraud Committee is responsible for directing and monitoring activities to assure compliance and improvement activities for prevention; detection; response; and monitoring, evaluation and reporting activities contained within the Ethics and Fraud Framework including but not limited to:

- promoting better practice
- maintaining the Ethics and Fraud Control Plan
- maintaining reporting framework activities
- reporting unethical and fraud matters including Ethics Hotline disclosures and Public Interest Disclosures to the Chief Executive Officer and Board Audit and Risk Committee.

Fraud control

We are committed to establishing and maintaining strong and effective fraud control arrangements that are consistent with section 10 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Fraud Rule).

Fraud control arrangements comprise prevention; detection; response; and monitoring, evaluation and reporting activities. The arrangements are articulated in the Fraud Control Policy, supporting Ethics and Fraud Control Plan and Ethics and Fraud Framework. Fraud risks are subject to a quarterly review with an independent review also conducted during the year. All reasonable measures are undertaken to minimise and investigate the incidence of fraud with recovery of fraud losses also occurring wherever possible.

Risk management

We promote a culture of active risk management with robust governance oversight. The Board's risk appetite statement supports effective risk management and decision-making processes through better understanding the level of risk that we are willing to accept. Through the implementation of our Enterprise Risk Management Framework, we proactively identify and treat risk to within acceptable tolerances in our operations and operating environment. The Enterprise Risk Management Framework identifies accountability and responsibility for managing risk across all levels of the organisation.

All risk management activity in our business is consistent with the Commonwealth Risk Management Policy and the International Standard ISO 31000:2009, *Risk Management—principles and guidelines*.

Adverse effect of non-commercial commitments

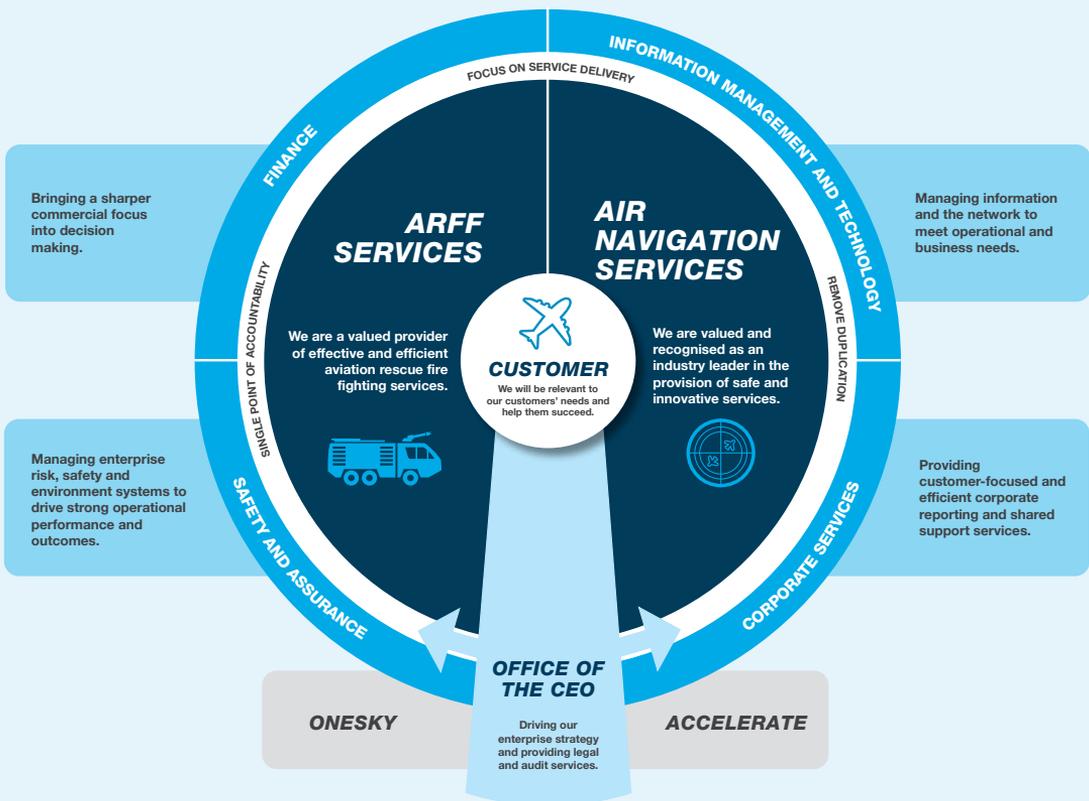
No non-commercial commitments were recorded during 2015–16.

Our new operating model

In early 2016, we launched our Accelerate transformation program aimed at repositioning the organisation to become a more efficient service provider that is agile and responsive to the changing needs of our customers.

The new operating model and organisational structure came into effect on 1 July 2016 and puts customers at the centre of Airservices. Two service delivery areas — Aviation Rescue Fire Fighting Services and Air Navigation Services — are the heart of service delivery to customers and will have end-to-end accountability for their own financial and operational performance as owners of assets, projects and workforce capability.





The new operating model, announced during 2015–16, took effect from 1 July 2016. More information is available in Section 3.



02

Our financial
performance

Annual result

Airservices underlying Net Profit After Tax (NPAT) of \$1.8 million remained broadly in line with the previous year's results, with a return on equity of 0.3 per cent. This was largely due to the continuation of the cost containment program which commenced in 2014–15 which kept staff and supplier costs growth down to help mitigate the impact of weak airways revenue growth.

During the year it became clear that the incremental improvements from the cost containment program would not address the fundamental issues of a growing cost base. In addition, due to dampening demand, the pricing arrangements set in 2011 are now delivering \$30m per annum less than the revenue forecasts established in the 2011 Long Term Pricing Agreement.

As a result of this, Airservices embarked on a business transformation program with the aim of repositioning the organisation to become a more efficient service provider that is responsive to changing customer needs. The program, known as the Accelerate Program, focuses on three specific improvement areas across the organisation including changes to the operating model, project and asset refocus and technology enablement.

The implementation of the Accelerate Program plan is estimated to deliver annualised savings of approximately \$155 million from 1 July 2017. To achieve these savings \$151 million in one off restructure costs and associated impairment of assets were incurred during the 2015-16 financial year.

The one off restructure costs consist of \$126 million of redundancies and other direct costs associated with the program.

The Accelerate Program has significantly changed the strategic direction of the organisation,

which has been reflected in our Corporate Plan and forward capital works program. As a consequence of this strategic realignment, a number of projects have been discontinued, which has resulted in an impairment of assets under construction of \$25 million, or 11 per cent.

The 2015–16 financial year also saw an increased awareness of the issues regarding polyfluorinated chemical (PFC) contamination, following a Senate Inquiry into PFC contamination at Commonwealth sites and increased media attention.

Airservices has and continues to take a scientific, risk-based approach to managing its response to PFCs at our sites, and is working with Commonwealth, State and Territory regulatory authorities to assist them in establishing adequate regulatory guidance.

Airservices has set aside an additional \$24 million for PFC related activity.

The net operating result was a Net Loss After Tax of \$127.3 million. This reflects a negative after tax return on average equity of 21.1 per cent, which was below the planned target of 2.3 per cent.

Income

Total income for the year of \$1.03 billion was 2 per cent higher than the previous year due to an increase in airways revenue driven by strong international growth predominately in the North East Asia region. This result is \$30 million lower than the revenue that was forecast for this year back in 2011 when the prices were endorsed by the Australian Competition and Consumer Commission (ACCC). It also does not fund the additional fire fighting and air traffic control services that were established in 2014–15 that were not provided for in the 2011 pricing arrangements which are now costing us \$30 million per annum to provide.

Expenses

Overall expenses increased by 17 per cent to \$1.21 billion. Underlying total expenses increased to \$1.03 billion, or 2 per cent higher than the previous year. This is predominantly a result of higher employee expenses due to wage increases under our Enterprise Agreements which have been in place for a number of years. Partially offsetting this were reduced supplier costs as a result of a continued focus on cost containment throughout the year.

Capital investment and gearing

During the year we invested \$182.8 million in our capital expenditure program, with funding from retained earnings and a \$367.7 million increase in borrowings. At 30 June 2016 our gearing levels of 50 per cent were within our medium term target range of 40 to 50 per cent.

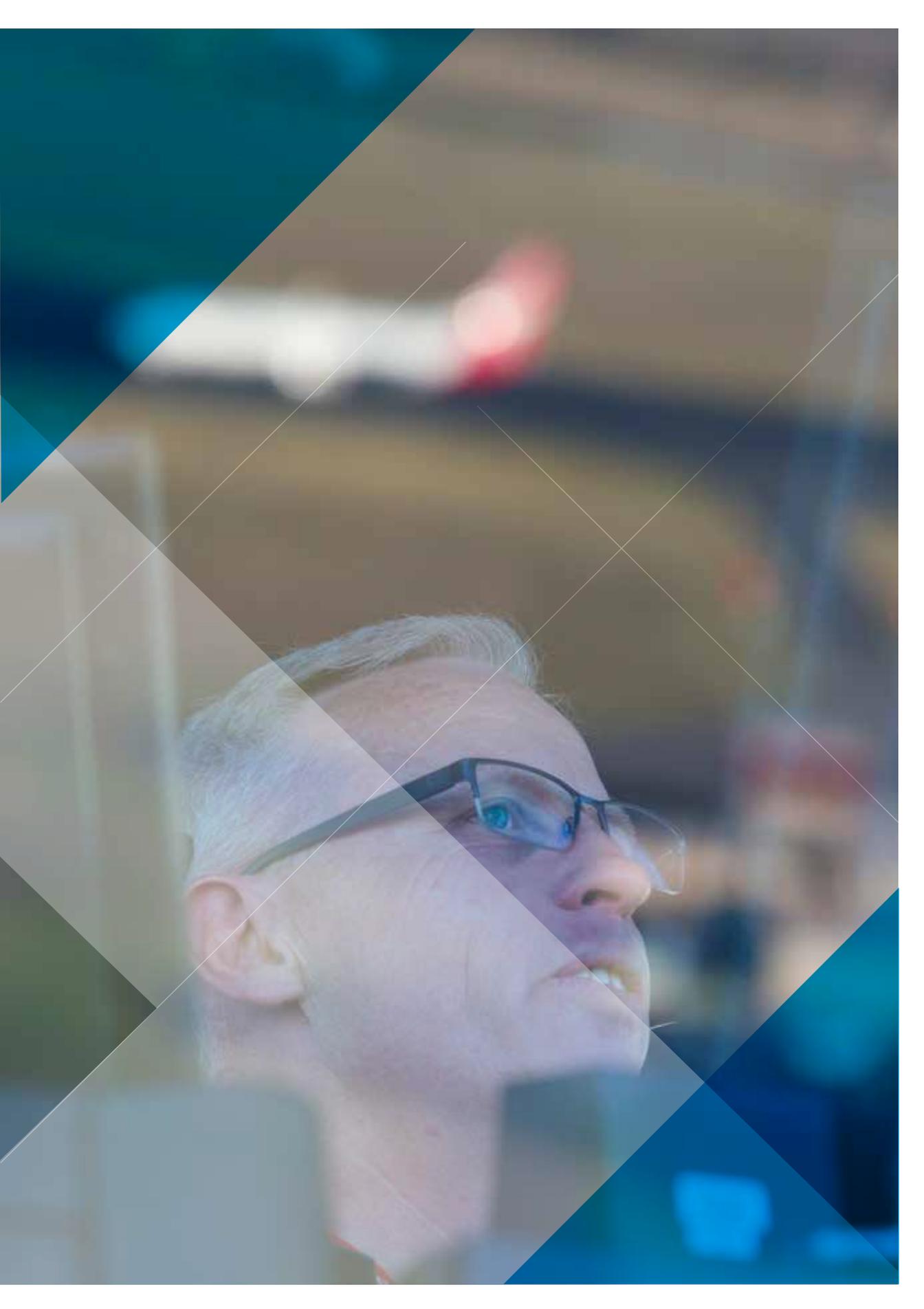
Financial outlook

Over the next 12 months Airservices will be strongly focused on the transition to a more effective and efficient business operating model which will improve financial outcomes and return organisational profitability to normal levels over the next 12 to 24 months.

This will position ourselves to keep price growth flat, provide industry benefit and meet our target levels of returns. In the immediate term we will be deferring the introduction of a new LTPA. Prices will be frozen while we undertake the work required to reset the organisation's cost base.

Until a new pricing agreement is put in place revenue growth will be driven by the performance of the aviation market. Over the short to medium term, low rates of traffic growth are anticipated to continue. This follows the contraction in the domestic aviation market in the previous financial year.

Whilst we note that the domestic market is recovering it continues to be gradual. In the near term, it is anticipated that any overall uplift will be mostly driven by the performance of the international aviation sector.





Annual
performance
statement



Aviation in Australia is managing through significant technological change—with air navigation service providers such as Airservices leading the world in moving towards satellite-based navigation and communication.

We are not alone in embracing a future which is seeing global air traffic management changes not seen on a scale since radar was introduced, with Europe and the United States also investing and transitioning to satellite infrastructure with their Nextgen and SESAR programs.

The broader industry is also seeing a similar technological change—helping to make flying easier and more seamless for the travelling public.

As the service provider of civil air navigation services in Australian airspace, we support our customers by providing services to over four million aircraft movements which carry more than 140 million passengers annually.

As well as increasing our focus on the needs of our customers, who fully fund our operations, we must continue to meet the expectations of the wider

aviation industry, community and government and to invest in world-leading technologies to deliver on the service needs of the future.

Airservices is an integral part of the aviation landscape, both in Australia and throughout the world. Our work safeguards the future of Australian aviation and makes a significant contribution to the national economy.

This section highlights our major achievements in 2015–16 against our strategic themes—maximising safety performance, high performing organisation and core operational and business excellence. Details against the initiatives set out in our *Corporate Plan 2015–20* are in Appendix 3.

Maximising safety performance

We are a world leader in safety—and in 2015–16 we continued to make changes to further maximise our safety performance and ensure we continue to help keep Australia’s skies safe. Our key performance indicators show that in the past three years we have been able to reduce the number of tower loss of separation events by 20 per cent.



LOSS OF SEPARATION
TOWER DOWN 20%



GLOBAL NAVIGATION SATELLITE
SYSTEM IS NOW THE PRIMARY
NAVIGATION FOR AIRCRAFT



INSTALLED NINE ADS-B
GROUND STATIONS

We have implemented a range of safety improvements in our operating environment to help maximise safety performance. These improvements have been enabled by technological improvements introduced during the reporting period, including new safety nets, the switch to Global Navigation Satellite System (GNSS), greater Automatic Dependent Surveillance Broadcast (ADS-B) coverage and oceanic flight tracking.

New safety nets

Following on from the work of the Skysafe Taskforce, during 2015–16 we enhanced our air traffic management platform, Eurocat, to allow the system to identify any difference between the aircraft’s cleared flight level and the level entered by the aircraft’s flight management system for all ADS-B equipped aircraft. This functionality, introduced in late 2015, enables early identification of errors and enhances safety.

Using satellite technology

We continue to take advantage of new and evolving technologies to provide the aviation industry with opportunities to benefit from modern aircraft designs and avionics systems.

Transitioning to the use of satellites for navigation and the continued expansion of satellite-based air traffic surveillance in areas outside of conventional radar coverage, remained high on Airservices agenda for the year.

The aviation industry switched to using GNSS technology as its primary means of navigation on 4 February 2016, providing greater operational flexibility and increased safety benefits while reducing distances flown per flight, fuel burn and flight times.

As a result, many airports are now provided with straight-in area navigation approach procedures at both ends of the runway, enhancing our navigation service to the industry.

Major milestone reached

As a result of the transition to satellite-based navigation, a significant milestone was reached during the year with the decommissioning of 179 ground based navigation aids taking place from 26 May 2016. This milestone forms part of the introduction of performance based navigation that will deliver a safer and more cost-effective aviation environment.

An industry-selected Backup Navigation Network of 213 ground-based navigation aids remains in place in the unlikely event a pilot is unable to access the satellite service.

Upgrading radars

We continue to maintain and upgrade our existing network of en route radars and in the first half of 2016 commissioned into service an upgraded radar at Mount Macedon. The radar provides surveillance of aircraft operating across Victoria and provides real-time aircraft position information for air traffic controllers. We also commissioned into service a transportable radar at Hann Tableland while we upgrade the Cairns radar.

Meeting ADS-B mandates

As at 30 June 2016, more than 80 per cent of all Instrument Flight Rules (IFR) flights in Australia's airspace were seeing the benefits of using ADS-B, an increase of more than 15 per cent over the year. Benefits include enhanced situational awareness from the cockpit, improved incident, emergency and search and rescue responses and the safer management by air traffic control of aircraft in remote airspace.

On 4 February 2016, ADS-B surveillance was successfully introduced in Western Australia for all IFR aircraft operating within 500 nautical miles of Perth. This enhanced the safety of our air traffic service delivery particularly for large volumes of Fly In, Fly Out (FIFO) mining traffic movements.

As at 30 June 2016, 100 per cent of IFR flights in this region were fitted with and using ADS-B, an increase of 12 per cent over the reporting period.

Through a targeted industry engagement campaign, we have proactively provided education and support of industry fitment of ADS-B technology ahead of the February 2017 regulatory mandate for all IFR flights. Initiatives have included a dedicated telephone information hotline, roadshows, video information, advertising and direct industry engagement.

New ground stations and data feeds

To further enhance our ADS-B coverage, we completed the installation of a further nine ground stations during the financial year, extending the national network to 73 ground stations. These stations, located across Australia, ensure Airservices can offer airspace users increased levels of safety, provide more efficient routes and help reduce aviation's environmental footprint.

We also commenced a project to introduce ADS-B data feeds into our control towers at Tamworth, Albury and Coffs Harbour airports, further enhancing our ability to provide enhanced surveillance and safety benefits to both controllers and pilots operating in regional areas.

Oceanic flight tracking

A report jointly prepared by Inmarsat and Airservices evaluating our oceanic flight tracking trial was finalised and presented to the International Civil Aviation Organization in August 2015, highlighting the value and importance of this Australian initiative to the global aviation community.

The trial allowed aircraft equipped with Automatic Dependent Surveillance Contract (ADS-C) to be more closely tracked while in our oceanic airspace and ensured Australia was one of the first countries in the world to comply with this new international requirement.

This initiative demonstrated our ability to leverage information to provide collaborative and innovative solutions across the industry to support aviation safety.

Supporting our international neighbours

We take a proactive role in developing and sustaining the capabilities of our neighbours in an ongoing effort to improve air safety of the region. This includes formal partnerships with Indonesia and Papua New Guinea as well as assistance to countries such as Solomon Islands, Nauru and Vanuatu.

We provide ongoing assistance to Indonesia through the Government's Indonesian Transport Safety Assistance Package (ITSAP) Program. Some of the highlights for the year include:

- exchange visits for Indonesian and Australian controllers
- data management assistance for Indonesia's recently upgraded air traffic system
- technical support including promotion of ADS-B in the region.

Our counterpart organisation in Papua New Guinea, PNG Air Services Limited (PNGASL), is undertaking infrastructure modernisation, including acquisition of a new air traffic management system and upgrade of radio communications systems. Under a government memorandum of understanding we assisted PNGASL with:

- training in safety management systems and incident investigation
- controller and technician development and mentoring
- airspace re-design modelling skills and data management practices.

As part of a partnership with the Pacific Island Fire Service Association, we worked with the Tasmania Fire Service in November 2015 to train fire fighters from Nauru. This initiative was part of a bilateral program with Nauru focused on capacity and capability development.

Supporting Australian aviation

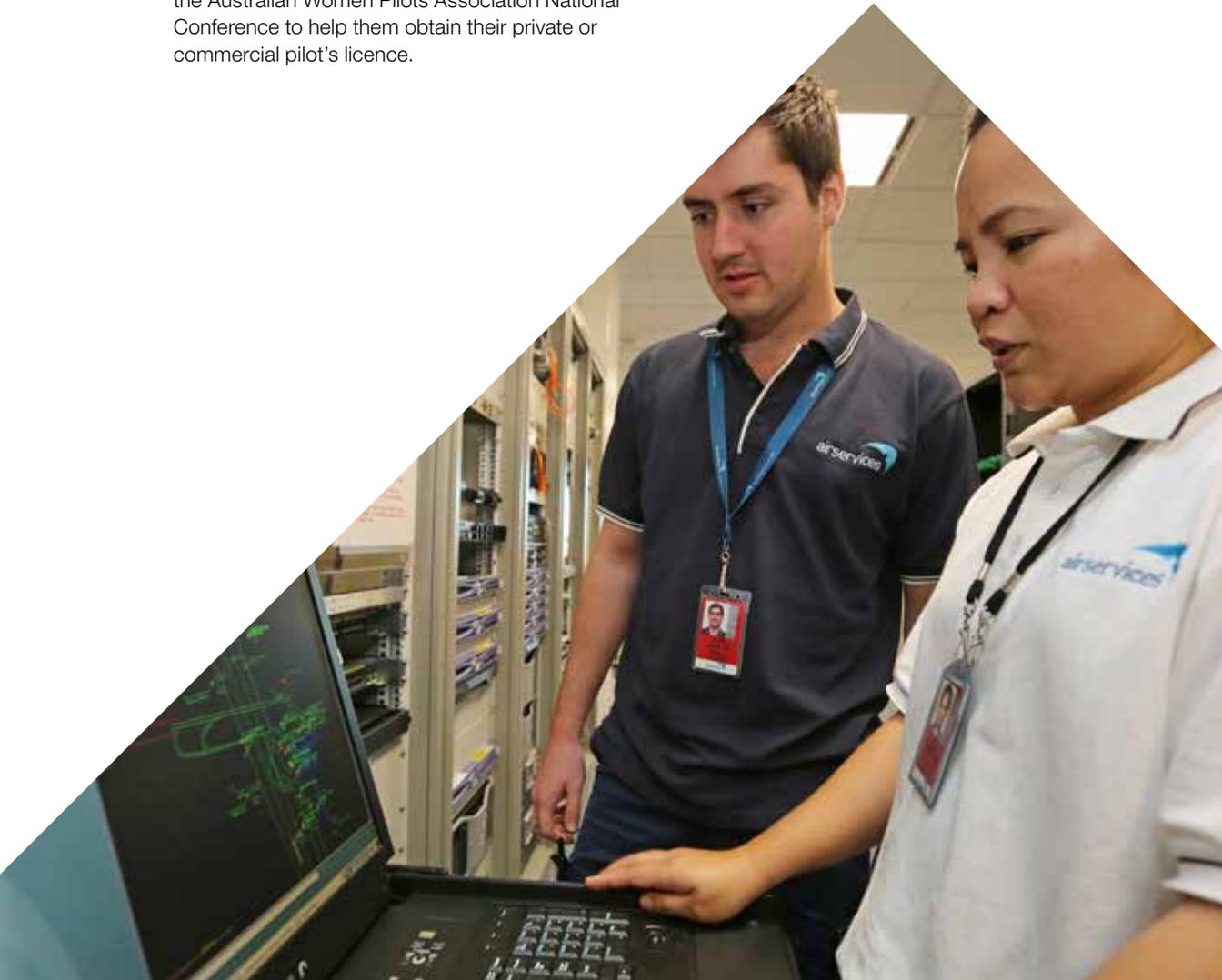
We are proud to foster a greater interest in aviation and to support this, we sponsor a number of organisations, associations and other bodies that offer scholarships to support a career in the aviation industry.

During 2015–16 we provided Learn to Fly Scholarships, in conjunction with the Royal Federation of Aero Clubs of Australia, to four candidates to help pay the cost of obtaining a private or commercial pilot's licence.

In conjunction with Recreation Aviation Australia, we provided scholarships to 10 young adults to complete their flight training and to four women at the Australian Women Pilots Association National Conference to help them obtain their private or commercial pilot's licence.

We also continued to support a range of other organisations including Angel Flight, Historical Aircraft Restoration Society, Royal Aeronautical Society, Royal Flying Doctor Service, Safeskies Conference and Snowy Hydro Southcare.

In December 2015, we also launched 'Connecting the Nation', a web portal developed in collaboration with the University of Canberra. The portal brings together dispersed and hard-to-find collections and helps to tell the story behind Australia's rich aviation heritage.



High performing organisation

Every day, Airservices keeps air travellers safe. We exist to provide safe, secure, efficient and environmentally responsible services to the aviation industry. We depend on our people, leadership and culture to achieve our vision by attracting and retaining talented people, building a flexible, empowered and engaged workforce, and developing inspiring, values-based leadership to ensure we progress as a high performing organisation.

We have implemented a range of changes to our operating environment that have contributed towards our goal of becoming a high performing organisation.

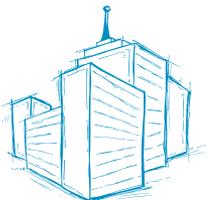


New operating model

During the reporting period, we commenced changes to make Airservices more efficient through our Accelerate Program, further leveraged new technologies to deliver quality training and learning outcomes and recognised the achievements of our people.

Launch of Accelerate program

In March 2016, we launched our Accelerate program to transform the organisation into a more efficient service provider that is more agile and responsive to the changing needs of our customers. The program will reduce business costs while enhancing frontline service delivery.



Project and asset refocus

We have made a commitment to industry to continue delivering our valuable services while restructuring our organisation.

Long Term Pricing Agreement

To enable the lower cost base achieved through the Accelerate Program to be considered as part of a future pricing proposal, in late 2015 we deferred the introduction of a new Long Term Pricing Agreement until July 2017.



Technology

This benefits all domestic and international airlines, as well as charter and general aviation

and follows extensive industry consultation on the draft pricing proposal.

We aim to deliver our services and the OneSKY Australia Program with no real increase in our prices going forward.

With improved management of our assets and projects, and modernisation of our systems and technology, we will be well positioned for a successful future, ensuring our frontline teams can continue to do what they do best—keep travellers safe.



Service improvements

The Accelerate Program will also enable us to ensure a customer-centric approach on what represents value and to focus on these service improvement areas over 2016–17.

The Accelerate Program has three key work streams:

- a new operating model—organising ourselves to work in a different way, with a simpler operating model based on customer needs, with less bureaucracy and more accountability
- project and asset refocus—managing our assets and projects to commercial standards
- technology—making better use of our systems so people can get things done more easily and find the information and data we, and our customers, need.

The launch of the Accelerate Program followed a Business Diagnostic and Efficiency Review initiated and completed during the 2015–16 financial year. The review identified opportunities to reduce the organisation's expense base and remove inefficiencies while continuing to deliver for customers.

New operating model

The new operating model and organisational structure came into effect on 1 July 2016 and puts customers at the centre of Airservices. Two service delivery areas — Aviation Rescue Fire Fighting Services and Air Navigation Services — are the heart of service delivery to customers and will have end-to-end accountability for their own financial and operational performance as owners of assets, projects and workforce capability.

A reduced and restructured corporate centre aims to build a more efficient and agile business that supports service delivery. The new model is intended to simplify the business and make it easier to get work done by resetting accountabilities and promoting improved internal communication and collaboration.

The new supporting leadership structure followed an incremental process to ensure that it best supports our new operating model.

The new operating model will transform the way Airservices works and enable us to become a high performing organisation, through matching our commitment to safety with more customer orientated and commercially rigorous decisions. It builds on work previously undertaken through Airservices culture program, 'Our people, our future' and will also ensure Airservices invests and embraces advances in technology.

Excellence in training

As a Registered Training Organisation we delivered our core operational workforce requirements for the year in alignment with our workforce strategy. This is helping to shape our current and future workforce and ensure our people have access to the best and most up-to-date learning, development and training initiatives.

By introducing basic aviation knowledge pre-course online training we have been able to reduce the length and cost of air traffic control ab-initio courses.

Additional efficiencies were achieved by leveraging new technologies to deliver quality learning outcomes. These included:

- new tower simulators in Perth and Brisbane
- high-fidelity training aids to support core aviation rescue fire fighting competency development
- blended learning using virtual classroom technologies.

Recognising our people

Many of our staff have been recognised this year for their workplace excellence and commitment to service delivery. Air traffic controllers Ashley Edwards and David Burrage were awarded for going above and beyond their duties as part of International Day of the Air Traffic Controller. Rockhampton fire fighting 'B' crew was named Crew of the Year in recognition of its professionalism, initiative, teamwork and community involvement as part of International Fire Fighters day.

We also recognised air traffic control line manager Geoff Turner for his work in leading the coordination of the G20 summit in Brisbane

through a Chairman's Award for Excellence in December.

Our Safety Manager Robert Butcher was honoured by the international aviation community and received the Walter Binaghi Air Navigation Commission Laurel Award during a ceremony in Montreal, Canada, on 5 November 2015. This prestigious international award was in recognition of the contribution Rob has made to further the safety, regularity and efficiency of international civil aviation.

Rob led the development of procedures and aircraft separation minima for Performance Based Navigation Systems and also developed separation minima and aircraft height-keeping monitoring using ADS-B.

Bob Peake was presented with the Public Service Medal in June 2016 for his outstanding public service to aviation safety. Bob was recognised for his exceptional and pioneering contributions to global developments in aviation safety—in particular to Australia's reputation as a world leader in air traffic management and the safe and efficient delivery of air traffic services.

Bob was fundamental to the development of the airborne collision avoidance system (ACAS) and redrafted significant portions of the International Civil Aviation Organization standards for air traffic control radar. He was a founding member of the project team that developed the requirements for The Australian Advanced Air Traffic System (TAAATS) in the 1990s and subsequently was the project manager responsible for its implementation.



Core operational and business excellence

Our performance is focused on enhancing safety, improving capacity, cost effectiveness and realising environmental benefits, while meeting customer needs.

 FUEL HOLDING SAVINGS
370 000 KG BRISBANE
310 000 KG PERTH

 ARFF
RESPONDED TO
7000 CALLS

 SAVING
NINE LIVES

 DIGITAL TOWER
TECHNOLOGY INSTALLED
AT GOLD COAST

 NOISE FLIGHT PATH
MONITORING AT
GOLD COAST AND
TOWNSVILLE

We have implemented a range of changes to our operating environment that help us to deliver core operational and business excellence. Our key performance indicators demonstrate that throughout the year we continued to improve capacity at airports while ensuring safety remained our key driving focus.

Better runway operations, a smoother running air traffic network and programs to improve the predictability of aircraft arrivals rates were some of the factors that helped our customers achieve strong on-time performance statistics throughout the year.

These improvements have been enabled by changes during the reporting period of the plan such as Meteorological Collaborative Decision Making (MET CDM), Airport CDM (A-CDM), further development of the Future Airspace System (FAS) and planning for the replacement of Australia's air traffic management system.

Delivering efficiency improvements

Work progressed on ways to safely bring further efficiency improvements by expanding air traffic flow management to long-haul routes.

We trialled and implemented MET CDM at Melbourne and Brisbane airports. This involved meteorologists at our Canberra-based National Operations Centre working with regional and airline forecasters to produce a more accurate weather forecast. The result is greater flexibility and an ability to better tailor arrival rates to conditions compared to the previous system.

In addition, we began investigating how we can better tackle en route weather conditions

with a program called Calibrated Convective Forecast. This program will examine the impact of significant thunderstorms on en route airspace with the aim of providing further advantages to our customers.

Together with industry, we also agreed a joint concept of operations for A-CDM, which was identified by our customers as a top priority to optimise ground operations during peak periods. A-CDM increases the overall efficiency of airport operations through the use of data to improve the predictability of events.

We also reviewed Traffic Fuel Holding Advisory (FHA) processes nationally. FHA information is published to enable pilots to meet their requirements for sufficient fuel for the flight.

The review, which led to a reduction in FHA at Brisbane and Perth is estimated to result in fuel savings of 370 000 kg per annum at Brisbane and in Perth will save 310 000 kg per annum. A proposal for a reduction in the FHA for Melbourne Airport was implemented in February 2016.

Planning for the future

To effectively manage the forecast growth in air traffic, during 2015–16 we developed a 20-year plan to consolidate current initiatives and ensure we are aligned to the global community through taking into account global efforts. This plan will enable us to deliver a resilient, safe and efficient network well into the future and ensure that we have a basis for sustainable growth beyond 2035.

We continued to focus on further developing our FAS Operating Concept, which is designed to modernise and improve airspace according to international guidelines. When fully deployed, the

FAS is expected to increase airspace capacity, reduce airborne delay, increase fuel efficiency, reduce total passenger delay, cut emissions and increase safety.

Under the umbrella of the FAS, we continued to work with airports and stakeholders on airspace concepts for planning parallel runways in Brisbane, Melbourne and Perth.

We also supported the planning for a Western Sydney Airport. Conceptual airspace designs developed by Airservices demonstrated that a new airport could operate safely and efficiently at Western Sydney and they form the starting point for development of flight paths which will seek to minimise community impact while allowing for safe and efficient operations.

Managing Remotely Piloted Aircraft Systems

In May 2016, we published our operational concept document for the safe and efficient management of Remotely Piloted Aircraft Systems (RPAS) within the controlled airspace environment. It was developed through cross-agency collaboration to influence strategic enhancements to RPAS operations at a national level.

Our capital program

The development of our capital works programme is informed by our technology strategy. During 2015–16 our capital programme was realigned to ensure continued investment in critical safety infrastructure and to prioritise delivery of key service improvements including through the OneSKY Program as it replaces our core Air Traffic Management Systems.

Technology will continue to be a focus as we transition to an information-based service provider to the aviation industry, including:

- enhanced data analytics to improve the efficiency and effectiveness of air navigation operations
- global standards including digital air traffic management implemented across System Wide Information Management and exchange of secure information with our partners
- interoperable systems aligned to global ICAO direction to drive greater automation in whole-of-flight planning and management.

The OneSKY Australia Program

The safety, efficiency and overall performance of the Australian aviation industry is underpinned by the nation's air traffic management system. The OneSKY Australia Program aims to unify Australian skies under one air traffic management system for both civil and military airspace. It is a large, complex project that has both parallel activities and a number of supporting projects and initiatives underway.

OneSKY will deliver many benefits to industry—a single flight information region will enable greater flexibility in how we use airspace, and improved system capacity and modular format will enable us to keep pace with global technological changes in a cost-efficient manner.

In July 2015, we continued to advance OneSKY as we worked through contractual arrangements and system definition. We signed four work orders to prepare the way for the joint system, commencing with the initial contracts for the design and build of the software system with Thales Australia and culminating with the signing in February 2016 of the fourth Advanced Work Order. These will ensure safe and reliable delivery of services for the future air traffic management system.

Modernising our systems and facilities

The Accelerate Program will work alongside OneSKY to transform Airservices by modernising our systems, encouraging innovation and allowing us to capitalise on new and emerging technologies.

Approvals were received for the critical facilities projects such as Air Traffic Service Centre extensions and Civil Military Air Traffic System (CMATS) equipment rooms, crucial and enabling bodies of work for OneSKY.

Construction commenced on the equipment rooms in Melbourne and Brisbane. These will house equipment—ranging from communications to voice recording equipment—that is needed for Australia's future air traffic management system.

Digital tower technology was installed and commissioned into the control tower at Gold Coast and commissioned in March 2016. Work also began on installing the technology at Perth Airport, helping to ensure Airservices is well placed to meet the growth in air traffic and to support the introduction of OneSKY.

Work also progressed on the integration of the Adelaide and Cairns Terminal Control Units, with the project formally moving into the execution phase. Controller training to support the transition continued and air traffic control consoles in Brisbane and Melbourne Centres were also reorganised to facilitate and support the future integration of the terminal area function.

Our aviation rescue fire fighting service

During the year we also focused on ensuring our aviation rescue fire fighters were ready and able to respond to any incident. They responded to more than 7000 calls at the 26 airports where we provide aviation rescue fire fighting (ARFF) services during the year, with 395 being aircraft

related incidents. Our fire fighters were also responsible for saving nine lives during the year.

In March 2016, we commissioned a new fire station at Hamilton Island, replacing a temporary station. Construction of the purpose-built station took less than 12 months and further enhances our ability to provide vital, regulated services to the industry and travelling public. Upgrades to existing ARFF facilities also began at Brisbane, Perth and Canberra airports.

In 2015–16, we also upgraded the level of ARFF service we provide to industry at Newman and Alice Springs airports, from Category 6 to Category 7. In preparation of the commencement of international services to Canberra Airport from September 2016, we also began to prepare to upgrade services at Canberra Airport from Category 7 to Category 8.

We continued to proactively work on the issue of perfluorooctane sulfonate (PFOS) and perfluorooctanoic acid (PFOA) as a result of past use of fire fighting foams containing these chemicals. There are two fundamental pillars that have guided our approach—the health and safety of our staff and the community and reporting our findings to regulators and airports.

Our activities during the year included undertaking sampling at Launceston, trials for treatment of impacted waste water and soil, further preliminary site investigations for key locations and further trialling possible water treatment technologies.

Improving noise outcomes for the community

Over 2015–16 we improved our capability to predict the environmental impacts of aircraft noise at major airports, and developed the capability to predict and measure aircraft noise at regional airports. This included extending the Noise and Flight Path Monitoring System (NFPMS) to include Gold Coast and Townsville, developing an airport-wide noise model for Adelaide and Brisbane, establishing a short-term noise monitoring program across a number of airports and developing protocols for monitoring aircraft noise at regional airports.

We also continued to focus on investigating noise improvements and implementing them where appropriate. In Brisbane, we introduced public Smart Tracking (RNP-AR) procedures. In Adelaide, we changed jet departures at night to keep aircraft higher and minimise the impact on noise sensitive areas.

We developed and released a ‘Fly Neighbourly’ agreement for operators at Archerfield Airport and undertook a data validation study at Perth Airport. The results of this study, released in May 2016, found that actual noise experienced by residents accurately reflects the noise modelling used by Airservices.



Maximising Safety Performance

The aspiration target for performance metrics under the maximising safety performance area is zero.

Performance Measure	Trend data	Analysis/Comments
<p>ATS attributed en route LoS rate</p> <p>Air Traffic Service attributed number of en route loss of separation (LoS) occurrences per 100,000 flight hours.</p>		<p>In 2015–16 we achieved a rate of 0.97 compared with 0.70 in 2014–15 and 1.59 in 2013–14.</p> <p>The 0.97 equates to 17 occurrences over more than 1.7 million flight hours.</p> <p>As occurrence data is dynamic and subject to change following a review of the occurrence, these figures may not align with figures reported in previous annual reports.</p>
<p>ATS attributed terminal area LoS rate</p> <p>Air Traffic Service attributed number of terminal area loss of separation (LoS) occurrences per 100,000 movements.</p>		<p>In 2015–16 we achieved a rate of 1.86 compared to 1.69 in 2014–15 and 1.29 in 2013–14.</p> <p>The 1.86 equates to 24 occurrences over more than 1.2 million aircraft movements.</p> <p>As occurrence data is dynamic and subject to change following a review of the occurrence, these figures may not align with figures reported in previous annual reports.</p>
<p>ATS attributed tower LoS rate</p> <p>Air Traffic Service attributed number of tower loss of separation (LoS) occurrences per 100,000 movements.</p>		<p>In 2015–16 we achieved a rate of 0.51 compared with 0.64 in 2014–15 and 0.58 in 2013–14.</p> <p>The 0.51 equates to 15 occurrences over more than 2.9 million aircraft movements.</p> <p>As occurrence data is dynamic and subject to change following a review of the occurrence, these figures may not align with figures reported in previous annual reports.</p>

Performance Measure	2013-14 actual	2014-15 actual	2015-16 target	2015-16 actual	Analysis/Comments
ATS attributed runway incursions	1	2	0	1	In 2015-16 there was one ATS attributed ICAO B Runway incursion occurrence which involved a helicopter.
Number of ICAO Class A or B Airservices Air Traffic Service attributable runway incursions.					
Aircraft in critical proximity	2	2	0	0	There were no instances of aircraft in critical proximity attributable to Airservices in 2015-16.
Number of Air Traffic Service attributable instances of aircraft in critical proximity.					
Lost time injury frequency rate	8.5	6.6	0	5.80	In 2015-16 this measure was amended to be consistent with industry standard. This resulted in a higher rate than previously reported.
Those occurrences that resulted in a fatality, permanent disability, or time lost from work of one day/shift or more.					
WHS occurrence rate	0.53	0.46	0	0.40	The 2015-16 result is 0.40 compared to 0.46 for the same period last year. Although the description of the measure slightly changed, the method of calculation has remained the same and are comparable.
Number of occurrences lodged (excluding dangerous incidents and non-work-related reports) for every 100 head count of employees.					
Serious injury or illness rate	-	-	0	0.35	This is a new KPI and a year-on-year comparison is not available.
Number of serious incidents lodged for every FTE million hours worked.					
Safety management system maturity benchmark	Achieved	Achieved	Top Industry Quartile	Achieved	The benchmark results were released in October 2015 and Airservices was in the top industry quartile.
External assessment of the maturity of Airservices Safety Management System (SMS) against the Civil Air Navigation Services Organisation (CANSO) Standard of Excellence in SMS.					

High Performing Organisation

Performance Measure	2013-14 actual	2014-15 actual	2015-16 target	2015-16 actual	Analysis/Comments
Employee engagement survey Expressed as a percentage of staff commitment to Airservices and willingness to invest effort in the success of the organisation.	n/a	n/a	75th percentile	Achieved	The target of 75th percentile equates to a result of 76 per cent. The Engagement Index for the 2015 Employee Opinion Survey (EOS) was 77 per cent. A pulse survey was conducted during 2014-15 with a result of 80 per cent.
EOS diversity and inclusion index Expressed as a percentage of the extent to which employees feel that the work environment is inclusive of all employees and supportive of diversity in the workplace (derived using seven questions from EOS survey).	-	-	75th percentile	20th percentile	This is a new KPI and as such provides a baseline for improvement.
Increased diversity	-0.62 %	-	-	-	In 2013-14, the diversity KPI used an aggregated result of our focus areas (participation of women in non-traditional roles, Indigenous Australians and people with disabilities).
Increase in the participation of Airservices workforce by Indigenous Australians	-	> 0.10%	Increase	0.29 percentage point improvement	In 2014-15, the KPI was split into three parts, as follows. In 2015-16, 1.21% of all Airservices staff self-identified as Indigenous Australians. The 1 July 2014 baseline was 0.92%.
Increase in the participation of Airservices workforce by people with disabilities	-	< 0.08%	Increase	0.05 percentage point decline	In 2015-16, 1.10% of all Airservices staff self-identified as having a disability. The 1 July 2014 baseline was 1.15%.

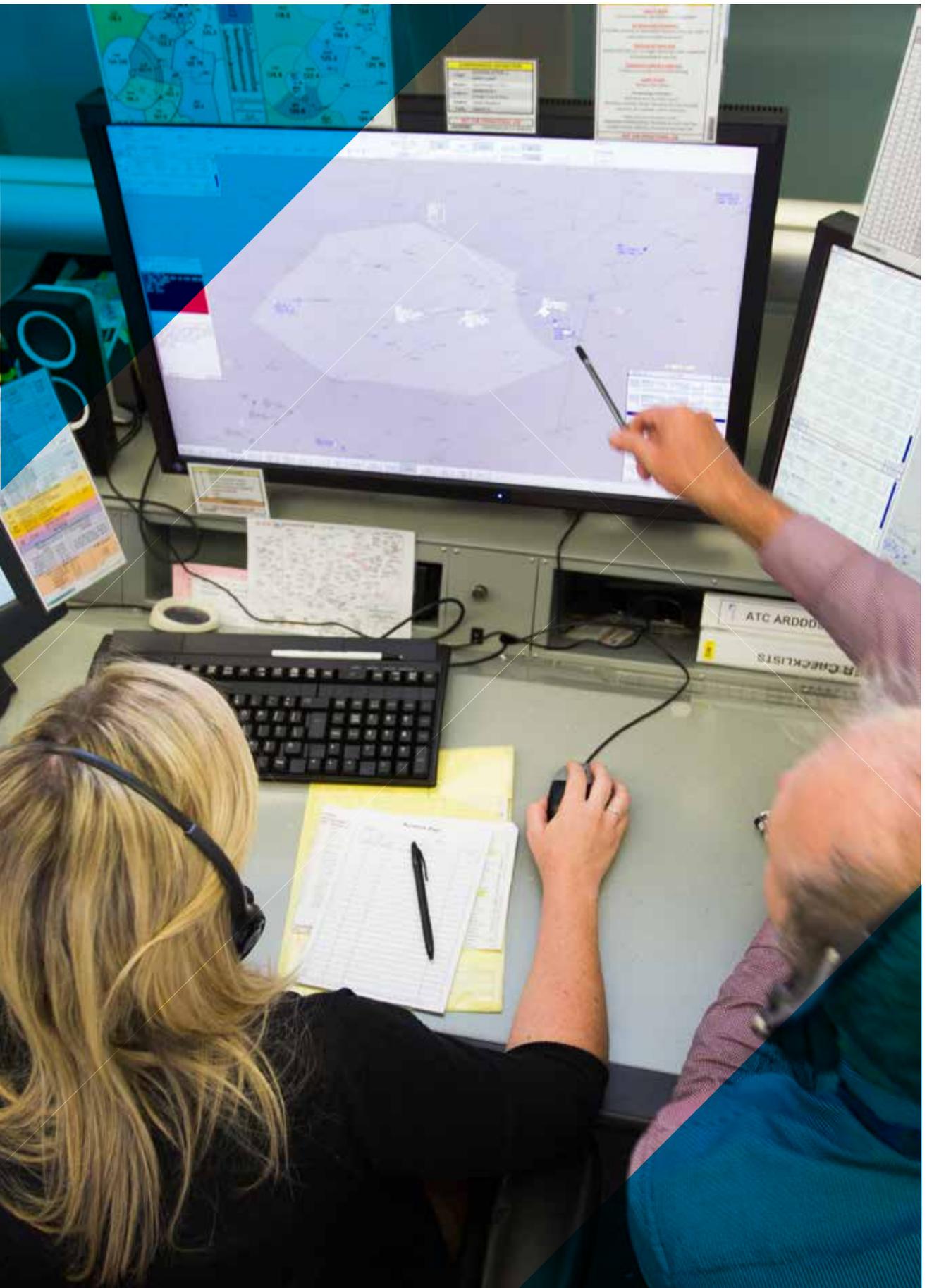
Performance Measure	2013-14 actual	2014-15 actual	2015-16 target	2015-16 actual	Analysis/Comments
Increase in the number of women in operational roles	-	> 0.51%	-	-	In 2014-15, this KPI was an aggregated result for Air Navigation Services (ANS) and Aviation Rescue Fire Fighting Services (ARFFS) operational roles. In 2015-16, this KPI was refined to provide clarity across our operational and technical services.
<ul style="list-style-type: none"> 20% of new ARFF operational recruits 	-	-	5 female recruits	7 female recruits	In 2015-16, Airservices undertook targeted initiatives to refine recruitment to improve gender balance.
<ul style="list-style-type: none"> Air Traffic Control 	-	-	24% by Jun 2019	13.79%	This result is a 0.82 percentage point increase from the 1 July 2015 baseline of 12.97%.
<ul style="list-style-type: none"> Projects and Engineering 	-	-	22% by Jun 2019	7.03%	This result is a 0.24 percentage point increase from the 1 July 2015 baseline of 6.79%.
Increase in the number of women in leadership roles.	-	-	30% by Jun 2017	21.23%	In 2015-16 the diversity KPI was expanded to include this measure.
Annual Training Demand					
Number of qualifications issued against accredited training (ARFF)	263 (target of 175)	234 (target of 175)	234	235	
Number of ATS recruits endorsed (ATC)	60 (target of 75)	75 (target of 80)	80	79	

Core Operational and Business Excellence

Performance Measure	2013-14 actual	2014-15 actual	2015-16 target	2015-16 actual	Analysis/Comments
Capital project delivery					
Percentage of major and significant other projects delivered:					
▪ On time	48%	63%	> 90%	55%	To improve the way Airservices delivers our capital works programme, we are implementing a new approach to managing our assets and projects effectively and efficiently. Over 2016-17, as part of our Accelerate Program, we are moving to the Portfolio, Program and Project Management (P3M) model.
▪ Within budget	83%	85%	> 90%	95%	
▪ Within scope	-	85%	> 90%	68%	
ATS availability	99.82%	99.95%	> 99.9%	99.96%	
Hours of Air Traffic Service availability as a percentage of total hours of coverage.					
Distribution of airborne delay					
A percentage of the total count of flights delayed more than 15 minutes.					
▪ Brisbane	-	-	<10% /m	3%	These KPIs continue to be refined to provide improved clarity of demand-capacity imbalances and the effectiveness of Airservices initiatives across the network.
▪ Melbourne	-	-	<5% /m	3%	
▪ Perth	-	-	<7% /m	1%	
▪ Sydney	-	-	<5% /m	2%	
Average airport delay					
The average delay in minutes.					
▪ Brisbane	n/a	n/a	5.10	5.00	Sydney airborne delays are not available due to Maestro availability issue.
▪ Melbourne	n/a	n/a	4.50	4.42	
▪ Perth	n/a	n/a	5.30	3.65	
▪ Sydney	n/a	n/a	3.30	n/a	

Performance Measure	2013-14 actual	2014-15 actual	2015-16 target	2015-16 actual	Analysis/Comments
Runway capacity achieved	101.94%		>95%		Prior to 2014-15, results were an aggregated result. From 2014-15, these were segregated by major airports.
Percentage of maximum runway movement capacity delivered during peak periods					
▪ Brisbane	-	105.08%	>95%	99%	Where an airport exceeded the maximum calculated capacity, a result of more than 100% is achieved.
▪ Melbourne	-	112.70%	>95%	105%	
▪ Perth	-	101.54%	>95%	101%	
▪ Sydney		95.71%	>95%	91%	The unavailability of the Precision Runway Monitor (PRM) during April and May along with seasonal weather reduced the arrival efficiency over the year.
ARFF operational preparedness	99.89%	99.94%	>99.9%	99.94%	
Percentage of time ARFF resources were available to meet required category according to the regulated service category for the aerodrome.					
ARFF response time	-	99.64%	100%	99.78%	This KPI was introduced in 2014-15.
Percentage of total responses to aircraft incidents on the aerodrome movement area within 3 minutes.					In December 2015 there was a delay in the initiation of an ARFF response to an abnormal landing in Perth. An investigation was undertaken and a national improvement program developed.
NCIS compliance	99%	100%	≥ 95%	100%	
Noise complaints and information service (NCIS) compliance to prescribed response times for complaints and enquiries.					
Noise improvements investigated	41	29	25 annually	26	For 2015-16, 26 noise improvement proposals were investigated and 8 improvements were delivered.
Number of noise improvement proposals investigated.					

Performance Measure	2013-14 actual	2014-15 actual	2015-16 target	2015-16 actual	Analysis/Comments
Noise information	44	44	Reports for 10 locations every quarter	44	
Aircraft noise information and complaint reports made available to the community and industry.					
Stakeholder satisfaction	92%	97%	> 80% satisfaction	n/a	A stakeholder satisfaction survey was not conducted for 2015-16.
Percentage of key stakeholders who are satisfied to very satisfied with their relationship with Airservices and the organisation's service delivery.					From 2016-17, we are moving to an industry advocacy score.
Return on assets	1.44%	0.27%	2.60%	-6.44%	This is a direct result of the increased expenses associated with the Accelerate Program and related restructuring costs
Airservices annual earnings as a percentage of Airservices total assets.					





Financial statements

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INDEPENDENT AUDITOR'S REPORT

To the Minister for Infrastructure and Transport

I have audited the accompanying annual financial statements of Airservices Australia for the year ended 30 June 2016, which comprise:

- Statement by Directors, Chief Executive Officer and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and forming part of the Financial Statements comprising an Overview, Summary of Significant Accounting Policies and other explanatory information.

Opinion

In my opinion, the financial statements of Airservices Australia:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of Airservices Australia as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Accountable Authority's Responsibility for the Financial Statements

The Directors of Airservices Australia are responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act and is also responsible for such internal control as the Directors determine are necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from material misstatement.

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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

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circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, 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 my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Australian National Audit Office



Jodi George
Audit Principal

Delegate of the Auditor-General

Canberra
7 September 2016

Airservices Australia

STATEMENT BY DIRECTORS, CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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

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

		
Sir Angus Houston Chair	Jason Harfield Chief Executive Officer	Paul Logan Chief Financial Officer

Canberra, 7 September 2016

Airservices Australia
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
CONTINUING OPERATIONS			
INCOME			
Airways revenues	1.1	1,000,645	975,032
Finance income	1.1	2,858	4,977
Other business revenue		23,507	22,724
Miscellaneous income		3,046	4,967
Reversal of previous asset write-down		376	4,600
TOTAL INCOME		1,030,432	1,012,300
EXPENSES			
Employee benefits	1.2	696,653	667,119
Employee benefits - restructuring costs	1.2	105,600	-
Suppliers		198,495	184,235
Suppliers - restructuring costs		20,704	-
Depreciation and amortisation	2.3	143,590	131,970
Finance costs	1.2	19,310	17,795
Write-down and impairment of assets	1.2	25,014	4,391
Net loss on disposal of non-current assets	1.2	1,936	924
TOTAL EXPENSES		1,211,302	1,006,434
PROFIT / (LOSS) BEFORE INCOME TAX		(180,870)	5,866
Income tax expense / (benefit)	1.3	(53,528)	1,357
PROFIT / (LOSS) AFTER INCOME TAX		(127,342)	4,509
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Gain on revaluation of land, buildings and plant & equipment		5,082	13,786
Actuarial (loss) / gain on defined benefit fund	4.2	(43,234)	130,026
Income tax on items that will not be reclassified to profit or loss		11,446	(43,144)
Items that may be reclassified subsequently to profit or loss			
Foreign exchange hedge		(324)	520
Income tax on items that may be reclassified to profit or loss		97	(156)
TOTAL OTHER COMPREHENSIVE INCOME NET OF TAX		(26,933)	101,032
TOTAL COMPREHENSIVE INCOME		(154,275)	105,541

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Airservices Australia
STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
CURRENT ASSETS			
Cash and cash equivalents	3.1	370,951	56,244
Trade and other receivables	2.1	120,428	130,669
Prepayments		10,705	14,372
Inventories		1,674	1,583
Assets classified as held for sale	2.2	161	100
Other current financial assets	2.6	4,061	736
Other current assets	2.7	72	90
TOTAL CURRENT ASSETS		508,052	203,794
NON-CURRENT ASSETS			
Property, plant and equipment	2.3	1,170,906	1,164,624
Intangible assets	2.3	112,193	96,379
Deferred tax assets	1.3	43,456	-
Defined benefit fund asset	4.2	123,999	160,706
Other non-current financial assets	2.6	19,649	20,988
TOTAL NON-CURRENT ASSETS		1,470,203	1,442,697
TOTAL ASSETS		1,978,255	1,646,491
CURRENT LIABILITIES			
Trade and other payables	2.5	95,793	105,259
Employee provisions	4.1	335,735	220,326
Other provisions	2.5	29,007	6,100
Borrowings	3.3	229,708	59,772
Other current financial liabilities	2.6	655	791
Other current liabilities	2.7	1,429	950
TOTAL CURRENT LIABILITIES		692,327	393,198
NON-CURRENT LIABILITIES			
Deferred tax liability	1.3	-	22,032
Employee provisions	4.1	56,128	53,451
Other provisions	2.5	23,886	11,570
Borrowings	3.3	669,283	471,472
Other non-current financial liabilities	2.6	5,996	5,469
Other non-current liabilities	2.7	6,041	7,597
TOTAL NON-CURRENT LIABILITIES		761,334	571,591
TOTAL LIABILITIES		1,453,661	964,789
NET ASSETS		524,594	681,702
EQUITY			
Contributed equity		222,190	222,190
Reserves		119,757	117,398
Retained earnings		182,647	342,114
TOTAL EQUITY		524,594	681,702

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Airservices Australia
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2016

	Retained earnings		Asset revaluation reserve		Foreign exchange hedge reserve		Total reserves		Contributed equity		Total equity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	
Opening balance	342,114	256,489	116,817	107,936	581	217	117,398	108,153	222,190	222,190	681,702	586,832
Comprehensive income												
Defined benefits actuarial gains - gross	(43,234)	130,026	-	-	-	-	-	-	-	-	(43,234)	130,026
Defined benefits actuarial gains - income tax effect	12,970	(39,008)	-	-	-	-	-	-	-	-	12,970	(39,008)
Net revaluation - gross	-	-	5,082	13,786	(324)	520	4,758	14,306	-	-	4,758	14,306
Net revaluation - income tax effect	-	-	(1,525)	(4,136)	97	(156)	(1,428)	(4,292)	-	-	(1,428)	(4,292)
Profit for the period	(127,342)	4,509	-	-	-	-	-	-	-	-	(127,342)	4,509
Total comprehensive income	(157,606)	95,527	3,557	9,650	(227)	364	3,330	10,014	-	-	(154,276)	105,541
Transactions with owners												
Returns on capital												
Dividends	(3,000)	(11,000)	-	-	-	-	-	-	-	-	(3,000)	(11,000)
Transfers between equity components												
Revaluation reserve - disposals	1,139	1,098	-	-	-	-	-	-	-	-	1,139	1,098
Revaluation reserve - disposals (net of tax)	-	-	(797)	(769)	-	-	(797)	(769)	-	-	(797)	(769)
Revaluation reserve - impairments (net of tax)	-	-	(174)	-	-	-	(174)	-	-	-	(174)	-
Closing balance	182,647	342,114	119,403	116,817	354	581	119,757	117,398	222,190	222,190	524,594	681,702

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Airservices Australia
CASH FLOW STATEMENT
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received			
Receipts from customers (inclusive of GST)		1,129,972	1,096,712
Income tax refund		15,161	9,688
Interest received		1,431	2,109
Cash used			
Payments to suppliers and employees (inclusive of GST)		(992,764)	(936,732)
Borrowing costs		(20,218)	(17,170)
Income tax paid		(3,830)	(19,615)
Net cash flows from operating activities	3.2	<u>129,752</u>	<u>134,992</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant, equipment and intangibles		50	126
Cash used			
Purchase of property, plant, equipment & intangibles		(182,095)	(188,362)
Net cash flows used in investing activities		<u>(182,045)</u>	<u>(188,236)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received			
Proceeds from borrowings		460,000	40,000
Cash used			
Dividends paid		(3,000)	(11,000)
Repayments of borrowings		(90,000)	-
Net cash flows from / (used in) financing activities		<u>367,000</u>	<u>29,000</u>
Net increase / (decrease) in cash and cash equivalents		<u>314,707</u>	<u>(24,244)</u>
Cash and cash equivalents at the beginning of the reporting period		<u>56,244</u>	<u>80,488</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	3.1	<u>370,951</u>	<u>56,244</u>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****Overview****Basis of preparation**

Airservices is an Australian Government owned for-profit entity. The financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and Financial Reporting Rules (FRR) made under the PGPA Act 2013.

The financial statements are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act 2013) and are general purpose financial statements for the year ended 30 June 2016. The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 7 September 2016.

Historical cost convention

These financial statements have been prepared on an accrual basis and 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 and loss, and certain classes of property, plant and equipment.

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 Airservices 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 the following notes:

- | | |
|--|----------|
| • Recoverable amount of other financial assets | Note 2.6 |
| • AvSuper defined benefits | Note 4.2 |
| • Long Service Leave & Early Retirement Benefits | Note 4.2 |

Compliance with IFRS

The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Significant changes in the current reporting period

Airservices underlying Net Profit After Tax (NPAT) of \$1.8m remained broadly in line with the previous year's results, largely due to the continuation of the cost containment program which commenced in 2014-15 which kept staff and supplier costs growth down to 2.1%, to help mitigate the impact of weak airways revenue growth of 2.6% (refer **Table 1** below).

During the 2015-16 reporting period it became clear that the incremental improvements from the cost containment program would not address the fundamental issues of a growing cost base and revenue levels \$30m per annum less than originally forecast in the 2011 Long Term Pricing Agreement. As a result of this, Airservices embarked on a business transformation program with the aim of repositioning the organisation to become a more efficient services provider that is responsive to changing customer needs. The program, known as the Accelerate Program, focuses on three specific improvement areas across the organisation including changes to the operating model, project and asset refocus and technology enablement.

The implementation of the Accelerate Program plan is estimated to deliver annualised savings of approximately 15% (\$155m) from 1 July 2017. To achieve these savings, one-off implementation costs of approximately \$126m were incurred during the 2015-16 financial year consisting of redundancies and other direct costs associated with the program.

The Accelerate Program has significantly changed the strategic direction of the organisation, which has been reflected in the 5 year Corporate Plan and the forward capital works program. As a consequence of this strategic realignment, a number of projects have been discontinued, which has resulted in an impairment of assets under construction of \$25m, or 11 per cent.

The 2015-16 financial year also saw an increased awareness of the issues regarding polyfluorinated chemical (PFC) contamination. Airservices has and continues to take a scientific, risk-based approach to managing its response to PFCs at our sites. To facilitate this and continued PFC related activity, an additional \$24m was provided for at 30 June 2016.

Airservices Australia
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Table 1:

	2016	2015
Underlying Net Profit After Tax (NPAT) - Year on Year	\$'000	\$'000
INCOME		
Airways revenues	1,000,645	975,032
Other revenue	29,787	37,268
Total Income	1,030,432	1,012,300
Expenses (excluding costs not associated with underlying performance)		
Employee benefits	694,232	667,119
Suppliers	174,772	184,235
Total staff and supplier costs	869,004	851,354
Finance costs	19,310	17,795
Asset related expenses	138,526	137,285
Total expenses	1,026,840	1,006,434
Profit before income tax	3,592	5,866
Income tax expense	1,811	1,357
Underlying NPAT	1,781	4,509
Less: Costs not associated with underlying performance		
Restructuring costs	(126,304)	
TCU Integration costs	(2,421)	
Increase in PFC provision	(23,723)	
Accelerated depreciation due to restructure	(7,000)	
Asset impairments	(25,014)	
Less: tax impact	55,339	
Net Profit / (Loss) After Income Tax	(127,342)	

New Accounting Standards

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. No new or revised pronouncements were issued prior to finalisation of the financial statements that were applicable to the current reporting period and had a material impact on the entity.

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 Chair, Chief Executive Officer and Chief Financial Officer and could have a material impact on Airservices for future reporting periods.

Reference	Title	Summary	Application date of standard	Application date for Airservices
AASB 9	Financial Instruments	<p>AASB 9 has been replacing AASB 139 <i>Financial Instruments: Recognition and measurement</i> in a phased approach. The phases of the project were:</p> <ol style="list-style-type: none"> 1) Classification & Measurement This phase was first published in November 2009 and updated in December 2010. It addresses the categorisation of financial assets and liabilities. The anticipated adoption of this phase of the Standard is unlikely to have significant impact on Airservices future results. 2) Impairment This phase was published in July 2014. It introduces a new impairment model to financial assets measured at amortised cost and moves provisioning from an incurred to an expected loss model. Airservices will need to apply the new impairment model to its trade receivables. Management is currently assessing the impact of this phase which will require modifications to the current provisioning policies but it is anticipated that the adoption of this phase is unlikely to have a material impact on Airservices future results. 3) Hedge accounting Although hedge accounting was phase 3, it was actually completed in November 2013, prior to phase 2 on impairment. This phase introduces a new hedge accounting model to simplify hedge accounting outcomes and more closely aligns hedge accounting with risk management objectives. Currently Airservices does not apply hedge accounting to its interest rate swap portfolio 	1 Jan 2018	1 Jul 2018

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Reference	Title	Summary	Application date of standard	Application date for Airservices
		and movements in the portfolios fair value are recorded in the Statement of Comprehensive Income. As a result, this phase of the Standard is unlikely to have significant impact on Airservices future results. The final Standard was published in December 2014. The Standard also introduces a number of new disclosure requirements across all three phases.		
AASB 15	Revenue from Contracts with Customers	The final version of AASB 15 was issued in December 2015. Application of AASB 15 will result in alignment of revenue recognition with the satisfaction of performance obligations in contracts with customers. Transitional provisions require retrospective application with the cumulative impact recognised as an adjustment to equity. A preliminary assessment of the Standard indicates it is unlikely to have a significant impact on Airservices future revenue recognition, as current practice is generally aligned with the Standard. Airservices will continue to monitor the impact of future contracts leading up to 1 July 2018.	1 Jan 2017	1 July 2018
AASB 16	Leases	The final version of AASB 16 was issued in February 2016. AASB 16 removes the lease classification test for lessees and requires all leases (including those classified as operating leases) to be brought onto the balance sheet. There is new guidance on when an arrangement would meet the definition of a lease. Airservices is assessing the potential impact of the application of AASB 16 on its financial statements, including the potential impact of the various transition provisions available. On a high level basis, if Airservices was to adopt AASB 16 as at 30 June 2016, the present value of the future minimum lease payments for non-cancellable operating leases as noted in Note 1.2 would be recognised as a financial liability in the Statement of Financial Position, and under one of the transition provisions available, it would recognise a corresponding amount as a Right-of-Use asset. Leases with terms of 12 months or less and for low-value items will be recorded as expenses.	1 Jan 2019	1 July 2019

All other new or revised standards and/or interpretations that were issued prior to the sign-off date and are applicable to future reporting periods are not expected to have a future material effect on the entity's financial statements.

Foreign currency translation**Functional and presentation currency**

Items included in the financial statements of Airservices are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Australian dollars, which is Airservices 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, and non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

Taxation

Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST) is applicable to Airservices. Refer to Note 1.3 Taxation for further information relating to income tax.

Working Capital

Current assets are approximately 93% of current liabilities when the current employee benefit provisions expected to be taken greater than 12 months are excluded from the working capital calculation. This shortfall is expected to be met by the continuation of positive operating cashflows. In addition, management has committed funding facilities (which include standby facilities of \$230m - refer Note 3.4) to ensure the organisation can address both expected and unexpected short term liquidity requirements.

Airservices Australia

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Our Financial Performance

This section analyses the financial performance of the Airservices Australia for the year ended 2016.

1.1 Revenue

	2016	2015
	\$'000	\$'000
Airways revenue		
Airways Revenue	<u>1,000,645</u>	<u>975,032</u>

Economic dependency

Airservices is dependent on airline activity in the Australian aviation industry, of which the Qantas and Virgin Groups are the dominant operators. Of the airways revenue earned during the year 31% (2015: 28%) related to the Qantas Group excluding the Jetstar Group, 13% (2015: 11%) related to the Jetstar Group, and 23% (2015: 20%) related to the Virgin Group (including Tiger Airways Australia).

Accounting Policy**Airways Revenues**

Revenue is recognised when services are rendered for both airways and other business 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). Underpinning this agreement are risk sharing provisions which compensate parties where either airways activity volumes exceed or do not achieve agreed levels, costs vary due to regulatory change, or capital expenditure levels vary substantially from agreed investment levels.

Finance income		
Deposits	1,419	826
Cash at bank	532	637
Interest rate swap fair value gain	581	2,922
Other	326	592
Total finance income	<u>2,858</u>	<u>4,977</u>

Accounting Policy**Finance income**

Finance income is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

1.2 Expenses

Employee benefits		
Wages and salaries	473,014	450,089
Superannuation (defined contribution funds)	53,152	48,036
Leave and other entitlements	141,677	132,577
Separation and redundancies - restructuring costs	105,600	-
Separation and redundancies - other	6,789	4,613
Employee benefits (excluding defined benefit superannuation expense)	<u>780,232</u>	<u>635,315</u>
Net defined benefit superannuation expense recognised in employee benefits		
Current service cost	30,535	34,213
Net interest expense	(8,514)	(2,409)
Defined benefit superannuation expense	<u>22,021</u>	<u>31,804</u>
Total employee benefits	<u>802,253</u>	<u>667,119</u>
Finance Costs		
Loans	17,460	16,632
Other	1,850	1,163
Total finance costs	<u>19,310</u>	<u>17,795</u>

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Airservices Australia

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2016	2015
	\$'000	\$'000
Write-down and impairment of assets		
Impairment of navigation augmentation system receivable	-	26
Impairment of property, plant and equipment	24,893	4,365
Impairment of intangible assets	121	-
Total write-down and impairment of assets	<u>25,014</u>	<u>4,391</u>
Impaired loss on trade and other receivables		
Movement in allowance for impairment (receivables)	98	(21)
Bad debts written off	280	259
Total bad and doubtful debt expense	<u>378</u>	<u>238</u>
Gain/(loss) from sales/(write-off) of assets		
Proceeds from disposal of non-current assets	50	116
Written-down value of disposed non-current assets	(25)	(87)
Proceeds from disposal of assets held for sale	-	10
Written-down value of disposed assets held for sale	-	(10)
Net gain / (loss) from sale of assets	<u>25</u>	<u>29</u>
Written down value of scrapped assets	(1,961)	(953)
Net loss from disposal of non-current assets	<u>(1,936)</u>	<u>(924)</u>
Operating lease charges	<u>23,323</u>	<u>24,001</u>

Leasing commitments

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. The 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 general practice that at the completion of these lease terms, these items are returned to the lessor.

Leases for office accommodation

Airservices leases are subject to differing review mechanisms which can include fixed increases, CPI or market review.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	22,847	23,064
Between 1 to 5 years	62,916	77,697
More than 5 years	88,574	85,797
Total operating lease commitments	<u>174,337</u>	<u>186,558</u>

Commitments are GST inclusive where relevant.

Accounting Policy**Employee Benefits**

Accounting policies for employee related expenses is contained in the Our People section (refer to Section 4).

Operating leases

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****1.3 Taxation**

	2016 \$'000	2015 \$'000
Income tax		
Current tax	(10,751)	(5,126)
Deferred tax	(42,777)	6,483
Income tax attributable to profit from continuing operations	(53,528)	1,357
Reconciliation of income tax to prima facie tax payable		
Profit from continuing operations before income tax expense	(180,870)	5,866
Prima facie income tax expense at 30%	(54,261)	1,760
Tax effect of amounts which are not deductible/assessable in calculating taxable income:		
Non-deductible legal costs	61	-
Other non-deductible/(assessable) expenditure	(226)	(408)
Prior year over provision of tax	234	(9)
Unrealised losses on revaluation of assets to fair value	664	14
Income tax	(53,528)	1,357

Accounting Policy**Income tax**

The income tax expense for the year is the tax payable on the current year's taxable income based on the notional income tax rate. It is then adjusted for any 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.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Comprehensive Income.

Deferred tax liability**The balance comprises temporary differences attributable to:***Amounts recognised in the statement of comprehensive income*

Depreciation for accounting purposes	(19,540)	(20,596)
Allowance for impairment	476	447
Employee benefits	97,286	63,673
Provision for revenue to be returned to customers	77	43
Provision for legal costs	75	480
Other provisions	13,129	3,431
Accruals	2,637	3,885
Movement in booked losses	14,588	3,836
	108,728	55,199

Amounts recognised directly in equity

Foreign exchange hedge reserve	(162)	(259)
Revaluation of land, buildings, plant and equipment	(51,176)	(50,068)
Defined benefit (asset) / liability	(13,934)	(26,904)
	(65,272)	(77,231)

Net deferred tax (liability) / assets

	43,456	(22,032)
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Movements:

Opening balance at 1 July	(22,032)	23,600
Charged to the statement of comprehensive income	42,777	(6,483)
Credited to equity	11,959	(42,985)
Movement in booked losses/tax offsets - transferred from tax payable	10,752	3,836
Closing balance at 30 June	43,456	(22,032)

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****Tax losses**

A deferred tax asset of \$14.6m has been recognised for income tax losses. Based on management's forecast of future taxable profit and the reversal of taxable temporary differences, Airservices considers it probable the tax losses will be fully utilised.

Airservices has capital losses of \$6.2m (30 June 2015: \$7.0m) that are available indefinitely for offset against future capital gains. Deferred tax assets have not been recognised in respect of these losses as management has evaluated and concluded that it is not probable future capital gains will be available against which Airservices can utilise these losses in the foreseeable future.

Accounting Policy**Deferred tax assets and liabilities**

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. 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 that at the time of the transaction did not affect either accounting 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 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.

1.4 Dividends**Dividends paid**

There was no interim dividend paid for the year ending 30 June 2016 (2015: \$5.0m). A final dividend of \$3m for the year ended 30 June 2015 was paid on 28 March 2016 (2015: \$6.0m final dividend for the year ending 30 June 2015).

Franking credits

Franking credits available for subsequent financial years based on a tax rate of 30% (30 June 2015: 30%) are \$296.2m (30 June 2015: \$307.5m).

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

Accounting Policy**Dividends**

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

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****2. Our Asset Base**

This section analyses Airservices Australia's assets used to generate financial performance and the operating liabilities incurred as a result. Employee related information is disclosed in the Our People section.

2.1 Receivables

	2016	2015
	\$'000	\$'000
Trade and other receivables		
Trade receivables (a)	113,551	115,777
Provision for impairment of receivables (b)	<u>(1,587)</u>	<u>(1,489)</u>
	111,964	114,288
Other receivables	989	646
Accrued revenue and interest	4,376	1,304
Income tax receivable	<u>3,099</u>	<u>14,431</u>
Total current receivables	<u>120,428</u>	<u>130,669</u>
(a) Ageing analysis of trade receivables		
Current	89,825	90,738
Overdue by:		
1 to 30 days	20,922	22,686
31 to 60 days	1,162	845
61 to 90 days	388	285
90 + days	<u>1,254</u>	<u>1,223</u>
Total trade receivables	<u>113,551</u>	<u>115,777</u>
(b) Reconciliation for the provision for impairment of receivables		
Opening balance	1,489	1,510
Increase / (decrease) recognised in net profit	<u>98</u>	<u>(21)</u>
Closing balance	<u>1,587</u>	<u>1,489</u>
The provision for impairment of receivables is aged as follows:		
Current	60	120
Overdue by:		
1 to 30 days	61	70
31 to 60 days	73	55
61 to 90 days	7	25
90 + days	<u>1,386</u>	<u>1,219</u>
Total provision for impairment of receivables	<u>1,587</u>	<u>1,489</u>

Credit terms for goods and services are 28 days.

2.2 Assets classified as held for sale

Two land assets and various equipment have been identified as surplus to the requirement of Airservices and have been classified as assets held for sale. Their disposals are expected to be completed within the 2016-17 financial year. The carrying amount of the assets amounts to \$0.2m (30 June 2015: \$0.1m).

Airservices Australia
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.3 Property, plant and equipment and intangibles

	Non-current assets – property, plant, equipment and intangibles						
	Land	Buildings	Plant and equipment	Assets under construction	Total property, plant and equipment	Internally developed software	Total intangible assets
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2015							
Gross book value	50,624	368,675	641,734	211,827	1,272,860	251,516	80,664
Accumulated depreciation and impairment	-	(11,400)	(96,836)	-	(108,236)	(171,698)	(64,103)
Net book value 1 July 2015	50,624	357,275	544,898	211,827	1,164,624	79,818	16,561
Additions	-	161	149	186,979	187,289	-	-
Revaluations	(379)	5,438	399	-	5,458	-	-
Impairments recognised	-	(28)	(1,394)	(23,471)	(24,893)	(121)	(121)
Commissioned assets under construction	-	31,480	118,217	(193,885)	(44,188)	40,125	4,063
Depreciation/amortisation expense	-	(30,248)	(85,101)	-	(115,349)	(20,367)	(7,874)
Transfers	-	247	(235)	-	12	(222)	210
Disposals	-	-	(127)	(1,859)	(1,986)	-	-
Transferred to assets held for sale	-	-	(61)	-	(61)	-	-
Net book value 30 June 2016	50,245	364,198	575,013	181,450	1,170,906	99,233	12,960
Net book value as of 30 June 2016 represented by:							
Gross book value	50,245	377,333	693,329	181,450	1,302,357	289,534	85,335
Accumulated depreciation and impairment	-	(13,135)	(118,316)	-	(131,451)	(190,301)	(72,375)
	50,245	364,198	575,013	181,450	1,170,906	99,233	12,960

Airservices Australia
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Non-current assets - property, plant, equipment and intangibles

	Land	Buildings	Plant and equipment	Assets under construction	Total property, plant and equipment	Internally developed software	Other intangibles assets	Total intangibles
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2014								
Gross book value	47,690	303,865	634,610	201,589	1,187,754	245,364	67,988	313,352
Accumulated depreciation and impairment	-	(13,705)	(79,243)	-	(92,948)	(152,269)	(56,703)	(208,972)
Net book value 1 July 2014	47,690	290,160	555,367	201,589	1,094,806	93,095	11,285	104,380
Additions	-	-	1,355	179,452	180,807	-	-	-
Revaluations	2,934	13,410	2,042	-	18,386	-	-	-
Impairments recognised	-	-	-	(4,365)	(4,365)	-	-	-
Commissioned assets under construction	-	78,388	69,106	(164,849)	(17,355)	4,023	13,332	17,355
Depreciation/amortisation expense	-	(24,534)	(79,894)	-	(104,428)	(19,486)	(8,056)	(27,542)
Transfers	-	26	(2,212)	-	(2,186)	2,186	-	2,186
Disposals	-	(175)	(866)	-	(1,041)	-	-	-
Net book value 30 June 2015	50,624	357,275	544,898	211,827	1,164,624	79,818	16,561	96,379
Net book value as of 30 June 2015 represented by:								
Gross book value	50,624	368,675	641,734	211,827	1,272,860	251,516	80,664	332,180
Accumulated depreciation and impairment	-	(11,400)	(96,836)	-	(108,236)	(171,698)	(64,103)	(235,801)
	50,624	357,275	544,898	211,827	1,164,624	79,818	16,561	96,379

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****(a) Revaluation of land, buildings, plant and equipment**

The valuation basis for land, buildings, plant and equipment is fair value as outlined in Note 2.4.

Airservices engaged accredited valuers Aon Valuation Services to value its land, buildings, plant and equipment (the valuers were also used for the previous year). The effective date of the revaluation was 30 June 2016.

(b) Contractual commitments for the acquisition of property, plant, equipment and intangible assets

Capital commitments for property, plant, equipment and intangibles was \$74m (2015: \$86m). Capital commitments include GST where relevant.

The capital commitments primarily relate to Airservices capital works program upgrading and modernising infrastructure facilities.

(c) Impairment

Airservices commenced a significant restructuring program during the reporting period, which may impact the manner in which existing assets are expected to be used. Other evidence from internal reviews indicates that Airservices assets may be impaired. Based on these indicators, management has performed an impairment review focusing on future use of existing assets, and changes in technology and business system requirements.

For the purposes of assessing the recoverable amount, Airservices has grouped assets based on classifications consistent with the level of aggregation within the long term pricing agreement and generation of such revenue. As a result of the Cash Generating Unit (CGU) assessment, it has been determined that cash flows are in excess to the carrying amount of assets. Therefore no impairment has been recognised for the reporting period.

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

	2016 \$'000	2015 \$'000
Land		
At cost	<u>2,271</u>	<u>2,271</u>
	<u>2,271</u>	<u>2,271</u>
Buildings		
At cost	498,409	467,281
Accumulated depreciation	<u>(195,446)</u>	<u>(177,680)</u>
Net book amount	<u>302,963</u>	<u>289,601</u>
Plant and Equipment		
At cost	1,239,501	1,141,479
Accumulated depreciation	<u>(621,505)</u>	<u>(569,021)</u>
Net book amount	<u>617,996</u>	<u>572,458</u>

(e) Borrowing Costs

The amount of borrowing costs capitalised during the year ended 30 June 2016 was \$6.8m (2015: \$6.6m). As Airservices borrows money generally to fund both operating and capital expenditure, the weighted average cost of borrowings of 4.17% (2015: 4.78%) was used as the capitalisation rate.

Airservices Australia

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Accounting Policy

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, 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 Airservices 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 Airservices are initially recognised at the cost of materials, labour, direct overheads and borrowing costs incurred on qualifying assets.

All costs associated with repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

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. 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 reporting date. Revaluations are conducted by an independent qualified valuer.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position 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.

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 de-recognition, 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. All assets were assessed for impairment as at 30 June 2016.

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

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.

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****Depreciation**

Depreciable property, plant and equipment are written-off to their estimated residual values over their estimated useful lives to Airservices, 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:

	2016	2015
Buildings (e.g. control towers, fire stations, commercial property)	10-40 years	10-40 years
Infrastructure, plant and equipment (e.g. airways technical equipment, fire vehicles)	3-20 years	3-20 years

Spares

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

Decommissioning and site rehabilitation

Where Airservices has an obligation to incur site rehabilitation costs and the requirements outlined below in Section 2.5 other provisions and payables, 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 corporate bond rate at 30 June each year.

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 on a straight-line basis 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. All intangibles were assessed for indicators of impairment as at 30 June 2016.

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 the date of derecognition and are recognised in the Statement of Comprehensive Income.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****2.4 Fair value disclosure**

The following tables provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the Statement of Financial Position do not apply the fair value hierarchy.

The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Fair value measurements**Fair value measurements at 30 June 2016 by hierarchy for assets and liabilities**

	Fair value measurements at the end of the reporting period			Valuation technique	Inputs used
	2016 \$'000	2015 \$'000	Category (Level 1, 2, or 3)		
Non-financial assets					
Land	50,245	50,624	2	MC	[1]
Buildings	178	189	2	CIA	[2]
	364,020	357,086	3	DRC	[3]; [4]; [5]
Plant and equipment	575,013	544,898	3	DRC	[6]
Assets held for sale	161	100	2		
Total non-financial assets at fair value	989,617	952,897			
Financial assets					
Forward exchange contracts	595	872	2	ADCF	[7]
Foreign currency receivable	1,324	-	2	ADCF	[7]
Interest rate swaps	20,127	19,202	2	ADCF	[8]
Other financial assets	1,664	1,650	3	DCF	[9]
Total financial assets at fair value	23,710	21,724			
Total fair value measurements of assets	1,013,327	974,621			
Financial liabilities					
Forward exchange contracts	55	8	2	ADCF	[7]
Interest rate swaps	6,596	6,252	2	ADCF	[8]
Total financial liabilities at fair value	6,651	6,260			
Total fair value measurements of liabilities	6,651	6,260			

Notes:

MC - Market Comparable

CIA - Capitalised Income Approach

DRC - Depreciated Replacement Cost

DCF - Discounted Cash flows

ADCF - Adjusted Discounted Cash flows

WA - Weighted Average

[1] Direct comparison with similar land on a rate per square metre basis.

[2] Direct comparison with similar property on a rate per square metre basis and/or market rent returns on a rate per square metre basis balanced against market yields and capitalised.

[3] Construction cost per metre height - Control Towers (range used \$63,365 - \$437,272 [WA: \$201,920]).

[4] Category - Fire Stations (range used \$1,765,000 - \$12,513,000 [WA: \$5,630,000]).

[5] Construction cost per square metre - other Buildings (range used \$460 - \$3,600 [WA: \$3,094]).

[6] Historical capitalised costs; Future planning cost estimates (range used 0 - 2% [WA: 0.15%]).

[7] Current foreign exchange market rates.

[8] Current market interest rates.

[9] Discount rate; USD foreign exchange rates (18%; \$0.70).

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Airservices engages external, independent and qualified valuers to determine the fair value of Airservices property plant and equipment on an annual basis.

Highest and best use is the same as current use. There were no transfers between levels 1 and 2 during the year.

Valuation techniques used to determine level 2 and level 3 fair values**Land**

The fair value of freehold land assets have been derived using the direct comparison approach whereby the evidence derived from the analysis of recent sales of similar properties is used to establish the value of the subject property (level 2 inputs). In this regard, sales evidence has been collected as close to the date of valuation as possible and compared to the subject property on the basis of quality, age, condition and size of improvements, location, land area and shape. The sales were then analysed on a sales price per square metre of land area and adjusted accordingly to reflect any character differences between the subject and the comparable sales data.

Buildings

Non-specialised building assets where the asset can be identified as having the capability to be compared to open market conditions have been valued using the capitalised income approach whereby a yield is applied to the property's income (actual or assumed) to assess its value. The yield applied to the potential rental return from the property is based on an analysis of sales and or leasing data and has been calculated by dividing the rental return from comparable sales against its sale price.

Specialised buildings and site improvements have been valued on the basis of Depreciated Replacement Cost. This has been determined by first establishing the estimated cost to replace with an equivalent new asset less depreciation for their physical, functional and economic obsolescence.

Most building assets possess an alternate use potential, however, that potential can only be realised if the underlying conditions of the land permit an alternate use. In most instances, the land lease agreements Airservices has entered into preclude using the land and the building assets upon the land in any other way than to provide the specialised services specifically related to Airservices. Where the land lease conditions preclude Airservices from partaking in otherwise normal market activities, the building assets were valued as a specialised asset.

Plant and Equipment

In general, plant and equipment assets are typical at each airport and only vary subject to the capacity of the airport. The assets include navigational aids, enroute surveillance systems, on airport infrastructure and fire and rescue vehicles. These represent a specialised group of assets integrated to perform the control, monitoring and safety requirement of air and ground movement of commercial aircraft and airport support vehicles within Australia. As such, these specialised assets have been valued based on Depreciated Replacement Cost.

Financial assets

Financial assets represent the royalty stream which Airservices is entitled to receive from the sale and use of airways navigation systems. The asset is valued at fair value through profit and loss by applying a discounted cash flow methodology. The significant level 3 inputs to this valuation are the sales forecast, discount rate and foreign exchange rate.

Airservices Australia

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Reconciliation for recurring Level 3 fair value measurements

There have been no transfers between levels.

Recurring Level 3 fair value measurements - reconciliation for assets

	Non-financial assets		
	Buildings	Plant and equipment	Total
	2016 \$'000	2016 \$'000	2016 \$'000
Opening balance	357,086	544,898	901,984
Total gains/(losses) recognised in Statement of Comprehensive Income	-	376	376
Total gains/(losses) recognised in Other Comprehensive Income	5,410	(1,371)	4,039
Purchases	161	149	310
Commissioned	31,480	118,217	149,697
Disposals	(127)	(1,859)	(1,986)
Depreciation	(30,237)	(85,101)	(115,338)
Transfers	247	(296)	(49)
Closing balance	364,020	575,013	939,033

	Financial assets	
	Other financial assets	Total
	2016 \$'000	2016 \$'000
Opening balance	1,650	1,650
Movement in discounted cash flow terms	14	14
Closing balance	1,664	1,664

Airservices Australia

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.5 Other provisions and payables

	2016	2015
	\$'000	\$'000
Current payables and other provisions		
Current payables		
Trade payables	17,420	20,253
Employees		
Salaries and wages	9,524	20,757
Superannuation	1,439	4,328
Tax payables		
Accrued payroll tax	4,432	4,291
Net goods and services tax payable	13,461	12,717
Group tax payable	6,765	6,266
Revenue received in advance	2,416	1,760
Interest payable	3,804	2,459
Other accrued expenses	36,532	32,428
Total current payables	95,793	105,259
Current other provisions		
Revenue to be returned to customers	256	143
ARFF decontamination	8,416	2,985
Litigation and legal costs	250	1,600
Makegood on leasehold assets	2,402	1,017
Restructuring costs	15,000	-
Other	2,683	355
Total current provisions	29,007	6,100
Total current provisions and payables	124,800	111,359
Non-current other provisions		
ARFF decontamination	17,825	3,530
Makegood on leasehold assets	6,061	8,040
Total non-current provisions	23,886	11,570

Description of provisions

ARFF decontamination

The provision relates to the assessment, management and containment of possible contaminated ARFF training sites as outlined in the Environmental Management Plan (EMP) as discussed in Note 5.1 Contingent liabilities.

Restructuring costs

The restructuring provision represents costs directly attributable to the development and implementation of the business transformation program.

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****Accounting Policy****Provisions**

Provisions are recognised when Airservices 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.

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 expense.

Accounting Judgements and Estimates**Other provisions**

An estimate of expected future costs has been used to establish the provision for the assessment, management and containment of possible contaminated Aviation Rescue and Fire Fighting (ARFF) training sites; the remediation and restoration of leased property sites as discussed above.

	2016	2015
	\$'000	\$'000
Movements in provisions		
(i) Revenue to be returned to customers (Current)		
Carrying amount at start of period	143	4,062
Adjustment to provision	113	(3,919)
Carrying amount at end of period	<u>256</u>	<u>143</u>
(ii) ARFF decontamination (Current/Non-current)		
Carrying amount at start of period	6,515	8,747
Adjustment to provision	23,581	-
Payments	(3,855)	(2,232)
Carrying amount at end of period	<u>26,241</u>	<u>6,515</u>
(iii) Litigation and legal costs (Current)		
Carrying amount at start of period	1,600	600
Adjustment to provision	250	1,388
Payments	(1,600)	(388)
Carrying amount at end of period	<u>250</u>	<u>1,600</u>
(iv) Makegood on leasehold assets (Current/Non-current)		
Carrying amount at start of period	9,057	8,538
Additional provisions recognised	-	781
Payments	(594)	(262)
Carrying amount at end of period	<u>8,463</u>	<u>9,057</u>
(v) Restructuring costs (Current)		
Carrying amount at start of period	-	-
Additional provisions recognised	15,000	-
Carrying amount at end of period	<u>15,000</u>	<u>-</u>
(vi) Other (Current)		
Carrying amount at start of period	355	1,459
Adjustment to provision	2,500	(706)
Payments	(172)	(398)
Carrying amount at end of period	<u>2,683</u>	<u>355</u>

Airservices Australia

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.6 Other financial assets and liabilities

	2016	2015
	\$'000	\$'000
Other current financial assets		
Interest rate swaps	1,985	-
Forward exchange contracts	440	503
Foreign currency receivable	1,324	-
Navigation and augmentation systems receivable	312	233
Total other current financial assets	4,061	736
Other non-current financial assets		
Interest rate swaps	18,142	19,202
Forward exchange contracts	155	369
Navigation and augmentation systems receivable	1,352	1,417
Total Non-current assets - other financial assets	19,649	20,988

Refer to Note 2.4 for basis of fair value measurement.

Accounting Judgements and Estimates**Recoverable amount of other financial assets**

Navigation and augmentation systems receivable consist primarily of the contractual right to receive royalties from Ground Based Augmentation System (GBAS) technology sales, under an agreement with Honeywell International. The estimated future cash flows for value in use calculations are based on the following assumptions:

- an assumed discount rate of 18.0%, which reflects the risks associated with the specific asset, in particular the risks associated with future GBAS technology sales. A 1% movement in the discount rate has a \$0.04m impact on the discounted receivable;
- an average USD/AUD exchange rate of \$0.70, which is based on the 12 month forecast for the USD/AUD exchange rate. A \$0.05 movement in the exchange rate has a \$0.1m impact on the value of the discounted receivable; and
- expected sales over the next ten years.

Other current financial liabilities		
Interest rate swaps	600	783
Forward exchange contracts	55	8
Total Other current financial liabilities	655	791
Other non-current financial liabilities		
Interest rate swaps	5,996	5,469

2.7 Other assets and other liabilities

Other current assets		
Lease incentive	72	90

This represents rent free periods offered to Airservices as part of a lease agreement and is recognised as both an asset and liability at inception of the lease with the asset reduced as the incentive is received.

Lease liability		
Current	1,429	950
Non current	6,041	7,597
Total Lease liability	7,470	8,547

This represents the straight-lining of a lease incentive over the term of the lease period as well as the straight-lining of any fixed increases within the lease over the term of the lease period.

Airservices Australia

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Our Funds Management

This section identifies Airservices Australia's funding structure.

3.1 Cash and cash equivalents

	2016	2015
	\$'000	\$'000
Cash and cash equivalents		
Cash at bank and in hand	25,751	11,244
Deposit at call	130,200	45,000
Term deposits	215,000	-
Total cash and cash equivalents	370,951	56,244

(a) Cash at bank and in hand

Cash at bank has a floating interest rate of 1.95% (30 June 2015: 2.20%) for balances up to \$25m. For balances greater than \$25m, the interest rate is 1.75%. Cash in hand is non-interest bearing.

(b) Deposits at call

The deposits at call have a floating interest rate of 1.75% (30 June 2015: 2.00%). These 11am cash deposits are rolled over on a daily basis.

(c) Term deposits

This represents \$50.05m maturing on 17 August 2016, \$25m maturing on 25 August 2016 and \$139.95m maturing on 14 November 2016. The term deposits have a weighted average interest rate of 2.72%.

Accounting Policy

Cash and cash equivalents

Cash is recognised at its nominal amount. Cash in the Statement of Financial Position 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.

3.2 Reconciliation of cash and cash equivalents

Reconciliation of net profit after income tax to net cash flows from operations		
Net profit after income tax	(127,342)	4,509
Adjustments for:		
Depreciation expense	143,590	131,970
Impairment recognised	25,014	4,365
Reversal of previous asset write-downs	(376)	(4,600)
Net loss on sale/write-off of non-current assets	1,936	924
Fair value adjustments to derivatives	(581)	(2,930)
Prepayments & accruals relating to plant and equipment	(2,880)	7,730
AvSuper defined benefit contributions movement (after tax)	(6,527)	2,617
Change in assets		
(Increase)/decrease in gross receivables	(1,734)	(519)
(Increase)/decrease in inventories	(91)	(245)
(Increase)/decrease in prepayments	3,666	(6,077)
(Increase)/decrease in income tax receivable	11,331	(11,199)
(Increase)/decrease in other assets	17	1,166
(Increase)/decrease in deferred tax	(53,527)	2,606
Change in liabilities		
Increase/(decrease) in employee benefits	107,702	3,794
Increase/(decrease) in allowance for impairment	98	(21)
Increase/(decrease) in legal provisions	(1,350)	1,000
Increase/(decrease) in other liabilities	(1,432)	1,419
Increase/(decrease) in other provisions	33,960	(2,817)
Increase/(decrease) in creditors and accruals	(1,835)	5,220
Increase/(decrease) in revenue to be returned to customers provision	113	(3,920)
Net cash flow from operating activities	129,752	134,992

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Airservices Australia

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.3 Borrowings

	2016	2015
	\$'000	\$'000
Unsecured borrowings		
Current ⁽¹⁾	229,708	59,772
Non-current ⁽²⁾	669,283	471,472
Total borrowings	898,991	531,244

⁽¹⁾ This represents amounts issued under a \$300m commercial paper program in three separate tranches on 9 June 2016, 21 June 2016 and 27 June 2016, and a \$200m Medium Term Note (MTN) tranche that was issued on 2 November 2011 and will mature on 15 November 2016.

⁽²⁾ This represents a \$275m MTN tranche that was issued on 28 November 2013 and will mature on 19 November 2020, a \$200m MTN tranche that was issued on 19 May 2016 and will mature on 15 May 2023 and a \$200m MTN tranche that was issued on 19 May 2016 and will mature on 15 May 2026.

3.4 Standby arrangements and unused credit facilities

Unused credit facilities - bank overdraft	5,000	5,000
Loan facilities		
Commercial paper (only expires if cancelled)	300,000	300,000
Medium term note program	975,000	750,000
Committed standby facilities	230,000	230,000
Uncommitted 11am borrowing	60,000	60,000
Total loan facilities	1,565,000	1,340,000
Amount utilised	(905,000)	(535,000)
Unused loan facilities	660,000	805,000

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****3.5 Financial instruments**

Airservices has exposure to credit risk, liquidity risk, market risk and foreign exchange risk arising from its operations and use of financial instruments. Airservices uses financial instruments to manage these risks within a framework consisting of a comprehensive set of risk management policies. These risks are managed centrally and speculative trading is strictly prohibited.

Fair value measurements

The fair values of foreign currency Forward Exchange Contracts (FECs) and Interest Rate Swaps (IRSs) are calculated using a credit adjusted discounted cash-flow methodology. FEC and IRS contracted rates are compared to current market rates to calculate future cash flows which are then discounted to arrive at a present value.

Airservices presents the fair value of its derivative assets and liabilities on a net basis. As at 30 June 2016, when netting is applied to the FEC portfolio, currency derivative assets of \$595,430 are reduced by \$55,442 to the net amount of \$539,988 (30 June 2015: currency derivative assets of \$871,410 are reduced by \$8,015 to the net amount of \$863,395). When netting is applied to the IRS portfolio, interest rate swap assets of \$20.1m are reduced by \$6.6m to the net amount of \$13.5m (30 June 2015: interest rate swap assets of \$19.2m are reduced by \$6.3m to the net amount of \$12.9m).

Medium Term Note and Commercial Paper fair values reflect the price that an existing investor is prepared to receive if they were to sell their investment in the secondary market. These prices are provided by independent secondary market traders.

Other financial assets represent the royalty stream which Airservices is entitled to receive from the sale and use of airways navigation systems. The asset is valued at fair value through profit and loss by applying a discounted cash flow methodology. The significant level 3 inputs to this valuation are the sales forecast, discount rate and foreign exchange rate.

Refer to Note 2.4 for fair value measurement basis of these instruments.

	Carrying amount 2016 \$'000	Fair value 2016 \$'000	Carrying amount 2015 \$'000	Fair value 2015 \$'000
Assets				
Forward exchange contracts	540	540	863	863
Cash and cash equivalents	370,951	370,951	56,244	56,244
Receivables	120,428	120,428	130,669	130,669
Interest rate swaps	13,531	13,531	12,949	12,949
Other financial assets	1,664	1,664	1,650	1,650
Total assets	507,114	507,114	202,375	202,375
Liabilities				
Medium Term Notes	869,185	909,811	471,472	501,950
Trade and other payables	95,793	95,793	105,259	105,259
Commercial Paper	29,806	29,869	59,772	59,829
Total liabilities	994,784	1,035,473	636,503	667,038

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****Accounting Policy****Financial assets****Investments and other financial assets**

Airservices classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of the reporting period.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets:

- a) have been acquired principally for the purpose of selling in the near future;
- b) are derivatives that are not designated and effective as a hedging instrument; or
- c) are parts of an identified portfolio of financial instruments that the entity manages together and has a recent actual pattern of short-term profit-taking.

Assets in this category are classified as current and non-current assets. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Financial assets are assessed for impairment at the end of each reporting period.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that Airservices has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Financial liabilities

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through profit or loss, derivatives designated as hedging instruments in an effective hedge, or other financial liabilities, as appropriate.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Derivative financial instruments and hedge accounting

Airservices uses derivative financial instruments, such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial risk

Airservices' financial risk management policy identifies the risks faced by the organisation. It sets the risk limits, identifies the controls and determines the process for monitoring and adhering to limits. The policy is designed to add value without adding to the overall risks of the organisation.

The financial risk management policy and systems are reviewed regularly to reflect changes in market practices and Airservices' activities. Internal audit undertakes ad hoc reviews of financial risk management policy, controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

Airservices uses financial instruments to manage its financial risks. The central Treasury unit identifies and evaluates the financial risks in close co-operation with other Airservices units and seeks to minimise potential adverse effects on the financial performance.

As a result of the nature of Airservices' business and internal policies dealing with the management of financial risk, Airservices' exposure to credit, liquidity and market risk is considered to be low.

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 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 \$175 million. Counterparty credit exposure is assessed using the principles of the 'Current Exposure Method'.

Airservices is exposed to credit risk arising from potential default of debtors. This is equal to the total amount of trade and other receivables (2016: \$119.683m and 2015: \$130.669m). Airservices has assessed the risk of default on payment and has allocated \$1.587m in 2016 (2015: \$1.489m) as an allowance for impairment.

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

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

	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Loans and receivables	89,765	90,618	23,786	25,159
Total	89,765	90,618	23,786	25,159

Airservices is also exposed to credit risk arising from the cross-border financing arrangement as detailed in Note 6.3.

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****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 reduce cash inflows 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.

	Average interest rate	Floating interest rate	1 year or less	1 to 5 years	More than 5 years	Non-interest bearing	Total
2016	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities							
Non-derivative							
Trade and other payables	-	-	-	-	-	95,793	95,793
Commercial paper	2.04	30,000	-	-	-	-	30,000
Medium term notes	4.30	-	230,563	380,719	431,500	-	1,042,782
Derivative							
Interest rate swaps ⁽¹⁾	-	-	(6,227)	(15,775)	304	-	(21,698)
Interest rate swaps ⁽²⁾	-	-	2,562	4,485	-	-	7,047
Net financial liabilities		30,000	226,898	369,429	431,804	95,793	1,153,924

(1) weighted average interest rates at 30 June 2016 were pay float at 2.12% and receive fixed at 3.78%.

(2) weighted average interest rates at 30 June 2016 were pay fixed at 3.27% and receive float at 2.11%.

	Average interest rate	Floating interest rate	1 year or less	1 to 5 years	More than 5 years	Non-interest bearing	Total
2015	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities							
Non-derivative							
Trade and other payables	-	-	-	-	-	105,259	105,259
Commercial paper	2.22	60,000	-	-	-	-	60,000
Medium term notes	5.29	-	24,063	539,281	-	-	563,344
Derivative							
Interest rate swaps ⁽³⁾	-	-	(7,446)	(12,426)	-	-	(19,872)
Interest rate swaps ⁽⁴⁾	-	-	3,153	2,965	-	-	6,118
Net financial liabilities		60,000	19,770	529,820	-	105,259	714,849

(3) weighted average interest rates at 30 June 2015 were pay float at 2.24% and receive fixed at 4.48%.

(4) weighted average interest rates at 30 June 2015 were pay fixed at 3.71% and receive float at 2.23%.

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****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 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 Airservices has adopted to vary actual interest rates by +/- 0.30% (2015: +/- 0.40%).

Airservices has adopted a simplified approach to calculate market risk sensitivities for foreign exchange contracts. A standard sensitivity variable of 10.5% (2015: 10.9%) has been applied to all currencies. Airservices acknowledges that it is necessary to monitor annual movements in currencies to ensure the relevance of using a single constant rate.

2016			Effect of positive movement		Effect of negative movement	
	Carrying amount	Change in risk variable	Profit and loss	Equity	Profit and loss	Equity
	\$'000	+/-%	\$'000	\$'000	\$'000	\$'000
Currency risk						
Buy USDs	10,298	10.50	-	(1,043)	-	1,240
Buy EURs	1,299	10.50	-	(119)	-	146
Interest rate risk						
Cash and cash equivalents	370,951	0.30	1,113	-	(1,113)	-
Medium term notes	869,185	-	-	-	-	-
Interest rate swaps	13,531	0.30	(3,761)	-	3,863	-
Commercial paper	29,806	0.30	(90)	-	90	-
2015			Effect of positive movement		Effect of negative movement	
	Carrying amount	Change in risk variable	Profit and loss	Equity	Profit and loss	Equity
	\$'000	+/-%	\$'000	\$'000	\$'000	\$'000
Currency risk						
Buy US Dollars	20,696	10.90	-	(2,075)	-	2,583
Interest rate risk						
Cash and cash equivalents	56,244	0.40	337	-	(337)	-
Medium term notes	471,472	-	-	-	-	-
Interest rate swaps	552,500	0.40	(1,859)	-	1,908	-
Commercial paper	59,772	0.40	(240)	-	240	-

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****Forward exchange contracts**

Airservices uses Forward Exchange Contracts (FECs) to hedge foreign currency exchange rate risk arising from committed transactions primarily relating to capital expenditure program undertakings. Airservices accounts for all of its FECs as Cash Flow Hedges. Airservices 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.

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

Buy EUROS	Sell Australian Dollars		Average Exchange Rate	
	2016	2015	2016	2015
	\$'000	\$'000	EURO/\$1	EURO/\$1
Maturity				
3 months or less	1,299	-	0.6447	-
Buy US Dollars	Sell Australian Dollars		Average Exchange Rate	
	2016	2015	2016	2015
	\$'000	\$'000	US/\$1	US/\$1
Maturity				
3 months or less	1,210	2,278	0.7882	0.7842
Greater than 3 months but less than 1 year	6,482	9,790	0.7818	0.7942
Greater than 1 year	2,605	8,628	0.7815	0.7837

Capital management

Airservices is a price regulated government-owned corporate commonwealth entity providing air navigation services. Pricing for Airservices core airways services is subject to the price notification provisions of the Competition & Consumer Act 2010 and any increase in prices must be notified to the Australian Competition and Consumer Commission (ACCC) for its review.

Airservices sets its prices with airlines and other customers using a five-year Long Term Pricing Agreement (LTPA). Endorsed by the ACCC the agreement allows pricing to recover all reasonably incurred costs (including a return on capital employed) relating to the delivery of services. The current Long Term Pricing Agreement was established in October 2011. It provides price certainty for customers through to 30 June 2016 and a price path with annual changes on 1 July each year, incorporating nominal price increases of 3.3% for the five-year period, translating to real price reductions of 11.4% over the five-year period.

Airservices' target was to achieve a return on equity after tax for 2016 of 2.3%; during the year ended 30 June 2016 there was a negative return of -21.1% (30 June 2015: 0.7%). Removing the one-off impacts of the restructuring costs, the return on equity ratio is 0.3%.

There were no changes to Airservices approach to capital management during the year.

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****4. Our People**

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people.

4.1 Employee provisions

	2016	2015
	\$'000	\$'000
Current employee provisions		
Employee benefits		
Recreation leave	63,515	62,624
Long service leave	150,631	143,376
Separations and redundancies	108,021	1,302
On-costs associated with employee benefits	13,207	12,696
Workers compensation	361	328
Total current provisions and payables	335,735	220,326
Non-current employee provisions		
Employee benefits		
Long service leave	40,149	35,015
Separations and redundancies	11,196	13,874
On-costs associated with employee benefits	2,429	2,115
Workers compensation	2,354	2,447
Total non-current provisions	56,128	53,451

Description of provision**Employee benefits:****Workers compensation**

These provisions represent Airservices' self-insured liability for workers compensation prior to 1 July 1989, which is calculated annually by an independent actuary.

Separations and redundancies

This includes \$11.2m (30 June 2015: \$13.9m) in early retirement benefits which have been elected to be taken by employees as a lump sum on retirement, and \$108.0m (30 June 2015: \$1.3m) for redundancy provisions in relation to the restructuring of the organisation. The provision for early retirement benefits includes \$10.2m for ATC employees who were employed by Airservices on 1 July 1998 and continue to meet the eligibility requirements under the relevant enterprise agreement.

Accounting Policy**Employee benefits****Salaries, wages and termination benefits**

Liabilities for short-term employee benefits and termination benefits expected to be wholly settled within twelve months of the end of the reporting period are measured at their nominal amounts. Liabilities for salary and wages 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.

Recreation leave

The provision for recreation leave is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Accordingly, the employee benefit provision is measured as a long-term benefit by calculating the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****Long service leave and early retirement benefit**

Employee benefit provisions for long service leave and early retirement benefits are assessed by qualified actuaries on an annual basis. Various actuarial assumptions are required when determining Airservices obligations and these are discussed below.

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. A liability for early retirement benefit is recognised within the provision for separations and redundancies in accordance with the applicable Group 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 high quality corporate bonds (AA and AAA rated bonds only) with terms to maturity that match, as closely as possible, the estimated future cash outflows.

On-costs associated with recreation leave and long service leave are classified as separate provisions from employee benefits, in accordance with section 24 of the FRR.

4.2 Defined benefit fund asset**Superannuation plan**

Airservices is the principal sponsor of the superannuation fund, AvSuper. The plan has a defined benefit scheme 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' legal constructive obligations are limited to these contributions and member benefits reflect these contributions and the funds market performance.

The following sections set out details relating only to the defined benefits section of the Plan. Note that the defined benefits section has been closed to new membership since 2002.

	2016	2015
	\$'000	\$'000
Benefit asset		
The amounts recognised in the statement of financial position are determined as follows:		
Present value of the defined benefit obligation	(865,163)	(827,658)
Fair value of defined benefit plan assets	989,162	988,364
Net benefit asset - non-current	123,999	160,706
Categories of plan assets		
The major categories of plan assets are as follows:		
Cash	101,277	134,822
Equity instruments	403,045	478,156
Debt instruments	350,936	246,188
Other assets	133,904	129,198
	989,162	988,364
Reconciliations		
<i>Reconciliation of the present value of defined benefit obligation:</i>		
Balance at the beginning of the year	827,658	900,189
Current service cost	30,535	34,213
Contribution by members	12,516	12,466
Interest cost	37,586	33,950
Remeasurements		
Effect of changes in financial assumptions	33,297	(83,361)
Effect of experience adjustments	(22,979)	(14,453)
Benefits paid	(53,450)	(55,346)
Balance at the end of the year	865,163	827,658

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Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2016	2015
	\$'000	\$'000
<i>Reconciliation of the fair value of plan assets:</i>		
Balance at the beginning of the year	988,364	933,487
Interest Income	46,100	36,359
Remeasurements		
Return on plan assets (excluding interest income)	(32,916)	32,212
Contribution by Airservices	28,548	29,186
Contribution by members	12,516	12,466
Benefits paid	(53,450)	(55,346)
Balance at the end of the year	<u>989,162</u>	<u>988,364</u>

Net amount recognised in the Statement of Comprehensive Income

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

i Defined benefit cost recognised in profit or loss

Current service cost	30,535	34,213
Interest on the net defined benefit asset	(8,514)	(2,409)
Total included in employee benefits expense	<u>22,021</u>	<u>31,804</u>

ii Remeasurements (recognised in Other Comprehensive Income)

Effect of changes in financial assumptions	33,297	(83,361)
Effect of experience adjustments	(22,979)	(14,453)
Return on plan assets (excluding interest income)	32,916	(32,212)
Total remeasurements included in OCI	<u>43,234</u>	<u>(130,026)</u>

iii Total defined benefit expense / (income) recognised in the Statement of Comprehensive Income

	65,255	(98,222)
Actual return on plan assets	<u>21,364</u>	<u>68,139</u>

Principal actuarial assumptions

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

	2016	2015
Discount rate	3.50%	4.70%
Future salary increases	4.00%	5.00%

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

- a discount rate of 3.5% p.a. derived by interpolation between the yield on 12 year and 13 year bonds at 30 June 2016 where the interpolation is based on the estimated mean term of each bond.
- the salary increase rate is the long-term expected rate including a full allowance for promotional increases.

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****Sensitivity analysis**

A sensitivity analysis for the key actuarial assumptions, holding other assumptions constant, and their potential impact on the defined benefit obligation are shown below.

	<u>Increase</u>	<u>Decrease</u>
	\$'000	\$'000
2016		
Discount rate (0.5% movement)	53,373	(46,692)
Future salary increases (0.5% movement)	(38,776)	46,594
	<u>Increase</u>	<u>Decrease</u>
	\$'000	\$'000
2015		
Discount rate (0.5% movement)	47,543	(51,384)
Future salary increases (0.5% movement)	(48,591)	45,449

Maturity profile

The following payments are expected to be made in future years out of the defined benefit plan obligation.

	2016	2015
	\$'000	\$'000
Undiscounted Benefit Payments		
1 year or less	53,751	49,571
2 to 5 years	249,700	243,126
5 to 10 years	311,973	320,071
Greater than 10 years	1,248,153	1,580,341
Total expected payments	<u>1,863,577</u>	<u>2,193,109</u>

The average duration of the defined benefit plan obligation at the end of the reporting period is 10 years (2015: 10 years).

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 2015.

Employer contributions are currently:

- 16.5% of gross salary for other Airservices employees (2014-15: 16.5%);
- 3% of gross salary for those employees who remain members of the Commonwealth Superannuation Scheme (CSS) (2014-15: 3%).

Airservices makes additional contributions to the Plan, if required, in June each year, after considering the advice of the actuary and the Trustee.

The objectives in setting the contribution rate are to ensure:

- the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable; and
- 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 for the year ending 30 June 2017 amount to approximately \$30.2m, not including any additional contributions required.

Airservices Australia

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 (30 June 2015), when a surplus of \$177.3m was reported. Last year in these financial statements Airservices recognised a defined benefit asset of \$160.7m at 30 June 2015. 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 2016 these financial statements disclose a defined benefit asset of \$124.0m. AvSuper's net financial position for the Plan under AAS 25 will not be available until after these financial statements have been signed.

Accounting Policy

Superannuation

Contributions are made predominantly to AvSuper (sponsored by Airservices) 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.

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 interest on the net defined benefit asset 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 Statement of Financial Position, and is measured as the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets as outlined above. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interpolation between the yield on high quality corporate bonds (AA and AAA rated bonds only) that have terms approximating to the terms of the related obligation. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Accounting Judgements and Estimates

AvSuper defined benefit plan

Various actuarial assumptions are required when determining Airservices obligations under the AvSuper defined benefit plan. The assumptions relied on for the period to 30 June 2016 are discussed above.

Long Service Leave and Early Retirement Benefits

Various actuarial assumptions are required when determining Airservices obligations for long service leave and the early retirement benefit scheme. The assumptions relied on for the period to 30 June 2016 are based on collective agreements that were applicable during the year. These include a 4.0% annual salary increase, staff turnover rates ranging from 7% to 19% (depending on period of service), and average long service leave taken of 0.21 months per annum. The Discount Rate is derived from a yield curve based on interpolation of high quality corporate bonds (AA and AAA rated bonds only) based on the durations to reflect the estimated mean term of the liabilities, they are as follows:

Liability	Mean term	Corporate Bonds	Discount Rate
Long Service Leave	6.6 years	8 year and 9 year	3.2% p.a
Early Retirement Benefit	5.4 years	6 year and 7 year	3.1% p.a

Airservices Australia

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4.3 Senior management personnel remuneration

	2016	2015
	\$'000	\$'000
Senior executive remuneration expense for the reporting period		
Board of Directors		
Short-term employee benefits:		
Salary	525	502
Allowances and other benefits	77	65
Total short-term employee benefits	<u>602</u>	<u>567</u>
Post-employment benefits:		
Superannuation (post-employment benefits)	55	47
Total post-employment benefits	<u>55</u>	<u>47</u>
Total	<u>657</u>	<u>614</u>

The information about non-executive directors included in the above table relates to 8 individuals (2015: 8 individuals).

Senior Executive Management

Short-term employee benefits:		
Salary	2,324	2,756
Allowances and other benefits	500	617
At risk component ⁽¹⁾	430	335
Total short-term employee benefits	<u>3,254</u>	<u>3,707</u>
Post-employment benefits:		
Superannuation (post-employment benefits)	339	326
Total post-employment benefits	<u>339</u>	<u>326</u>
Other long-term benefits:		
Recreation leave accrued	204	236
Long service leave	65	76
Total other long-term benefits	<u>269</u>	<u>312</u>
Termination benefits	245	496
Total executive remuneration	<u>4,107</u>	<u>4,841</u>
Total senior management personnel remuneration	<u>4,764</u>	<u>5,454</u>

The information about executives included in the above table relates to 8.6 Full Time Equivalents (FTEs) (2015: 9 FTEs).

⁽¹⁾ Executive remuneration packages include an at risk element that is awarded based on executives meeting or exceeding objectives and key performance measures, which are linked to specific annual business objectives.

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****4.4 Related party transactions****(a) Directors**

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

	Status	Commenced	Finished
Chairman			
Angus Houston	On-going	3 June 2012	Current
Deputy Chairman			
Tony Mathews	On-going	4 September 2014	Current
Directors			
Samantha Betzien	On-going	4 June 2012	Current
Fiona Balfour	On-going	3 June 2013	Current
Tim Rothwell	On-going	21 July 2014	Current
David Marchant	On-going	21 July 2014	Current
John McGee	On-going	4 September 2015	Current
Annette Kimmitt	Ceased	6 June 2012	30 June 2016
Paul Lucas	Ceased	4 June 2012	3 September 2015
Chief Executive Officer			
Jason Harfield	On-going	11 August 2015	Current
Margaret Staib	Ceased	15 October 2012	10 August 2015

(b) Executives

The names of persons who were Executives of Airservices during the financial year (excluding the CEO, included above) and up to 30 June 2016 were as follows:

Executives	Title	Commenced	Finished
Jason Harfield	Executive GM Future Service Delivery	1 July 2013	10 August 2015
Paul Logan	Chief Financial Officer	2 July 2015	Current
Robert Weaver	Executive GM Safety, Environment & Assurance	25 January 2013	30 June 2016
Michelle Bennetts	Executive GM Aviation Rescue & Fire Fighting	25 January 2013	16 October 2015
	Executive GM Projects & Engineering	19 October 2015	30 June 2016
Rodd Sciortino	A/g Executive GM Aviation Rescue & Fire Fighting	19 October 2015	30 June 2016
Mark Rodwell	Executive GM Projects & Engineering	4 July 2011	16 October 2015
Alec Wagstaff	Executive GM Corporate and Industry Affairs	6 January 2016	23 June 2016
Mairi Barton	Executive GM Corporate and Industry Affairs	16 June 2014	13 November 2015
Greg Hood	Executive GM Air Traffic Control	1 July 2013	30 June 2016
Andrew Boyd	Executive GM People and Culture	23 January 2013	30 June 2016
Nick King	A/g Executive GM Future Service Delivery	10 August 2015	31 March 2016

The names of persons who were Executives of Airservices subsequent to the introduction of the new operating model on 1 July 2016 (excluding the CEO, included above) and up to the date of signing these financial statements are as follows:

Executives	Title	Commenced	Finished
Paul Logan	Chief Financial Officer	2 July 2015	Current
Robert Weaver	Executive GM Safety & Assurance	1 July 2016	Current
Michelle Bennetts	Executive GM Aviation Rescue & Fire Fighting Services	1 July 2016	Current
Chris Seller	Executive GM Information Management & Technology	1 July 2016	Current
Stephen Angus	Executive GM Air Navigation Services	1 July 2016	Current
Steven Grundy	Executive GM Corporate Services	22 August 2016	Current

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****(c) Transactions with related parties**

Certain director-related entities have transactions with Airservices that occur within normal customer or supplier relationships on terms and conditions no more favourable than those which it is reasonable to expect Airservices 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:

- Airservices received legal services from Minter Ellison under a standing panel arrangement amounting to \$855,973 for the period 1 July 2015 to 30 June 2016 during which time Samantha Betzien was both a Board member of Airservices and a partner with Minter Ellison.
- Airservices received professional services from Ernst and Young under a standing panel arrangement amounting to \$291,233 for the period 1 July 2015 to 30 June 2016 during which time Annette Kimmitt was both a Board member of Airservices and a partner with Ernst and Young. In addition, during the financial year Sir Angus Houston was both Chair of the Airservices Board and Senior Advisor, Global Government and Public Sector Practice for Ernst and Young.
- Airservices received training and professional development services from the Melbourne Business School amounting to nil for the period 1 July 2015 to 30 June 2016 (\$134,331 for the period 1 July 2014 to 30 June 2015) during which time Annette Kimmitt was both a Board member of Airservices and a director of the Melbourne Business School.
- Airservices has contributed employer superannuation payments and administration fees to the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS) of \$720,019 for the period 1 July 2015 to 10 August 2015 during which time Margaret Staib was both Chief Executive Officer for Airservices and a Board member of the Commonwealth Superannuation Corporation. The Commonwealth Superannuation Corporation acts as the trustee for both the CSS and PSS.
- To the extent permitted by law, Airservices provides indemnities to its Board members and officers to complement the insurance arrangements that it has in place.
- The Board adheres to a strict Conflict of Interest Protocol which includes a review of Board members' personal interests at each Board meeting. The management of any conflict is dependent on its nature and severity and may include the exclusion of Board members from receiving related material or withdrawal from discussion or decision making.

Airservices Australia

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. Managing Uncertainties

This section analyses how Airservices Australia manages financial risks within its operating environment.

5.1 Contingent liabilities

Airservices had contingent liabilities at 30 June 2016 in respect of:

Aviation Rescue & Fire Fighting (ARFF) potential contaminated site management

Airservices has identified a number of sites around the country that have been potentially contaminated with chemicals that were contained in firefighting foams. Airservices has been managing issues arising from the use of these fire fighting foams now known to have contained perfluorinated compounds (PFCs) since it became aware of concerns about PFCs in the early 2000s. These foams were widely used around the world because of their superior performance and Airservices used them from 1978 until 2010.

Airservices has and continues to take a scientific, risk-based approach to managing its response to PFCs at its sites in the absence of any specific Australian regulatory standards or guidance relating to PFCs. Significant investment has been made to enable site investigations, research and development and stakeholder engagement activities. The focus during the 2016 financial year has been to continue to progress site investigations and monitoring activities, develop risk-based guidance material to managing PFC issues at airports, trial new technologies aimed at containment and remediation, and work with Commonwealth, State and Territory regulatory authorities to assist them establish adequate regulatory guidance. More detailed site investigations and containment/remediation strategies may be required once this regulatory work is completed. To facilitate this and continued PFC related activity, a sum of \$26.2m has been provided at 30 June 2016. Given the absence of regulatory guidance or agreed investigation screening thresholds, it is not possible to quantify any potential remediation costs at this time.

Accounting Policy

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

Airservices Australia**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****6. Other Information****6.1 Remuneration of auditors**

	2016	2015
	\$	\$
Remuneration of auditors		
Auditing services provided by the Australian National Audit Office	<u>270,000</u>	<u>270,000</u>

Audit services for Airservices are provided by the Australian National Audit Office and are subcontracted to Crowe Horwath. No other services were provided by Crowe Horwath.

6.2 Monies held on behalf of third parties

Airservices has been contracted by the Solomon Islands Civil Aviation Authority and the Republic of Nauru to provide airspace management and accounts receivable services. The contracts require Airservices 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 \$0.532m (2015: \$0.472m) for the Solomon Islands and \$0.178m (2015: \$0.076m) for Nauru.

6.3 Cross-border financing arrangement

During 2003 and 2004, Airservices completed cross-border financing arrangements in relation to equipment associated with The Australian Advanced Air Traffic System (TAAATS) and radar systems. The arrangements were initially for periods out to 2026, but now only relate to periods out to 2022.

Airservices has provided certain guarantees and indemnities to various participants in the transaction. If certain events occur, Airservices could be liable to make substantial payments under the lease guarantees and indemnities. In December 2012, Airservices negotiated an early termination of two of its cross-border financing arrangements. These terminations significantly reduced the value of the guarantees and indemnities provided to participants involved in the transactions. The future underlying exposures against which these guarantees and indemnities have been provided are up to a maximum of US\$239m (30 June 2015: US\$267m).

Airservices 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 would not be required to make a significant payment under these guarantees and indemnities.



Appendices

Appendix 1: Board memberships, meetings and committees

Members of the Board and their terms of appointment 1 July 2015 to 30 June 2016



Air Chief Marshal Sir Angus Houston AK, AFC (Ret'd) is Chair of Airservices Australia. He was appointed to the Board in December 2011 and appointed Chair in June 2012. His current term expires on 2 June 2017.

Sir Angus is Chair of the Defence South Australia Advisory Board; the Order of Australia Council; the Queensland Mind and Neuroscience Institute; the Victorian Police Corporate Advisory Group; the University of NSW Canberra Advisory Board and the Canberra Symphony Orchestra. He is a Board Member of the Lowy Institute for International Policy, the Australian Cancer Research Foundation, the Anzac Centenary Public Fund Board and GreaterGood Canberra. Sir Angus is also a visiting fellow of the ANU National Security College and the South Australian Special Envoy for International Trade and Investment. In addition, he is patron of numerous charitable organisations.

In July 2014 Sir Angus was appointed as the Prime Minister's Special Envoy to lead Australia's efforts to help recover, identify and repatriate Australians killed in the Malaysia Airlines MH17 crash. Sir Angus also led the Joint Agency Coordination Centre coordinating the Australian Government's support for the search into missing Malaysia Airlines flight MH370 in 2014 for the initial three months of the search. In 2012 Sir Angus led the Expert Panel on Asylum Seekers.

Sir Angus was the Chief of the Defence Force from 4 July 2005 until 4 July 2011, prior to that he was Chief of Air Force for four years. Sir Angus was Chair of the Anzac Centenary Advisory Board from July 2011 until March 2014. The Board provided strategic advice to the Australian Government on the national programme for the Anzac Centenary 2014–2018.

Sir Angus was awarded the Knight of the Order of Australia in January 2015 for his extraordinary and pre-eminent achievement and merit in service to Australia. Sir Angus is married to Liz and they have three sons and three grandchildren. In 2011, he was named the Australian Father of the Year and in 2012, the ACT Australian of the Year.



Tony Mathews

**Deputy Chair and
Chair Safety Committee**

Tony Mathews was appointed to the Board on 4 June 2012 and is Chair of the Safety Committee. Mr Mathews was reappointed to the Airservices Board for a further three years until September 2017 and has been appointed as the Deputy Chair for the same period.

Mr Mathews has over 45 years' experience in the aviation industry including extensive work in regional aviation as a chief pilot and general manager of a regional airline, and is a qualified airline transport and commercial pilot.

Mr Mathews is Chair of the Board of Advice, Mildura Private Hospital; a director and Deputy Chair of the Mildura District Hospital Fund and a director of Lower Murray Water.

Mr Mathews has held managerial positions with Qantas Regional Airlines. He is a Past President and board member of the Regional Aviation Association of Australia. He has served as Chair and board member of the Mildura Cooperative Fruit Company, Chair of the Murray Campaign Committee and Mildura Murray Outback Tourism. Mr Mathews has been a member of the Chances for Children Committee, the First Mildura Irrigation Trust, and a director of RCP Finance Limited. He was the Aviation Manager for the Royal Flying Doctor Service (SE Section) from 2003 until 2013.



Annette Kimmitt

**Chair Audit and
Risk Committee**

Annette Kimmitt was appointed to the Board on 6 June 2012 and is the Chair of the Audit and Risk Committee. Ms Kimmitt resigned from the Board, effective 30 June 2016, due to changes in her role with Ernst & Young, leading to significantly expanded international commitments.

Ms Kimmitt is Ernst & Young Asia-Pacific Accounts Leader, Global Middle Market Leader and a member of the firm's Asia-Pacific Operating Executive. She leads the firm's Asia-Pacific markets functions, including Business Development/Pursuits, Knowledge and Partner Learning, Strategic Growth Markets and Markets Operations.

In addition to her role at Ernst & Young, Ms Kimmitt is a director of the Melbourne Business School.

In 2013, Ms Kimmitt co-founded, SCALe Investors, Australia's first seed capital organisation focused on equipping women with the education and deal flow opportunities to have confidence to invest in high-growth, female-led businesses at an early stage of their development.

Ms Kimmitt's executive career has included a range of senior roles with Ernst & Young and with the International Accounting Standards Board. She was previously Ernst & Young's Melbourne office managing partner and leader of its Victorian Government practice. Ms Kimmitt was formerly a director of the United Nations Principles for Social Investment and is a former Victorian chair of the Institute of Chartered Accountants.

**David Marchant AM**

**Chair of the Board
Investment and
Technology Committee**

David Marchant was appointed to the Board on 21 July 2014. He is Chair of the Board Investment and Technology Committee and a member of the Safety Committee and Audit and Risk Committee. His current term expires on 20 July 2017.

Mr Marchant is also a director of QR Limited. Mr Marchant has extensive experience in the transport industry. He is a former Chief Executive Officer of the Australian Rail Track Corporation and director and Chair of the Australian Railway Association. Mr Marchant also served as a director of the Rail Industry Safety and Standards Board.

Mr Marchant has worked as Managing Director of Lend Lease Engineering and Managing Director of Lend Lease Infrastructure Services, and as a director of the Hunter Valley Coal Chain Coordination Company Pty Ltd.

He received the General Division of the Order of Australia in 2013 for significant service to the rail industry through national structural reform and infrastructure upgrades and has been a member of the Australian Institute of Company Directors since 2000.

**Fiona Balfour**

Fiona Balfour was appointed to the Board on 3 June 2013, and is a member of the Audit and Risk Committee, the Technology and Investment Committee and the Remuneration and Human Resources Committee. Her current term expires on 2 June 2018.

Ms Balfour has over 35 years' experience across aviation, information and telecommunication services, financial services, distribution and logistics, and corporate governance. She has been an advisor to Medibank Private Limited and was previously Chief Information Officer at Telstra Corporation Limited. Ms Balfour also spent 14 years with Qantas Airways Limited during which time she held various positions including Chief Information Officer and Executive General Manager of Qantas Business Services.

Ms Balfour has been an Independent non-Executive member since 2002 and currently sits on the boards of Metcash Limited, Salmat Limited and TAL (Dai ichi Life) Australia Pty Limited. Ms Balfour is a former Councillor and Treasurer of Knox Grammar School, Wahroonga, former Director of SITA SC (Geneva), the National Breast Cancer Foundation and former Chair of the St James Kings Street Conservation Appeal.

Mrs Balfour has a BA (Hons) Grad.Dip IM MBA. She was appointed a Fellow of Monash University in 2010 and is also a Fellow of the Australian Institute of Company Directors.



John McGee was appointed to the Board on 4 September 2015. He is a member of the Audit and Risk Committee, Safety Committee and Environment Committee. His current term expires on 3 September 2018.

Prior to joining the Board of Airservices, Mr McGee was Managing Director of BNY Australia Pty Ltd. for seven years, heading up the Bank of New York's corporate trust operation in Australia.

Mr McGee has also served on other boards as a non-executive director. He was Deputy Chair and Chair of the Audit and Compliance Committee of the Private Health Insurance Administrative Council (PHIAC), the regulator of all private health insurers, and was a non-executive director of that body for nine years.

Other non-executive board roles have included Westpac Funds Management; Delhi Petroleum; and other companies in the financial and pharmaceutical industries.

In his executive roles, Mr McGee has also been a director of many subsidiaries and held responsible manager status on various ASIC and APRA licences. He was also Head of Funds Management, and later Chief Financial Officer, for a listed life insurer.



Samantha Betzien was appointed to the Board on 4 June 2012. She is Chair of the Remuneration and Human Resources Committee and a member of the Safety Committee and Environment Committee. Her current term expires on 3 September 2017.

Ms Betzien is a partner in the Human Resources and Industrial Relations team in the Brisbane office of Minter Ellison. She also performs the management role of staff partner at Minter Ellison. She has 17 years' experience providing legal advice on all aspects of employment, industrial relations and work, health and safety to major employers in the transport, aviation, energy and resources and construction sectors. Her clients also include a number of Queensland Government owned corporations.

She is a member of the Australian Institute of Company Directors and the Industrial Relations Society of Queensland and is listed in the Australian Financial Review's Best Lawyers and in Doyle's Guide in the areas of labour law, employment and occupational health and safety law.

She was named 2014 Queensland Woman Lawyer of the Year by the Women Lawyers Association of Queensland.

**Tim Rothwell**

Chair of the Environment Committee

Tim Rothwell was appointed to the Board on 21 July 2014. He was Chair of the Environment Committee, which was disbanded by the Board in June 2016 (see page 14). He is also member of the Audit and Risk Committee, the Remuneration and Human Resources Committee and the Technology and Investment Committee. He was appointed Chair of the Audit and Risk Committee from 1 July 2016. His current term expires on 20 July 2017.

Mr Rothwell was Chief Financial Officer of Brisbane Airport Corporation for 20 years and is now a consultant to industry. He is the Honorary Treasurer of the Royal National Agricultural and Industrial Association of Queensland. Mr Rothwell is a member of the Audit, Finance and Risk Committee of Wesley Mission Brisbane, having been the inaugural Chair of that committee and a board member for a number of years.

Mr Rothwell mentors Queensland University of Technology executive MBA students and lectures to University of New South Wales undergraduates each year as part of their Aviation Business Degree.

He holds a Bachelor of Economics and Accounting (Honours), is a Fellow of the Institute of Chartered Accountants and a Member of the Australian Financial Executives Institute and the Australian Institute of Company Directors.

**Jason Harfield**

Chief Executive Officer

Jason Harfield commenced as the Acting Chief Executive Officer (CEO) on 10 August 2015 and was appointed CEO on 9 March 2016.

Prior to this Mr Harfield was the Executive General Manager (EGM), Future Service Delivery, leading the acquisition and delivery of Airservices future national air traffic management platform.

With more than 25 years of experience in the aviation industry, Mr Harfield has been a core member of the Airservices leadership team since 2005. His previous roles include GM Safety Management and EGM Air Traffic Control.

He was fundamental to Airservices ongoing operational improvement program where he led the introduction of new services, and advanced airport capacity and air traffic flow management capabilities. He was also chief advisor to the CEO and Board on safety matters and was accountable for leading the development and application of best practice safety systems and practices across the organisation.

Mr Harfield has held a number of senior management positions including Australia's Head Air Traffic Controller and Australian Airspace Regulator and was previously a qualified air traffic controller.

Mr Harfield has an EMBA from Melbourne Business School (Mt Eliza), has completed the Advanced Management Program at Harvard Business School and is a Managing Successful Programs (MSP) Registered Advanced Practitioner. He is also a fellow of the Australian Institute of Company Directors, a fellow of the Royal Aeronautical Society and a private pilot.

Former Directors



The Hon. Paul Lucas was appointed to the Board on 4 June 2012 and his term expired on 3 September 2015. During his time on the Board, Mr Lucas was Chair of the Environment Committee.

Mr Lucas has 10 years' experience in private legal practice, followed by more than 15 years in the Queensland Government including ministerial responsibilities in infrastructure, planning and state aviation matters.

Mr Lucas served in numerous ministerial capacities including Deputy Premier, Minister for Infrastructure and Planning, Minister for Transport and Main Roads, Attorney-General and Minister for Local Government, Minister for Health, and Minister for Innovation and Information Economy.

Mr Lucas has Bachelor's Degrees in Economics and Law and Masters in Business Administration, and in Urban and Regional Planning. He is a board member of Australian College of Optometry, an Adjunct Professor at School of Business and Law at the Australian Catholic University, Adjunct Professor in the School of Law at Bond University, a Chartered Member of the Institute of Logistics and Transport, and a Fellow of the Australian Institute of Company Directors.



Margaret Staib AM, CSC was Chief Executive Officer at Airservices from 15 October 2012 to 10 August 2015. This followed a distinguished career spanning over three decades in the Royal Australian Air Force where, from January 2010, she held the position of Commander Joint Logistics.

In 2000, Ms Staib's contribution and leadership in the field of ADF Aviation Inventory Management was recognised when she was awarded the Conspicuous Service Cross. A posting with the United States Air Force at the Pentagon furthered her experience of logistics transformation. Her service during this period was recognised with the United States Meritorious Service Medal.

In January 2009, Ms Staib was appointed as a Member in the Military Division of the Order of Australia. She also received the Outstanding Contribution to Supply Chain Management in Australia award at the 2011 Smart Supply Chain Conference.

Ms Staib is a Certified Practising Logistician, a Fellow of the Chartered Institute of Logistics and Transport and a member of the Industry Advisory Board. In May 2014, Ms Staib was appointed a director of the Commonwealth Superannuation Corporation. In January 2015, she was appointed to the Australian Strategic Policy Institute Council.

Benefits and interests in contracts with Airservices Australia

Details of directors' benefits and interests in contracts with Airservices are set out in notes 4.3 and 4.4 of the financial statements.

Directors' and officers' indemnities and insurance

In 2015–16, we held a directors and officers liability insurance policy. It is a condition of this policy that the nature of the limits of liability, the

liability indemnified and the premium payable is not disclosed to third parties except to the extent that:

- we are required to do so by law
- the insurer consents in writing to such disclosure.

Details on Board and Board committee meetings, including members' roles and attendance for 2015–16 are provided in Table 1.

TABLE 1 Board and Board committee meetings, including members' roles and attendance 2015–16

	Board	Sch	Unsch	Safety	Audit	Remuneration	Environment	Technology
Meetings convened	13	8	5	6	4	8	4	4
Angus Houston ¹	12	8	4	6	4*	7	4	4
Tony Mathews ²	13	8	5	6	0*	1*	0*	1*
Annette Kimmitt ³	12	7	5	1*	4	2*	0*	2*
Samantha Betzien ⁴	13	8	5	5	0*	8	3	1*
Paul Lucas ⁵	6	2	4	1	0*	0*	1	0*
Fiona Balfour	11	7	4	0*	3	7	0*	4
David Marchant ⁶	13	8	5	6	2	4*	1*	4
Tim Rothwell ⁷	13	8	5	0*	4	8	4	4
John McGee ⁸	7	6	1	5	3	2*	2	1*
Margaret Staib ⁹	3	2	1	1	0*	1	1	1
Jason Harfield ¹⁰	7	6	1 [#]	5	4*	6 [#]	3	3

1 Chair of the Board

2 Deputy Chair of the Board, Chair of the Safety Committee

3 Chair of the Audit and Risk Committee

4 Chair of the Remuneration and Human Resources Committee

5 Chair of the Environment Committee until 3 September 2015 Term expired 3 September 2015

6 Chair of the Technology Committee

7 Chair of the Environment Committee from 4 September 2015

8 Commenced on the Board 4 September 2015

9 CEO and ex officio member of all Board Committees (excluding the Board Audit and Risk Committee) Resigned 10 August 2015

10 Acting CEO from 11 August 2015. Appointed CEO from 9 March 2016. CEO and ex officio member of all Board Committees (excluding the Board Audit and Risk Committee)

* Not a committee member during relevant period

[#] Non Executive Board Members business only - Jason Harfield for 1 Remuneration meeting and 2 unscheduled Board meetings

Appendix 2: Statement of Expectations and Statement of Intent

We received the Statement of Expectations (SOE) for the period July 2015 to June 2017 from the Minister for Infrastructure and Regional Development on 15 June 2015.

Our Board responded with their Statement of Intent (SOI) on 16 July 2015 as part of our *Corporate Plan 2015–2020*.

TABLE 2 SOE and SOI

Statement of Expectations	Statement of Intent	2015–2020 initiatives
<p>1. Stakeholder Engagement</p> <p>Continue to undertake effective consultation with the community, industry and Government on the development and implementation of significant changes by Airservices to air traffic and aviation rescue and fire fighting services.</p>	<p>Airservices will consult with key stakeholders in Government and industry and participate in relevant community, industry and Government forums to support the integrity of operations and whole-of-industry safety outcomes.</p>	<p>1.3 Improve awareness and confidence in Airservices safety performance.</p> <p>3.4 Implement world's best practice Aircraft Noise Management.</p>
<p>2. Implementing relevant Government Air Traffic Initiatives</p> <p>Continue to implement Government air traffic management and other airspace policy initiatives (in conjunction with the Department, the Australian Transport Safety Bureau (ATSB), the Civil Aviation Safety Authority (CASA) and the Department of Defence) including those arising out of the Government's response to the Aviation Safety Regulation Review Report.</p>	<p>Airservices will continue to work cooperatively with the Department and Government agencies through the Aviation Policy Group and other forums to implement relevant air traffic management and other airspace policy initiatives.</p>	<p>1.1 Continual optimisation of localised airspace design to enhance operational safety, efficiency and environmental outcomes.</p> <p>1.2 Continual improvement to safety at regional aerodromes through the delivery of new services</p> <p>1.4 Collaborate locally and internationally to support the integrity of our operations and whole of industry safety outcomes.</p> <p>1.5 Enhance our safety management system (SMS) and safety culture.</p> <p>2.8 Continue to collaborate with the Department of Defence to progress harmonisation opportunities under the Australian Civil–Military ATM Committee (AC-MAC).</p> <p>3.1 Implement a harmonised core ATM system in collaboration with the Department of Defence.</p> <p>3.4 Implement world's best practice Aircraft Noise Management.</p> <p>3.8 Improve alignment in airport master planning outcomes.</p> <p>3.16 Pursue alternative delivery models which enable efficient and risk-based provision of an ARFF service.</p>

Statement of Expectations	Statement of Intent	2015–2020 initiatives
<p>3. Provision of Information, Assistance or Advice</p> <p>Engage constructively in processes where it can provide information, assistance or advice for policy formulation, implementation and regulation undertaken by Government agencies, both within and outside my portfolio.</p>	<p>In line with the Government's policy, Airservices will coordinate and foster aviation industry relationships.</p> <p>Airservices will continue to participate in cross-agency forums and provide technical advice to assist with policy formulation in areas such as safety, airspace policy, airport planning and aviation environmental impacts.</p>	<p>1.3 Improve awareness and confidence in Airservices safety performance.</p> <p>1.4 Collaborate locally and internationally to support the integrity of our operations and whole of industry safety outcomes.</p> <p>1.6 Enhance security and resilience.</p> <p>3.8 Improve alignment in airport master planning outcomes.</p>
<p>4. Environmental Responsibilities</p> <p>Assist in implementing the Government's environmental initiatives including:</p> <p>a. supporting the ongoing role of the independent Aircraft Noise Ombudsman (ANO) and implementation of agreed recommendations made by the ANO;</p> <p>b. the appropriate resourcing of the Noise Complaints Unit to continue to improve the flow and quality of information to noise affected communities;</p> <p>c. providing and reporting against an annual environmental work plan which outlines Airservices key initiatives in managing and monitoring the environmental effects of aircraft operations;</p> <p>d. the ongoing commitment to the Sydney Airport Long Term Operating Plan; and</p> <p>e. the wider use of Required Navigation Performance (RNP) approaches, as appropriate, at Australian airports following consultation with other Government agency, community and industry stakeholders.</p>	<p>Airservices will continue to develop air traffic management and aviation rescue fire fighting initiatives to improve the environmental performance of operations.</p> <p>Airservices will implement an Environment Strategy with an action plan with particular emphasis on the management of aircraft noise and its impact on affected communities. Specifically, Airservices will:</p> <ul style="list-style-type: none"> ▪ consult with the community on aircraft noise issues ▪ enhance management of the Noise Complaints Information Service to enable improved complaints handling ▪ maintain an independent Aircraft Noise Ombudsman's Office ▪ implement the recommendations of the Aircraft Noise Ombudsman. <p>Airservices will focus on implementing a range of new systems and tools across the core air traffic management suite that support optimal operations, including performance based navigation, to improve capacity, enhance safety, improve cost effectiveness, realise environmental benefits and meet customer needs.</p>	<p>1.1 Continual optimisation of localised airspace design to enhance operational safety, efficiency and environmental outcomes.</p> <p>3.2 Develop and implement demand and capacity management capabilities.</p> <p>3.3 Improve capacity management through Airport Capacity Enhancement (ACE).</p> <p>3.4 Implement world's best practice Aircraft Noise Management.</p> <p>3.5 Improve operational, safety and environmental measurement, modelling and reporting.</p> <p>3.7 Improve environmental management and reduce energy, water and waste footprint.</p>

Statement of Expectations	Statement of Intent	2015–2020 initiatives
<p>5. Airport Planning</p> <p>Contribute to a coordinated approach to airport planning including appropriate participation in, and providing information to, planning coordination forums, community aviation consultation groups, and the National Aviation Safeguarding Advisory Group.</p>	<p>Airservices will continue participation in the National Aviation Safeguarding Advisory Group and other relevant forums and maintain a high level of stakeholder and community satisfaction.</p>	<p>3.4 Implement world’s best practice Aircraft Noise Management.</p> <p>3.8 Improve alignment in airport master planning outcomes.</p>
<p>6. Provision of Aviation Rescue and Fire Fighting Services (ARFFS)</p> <p>Provide a clearly defined Aviation Rescue and Fire Fighting Service (ARFFS) for civil operations at civil and joint-user airports that meet the establishment criteria in the <i>Civil Aviation Safety Regulations 1998</i>.</p>	<p>Airservices Aviation Rescue Fire Fighting (ARFF) service will continue to operate in line with relevant Civil Aviation Safety Regulations and in cooperation with State and Territory fire authorities.</p> <p>Airservices will continue to pursue outcomes based operating regulations for ARFF and establish Memoranda of Agreement as to roles and responsibilities established with State and Territory fire authorities for all airport locations.</p>	<p>1.2 Continual improvement to safety at regional aerodromes through the delivery of new services.</p> <p>3.11 Investigate scalable core service delivery options.</p> <p>3.16 Pursue alternative delivery models which enable efficient and risk based provision of an ARFF service.</p>
<p>7. Joint Civil and Military Aviation Harmonisation</p> <p>Progress the implementation of agreed joint civil and military aviation harmonisation initiatives with the Department of Defence including Airservices acting as the lead agency on the future joint air traffic control system project.</p>	<p>Airservices act as lead agency with the Australian Department of Defence to harmonise civil and military air traffic management operations to improve operational efficiency and cost effectively manage increasingly complex civil military airspace integration requirements.</p>	<p>1.6 Enhance security and resilience.</p> <p>2.8 Continue to collaborate with the Department of Defence to progress harmonisation opportunities under the Australian Civil–Military ATM Committee (AC-MAC).</p> <p>3.1 Implement a harmonised core ATM system in collaboration with the Department of Defence.</p>
<p>8. Future Investment in Technology and Infrastructure</p> <p>Continue investment in future infrastructure upgrades and replacement programmes as demonstrated in a detailed capital expenditure programme, including enhanced air traffic and surveillance services at regional airports.</p>	<p>Airservices will work collaboratively across the industry to anticipate, understand and plan for future needs.</p> <p>Airservices will develop a long-term plan for the replacement of the core air traffic management system to deliver operational flexibility and robust business continuity while meeting capacity growth and increasing flexibility.</p>	<p>3.8 Improve alignment in airport master planning outcomes.</p> <p>3.9 Continue to improve the delivery of the capital programme.</p> <p>3.10 Refine and improve the aligned strategic planning framework.</p> <p>3.13 Develop sustainable facilities and site master plans for key locations.</p> <p>3.15 Implement the Technology Strategy.</p>

Statement of Expectations	Statement of Intent	2015–2020 initiatives
<p>9. Efficient Capital Programme</p> <p>Ensure the efficient, on budget and timely delivery of Airservices' capital expenditure programme.</p>	<p>Airservices will continue to deliver on its capital expenditure programme, which includes OneSKY and numerous other capital infrastructure and asset replacement projects. Airservices' capital expenditure programme is prioritised such that we can continue to provide safe air traffic management and aviation firefighting services, and maintain this high level of service with forecast capacity growth.</p> <p>Through our capital programme we are committed to providing innovative technological solutions to increase efficient service delivery for the aviation industry. We are focussed on creating value for our customers while improving delivery within budget constraints.</p> <p>The capital expenditure programme is carefully monitored to ensure Airservices meets its obligations under the Public Governance, Performance and Accountability Act 2013 to spend money in an efficient, effective, economical and ethical manner.</p>	<p>3.9 Continue to improve the delivery of the capital programme.</p>

Statement of Expectations	Statement of Intent	2015–2020 initiatives
<p>10. Sustainable Workforce Planning</p> <p>Commit to a strong focus on human resource issues, consistent with government workplace policies, including publication of an annual update of the Airservices Australia Workforce Plan, and the development and implementation of proactive recruitment, training and retention policies.</p>	<p>Airservices will attract and retain talent, deliver a flexible, empowered and engaged workforce that is supported by strong leadership.</p> <p>Airservices will develop leaders who are focussed on guiding and motivating the organisation's workforce to deliver future outcomes and will create opportunities for individuals to develop and excel and to ensure the workforce as a whole is ready to take on challenges of the future.</p> <p>Airservices will provide an annual Workforce Plan update, with specific emphasis on increasing workforce diversity, and developing a values based culture that does not tolerate bullying and harassment.</p>	<p>1.5 Enhance our safety management system (SMS) and safety culture.</p> <p>2.1 'Our people, our future' program to align culture and business imperatives.</p> <p>2.4 Implement Airservices Education and Training Strategy.</p> <p>2.5 Implement Airservices Diversity Strategy.</p> <p>2.6 Refine and improve the workforce model.</p> <p>2.7 Enhance management and leadership capability.</p>
<p>11. Asia-Pacific Regional Aviation Safety</p> <p>Continue to support the Government's safety initiatives in the Asia-Pacific region.</p>	<p>Airservices will collaborate internationally with neighbouring partners and support the Australian Government's aviation safety initiatives in the Asia Pacific region to improve the safety outcomes for the industry across the region.</p> <p>In particular, Airservices will assist air navigation service providers in Indonesia and Papua New Guinea to build air traffic service capability to facilitate increased safety, harmonisation and integration of air traffic management with Australia's adjoining airspace.</p>	<p>1.3 Improve awareness and confidence in Airservices safety performance.</p> <p>1.4 Collaborate locally and internationally to support the integrity of our operations and whole of industry safety outcomes.</p>

Statement of Expectations	Statement of Intent	2015–2020 initiatives
<p>12. Public Sector Professionalism and Accountability</p> <p>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.</p>	<p>Airservices will continue to maintain a high level of compliance with relevant legislative requirements, policy and guidelines and will provide regular reporting to industry with performance KPIs embedded in the Service Charter. This will be supported by a comprehensive internal audit programme.</p> <p>Airservices will maintain integrated management systems that support and promote excellence.</p>	<p>1.6 Enhance security and resilience.</p> <p>2.2 Improve the alignment of key systems, processes and accountabilities through an integrated management system (IMS).</p> <p>2.3 Apply the productivity framework.</p> <p>3.6 Optimise procurement outcomes through supplier category management (SCM) and supplier relationship management (SRM).</p> <p>3.7 Improve environmental management and reduce energy, water and waste footprint.</p> <p>3.10 Refine and improve the aligned strategic planning framework.</p> <p>3.12 Implement an aligned global sustainability reporting framework.</p> <p>3.14 Enhance enterprise risk assurance management.</p>

Appendix 3: Report against performance initiatives

Maximising safety performance

Core outcomes:

- increased public and stakeholder confidence in aviation safety
- improved safety of our people
- improved cross-industry safety performance.

Initiative	Outcome
<p>1.1 Continual optimisation of localised airspace design to enhance operational safety, efficiency and environmental outcomes.</p>	<p>A comprehensive and broad reaching redesign of both terminal and en route airspace is being undertaken, termed the Future Airspace Strategy (FAS).</p> <p>Through the FAS the level of service across Australian airspace will be standardised, and ultimately provide all aircraft the same seamless service across all phases of the flight.</p>
<p>1.2 Continual improvement to safety at regional aerodromes through the delivery of new services.</p>	<p>In 2015–16, we progressed a project to introduce Automatic Dependent Surveillance Broadcast (ADS-B) feeds into our regional control towers at Tamworth, Albury and Coffs Harbour airports. When introduced, this will enhance the ability of controllers to provide enhanced surveillance and safety benefits.</p> <p>In March 2016, we also commissioned a new fire station at Hamilton Island, enhancing our ability to provide vital, regulated services to the industry and the travelling public.</p>
<p>1.3 Improve awareness and confidence in Airservices safety performance.</p>	<p>A targeted public and industry engagement campaign was launched in July 2015 to articulate the benefits of satellite technology (ADS-B) to our customers to ensure continued safe and efficient service delivery in Australian airspace.</p>
<p>1.4 Collaborate locally and internationally to support the integrity of our operations and whole-of-industry safety outcomes.</p>	<p>We continued to take a proactive role in developing and sustaining the capabilities of our neighbours in an ongoing effort to improve air safety of the region. This includes formal partnerships with Indonesia and Papua New Guinea (PNG) as well as assistance to countries such as Solomon Islands, Nauru and Vanuatu.</p> <p>We provided assistance to PNG when the only radar in Port Moresby failed in early 2016, to assist with the repairs. This ensured the continued delivery of safe services to our airline customers and reduced the use of procedural separation standards which had been causing some delays.</p>

Initiative	Outcome
<p>1.5 Enhance our safety management system (SMS) and safety culture.</p>	<p>During 2015–16 we continued to enhance our SMS and safety culture. We developed safety change training to improve the capability of our managers and launched a two-stage Safe-Change Orientation Program (SCOAP) education and awareness program to better equip managers.</p> <p>We also conducted a review of the sleep and fatigue impacts of air traffic control work scheduling practices. The ATS Fatigue Risk Management System Review was completed in February 2016 and a series of recommendations to improve fatigue management and provide additional assurance of the system were actioned.</p>
<p>1.6 Enhance security and resilience.</p>	<p>We established our Protective Security Policy Framework (PSPF) implementation plan, which outlines our approach to ensure compliance. Implementation will continue over 2016–17. The PSPF assists Australian Government entities protect their people, information and assets. It provides policy and guidance on governance, personnel, physical and information security.</p> <p>We also further strengthened our internet security arrangements to proactively prevent data loss and maintain our security integrity as well as mitigate against cyber intrusions or incursions.</p>

High performing organisation

Core outcomes:

- our people are engaged and valued
- a culture of service and delivery both internally and externally
- a high-performance team
- strong and effective leadership.

Initiative	Outcome
2.1 'Our People, Our Future' Program to align culture and business imperatives.	<p>The emphasis of this programme over the year was on preparing our leadership to lead change.</p> <p>By continuing to embed our focus on customer-centricity and an increasingly collaborative approach we have been preparing to successfully transform Airservices through the Accelerate Program over 2016–17.</p>
2.2 Improve the alignment of key systems, processes and accountabilities through integrated management system (IMS).	<p>The implementation of the Integrated Management System (IMS) which commenced in 2011 continued over 2015–16.</p> <p>This ongoing work provides greater traceability and assurance over our obligations, and facilitates insight into our processes to identify and drive efficiency.</p>
2.3 Apply the productivity framework.	<p>The awareness of the Productivity and Value Framework was improved through implementation activities over 2015–16.</p> <p>The launch of the Accelerate Program will position Airservices as a leaner, more efficient service provider over 2016–17. Targeted productivity and efficiency reporting will continue.</p>
2.4 Implement the Airservices Training and Education Strategy.	<p>As a Registered Training Organisation we delivered our core operational workforce requirements for the year in alignment with our Workforce Strategy.</p> <p>We introduced basic aviation knowledge pre-course online training that has been able to reduce the length, and cost, of ATC ab-initio courses.</p> <p>We also introduced tower simulators in Perth and Brisbane, high-fidelity training aids to support core aviation rescue fire fighting competency development and the use of blended learning using virtual classroom technologies.</p>
2.5 Implement the Airservices Diversity Strategy.	<p>Our refreshed Diversity and Inclusion Strategy 2016–20 was published in June 2016. It focuses on inclusion activities within our workforce, workplace and industry.</p> <p>We also prepared our second Reconciliation Action Plan (RAP) for endorsement by Reconciliation Australia (RA). Building on our current RAP, our new RAP is at the 'Innovate' level of RA's four stage RAP Maturity Framework (Reflect, Innovate, Stretch and Elevate).</p>

Initiative	Outcome
<p>2.6 Refine and improve the workforce model.</p>	<p>A comprehensive review and redesign of our operating model was undertaken as part the Accelerate Program. The new operating model came into effect on 1 July 2016.</p> <p>Over 2016–17 it will be supported by a series of improvement initiatives regarding workforce, functions, policy and processes, as well as targeted areas of capability development.</p>
<p>2.7 Enhance management and leadership capability.</p>	<p>As part of defining the new operating model all roles in our leadership layers were reviewed and ‘reset’ based on capability to deliver Airservices strategy.</p> <p>A new leadership curriculum was developed to support leaders to create and sustain organisational change.</p>
<p>2.8 Continue to collaborate with the Department of Defence to progress harmonisation opportunities under the Australian Civil–Military ATM Committee (AC-MAC).</p>	<p>AC-MAC members met regularly throughout the year. We continued to work collaboratively with Defence on engineering and airspace reviews to ensure that the ANSP boundaries are safe and seamless to all aviation operators.</p> <p>We also continued to focus on progressing the OneSKY Australia program.</p>

Core operational and business excellence

Core outcomes:

- industry requirements understood and exceeded in delivering services
- increased service and environmental efficiency within our organisation
- improved effectiveness and efficiency of our services
- an integrated and harmonised service.

Initiative	Outcome
<p>3.1 Implement a harmonised core ATM system in collaboration with the Department of Defence.</p>	<p>The focus of our OneSKY Australia Program for 2015–16 was on negotiations for the Civil Military Air Traffic System (CMATS) Acquisition and Support Contracts with Thales Australia.</p> <p>Four Advanced Work Orders (AWOs) are underway in parallel to the negotiation activity. They address the areas of System Design and Planning, Early Voice Communication System, and Software Assurance.</p>
<p>3.2 Develop and implement demand and capacity management capabilities.</p>	<p>Meteorological Collaborative Decision Making (MET CDM) was implemented in Brisbane and Melbourne and planning for trials at Sydney and Perth is underway.</p> <p>This project incorporates Bureau of Meteorology forecast weather information so that Airservices and industry participants are able to agree on a programmed movement (acceptance) rate for a participating airport (with greater fidelity), taking into account the expected severity and location of expected weather relative to the airport.</p> <p>This has a significant impact on demand and capacity management at airports as well as reducing fuel burn for our customers.</p>
<p>3.3 Improve capacity management through Airport Capacity Enhancement (ACE).</p>	<p>Work continued to implement strategic plans at Brisbane, Perth, Melbourne and Sydney for the ACE program. These aim to identify opportunities to improve efficiency and increase the use of existing infrastructure to increase runway capacity.</p> <p>This resulted in the implementation of a 2400 m reduced runway separation standard and a 2.5 nm airborne separation standard in Brisbane. In Perth, new terminal instrument flight procedures and amendments to ATC procedures have reduced controller workload and support consistent predictable sequencing of aircraft.</p> <p>We also commenced work on a strategic plan for Adelaide with the Adelaide Airport Airspace Operators Group (AAAOG).</p>
<p>3.4 Implement world's best practice Aircraft Noise Management.</p>	<p>In 2015–16 we improved our capability to predict the environmental impacts of aircraft noise at major airports, and developed the capability to predict and measure aircraft noise at regional airports.</p> <p>This included extending the Noise and Flight Path Monitoring System (NFPMS) to include Gold Coast and Townsville, developing an airport-wide noise model for Adelaide and Brisbane, establishing a short-term noise monitoring program across a number of airports and developing protocols for monitoring aircraft noise at regional airports.</p>

Initiative	Outcome
<p>3.5 Improve operational, safety and environmental measurement, modelling and reporting.</p>	<p>In collaboration with our major airline customers, we successfully validated our Dali aircraft trajectory, fuel consumption and CO₂ emissions modelling tool against actual fuel consumption data for most relevant aircraft types.</p> <p>In consultation with our customers we also developed new performance metrics aimed at measuring the expected benefits from the Civil-Military Air Traffic System (CMATS).</p> <p>We established a Performance Metrics Working Group with key customers to continue to mature our approach in assessing our current and future performance. An early success from this group is customer endorsement of the Airborne Delay metric methodology.</p>
<p>3.6 Optimise procurement outcomes through supplier category management (SCM) and supplier relationship management (SRM).</p>	<p>In 2015–16, we refined the number of Airservices suppliers through a vendor roadmap. The roadmap also profiled our supplier costs and provided a health check on our category management initiatives and help inform priorities moving forward.</p> <p>Our focus for SRM in 2015–16 was on promulgating and validating customer/supplier surveys. The supporting action plans focused on improving value for money, enhancing governance, relationship management and reporting.</p>
<p>3.7 Improve the environmental management system and reduce energy, water and waste footprint.</p>	<p>During 2015–16 we established a web-based platform to collect and report on our energy and water consumption, and greenhouse gas emissions for all sites and operations.</p> <p>In addition to enabling Airservices to efficiently report our greenhouse gas emissions and energy consumption to the Commonwealth Clean Energy Regulator, we are able to use this data to inform future improvements.</p>
<p>3.8 Improve alignment in airport master planning outcomes.</p>	<p>We established an airport master planning process to ensure our strategic objectives associated with meeting customer requirements align with those of the airports where Airservices has a presence either in infrastructure or operations. A structure has also been developed for airport-specific master plans.</p>
<p>3.9 Continue to improve the delivery of the capital program.</p>	<p>In response to consultation with industry on the long term pricing agreement (LTPA) our capital programme was realigned to ensure continued investment in critical safety infrastructure and to deliver the key service improvement priorities of our customers, including the OneSKY Australia Program.</p> <p>Oversight of our capital works programme was improved through our implementation of an improved framework for investment delivery program reporting.</p> <p>Additionally, to improve the way we deliver our capital works programme in the future, our new operating model incorporates an Enterprise Portfolio Management Office.</p>

Initiative	Outcome
<p>3.10 Refine and improve the aligned strategic planning framework.</p>	<p>We have developed our <i>Corporate Plan 2016–17</i> as the high-level, strategic direction-setting document for our business.</p> <p>Through our Accelerate Program it will be used to drive business planning and our transformation towards a more flexible and agile organisation. It has a clear focus on effective and efficient service delivery to our customers by aligning resources and effort.</p>
<p>3.11 Investigate scalable core service delivery options.</p>	<p>In 2015–16, a review of our air navigation service delivery was undertaken to ensure that our resource allocation was adding value to industry and effectively managing the safety risk associated with activity growth.</p> <p>In 2016–17 we will continue to work with stakeholders to explore regulatory reform that ensures the safety of air navigation as well as actively supports improved service outcomes and minimises regulatory overheads where possible.</p>
<p>3.12 Implement an aligned global sustainability reporting framework.</p>	<p>In 2015–16, a materiality assessment previously undertaken was used to further develop our global sustainability reporting framework.</p> <p>This will be drawn on in 2016–17 to inform our organisational performance which is being realigned to consider the three prisms of our corporate plan key performance indicators.</p>
<p>3.13 Develop sustainable facilities and site master plans for key locations.</p>	<p>We effectively and efficiently manage our facilities on airports in a coordinated way through site master plans for key locations.</p> <p>The plans for Sydney, Melbourne and Perth are at an advanced stage and plans for Brisbane, Adelaide, Hobart and Sunshine Coast were initiated.</p>
<p>3.14 Enhance enterprise risk assurance management.</p>	<p>In 2015–16, the Airservices Board released their risk appetite statement. It supports effective risk management and decision-making processes by providing clarity on the level of risk that Airservices is willing to accept.</p> <p>We also implemented an Enterprise Risk Management Framework that proactively identifies and treats risk to within acceptable tolerances in our operations and operating environment.</p> <p>Risk management activity is consistent with the Commonwealth Risk Management Policy and International Standard ISO 31000:2009.</p>
<p>3.15 Implement the Technology Strategy.</p>	<p>Our Technology Strategy informs the development of our capital works programme. In 2015–16, our capital programme was realigned to ensure continued investment in critical safety infrastructure and to prioritise delivery of key service improvements including through the OneSKY Australia Program as it replaces our core ATM systems.</p>
<p>3.16 Pursue alternative delivery models which enable efficient and risk based provision of an ARFF service.</p>	<p>Our vision to be a valued provider of effective and efficient aviation rescue fire fighting service (ARFFS) and to realise real cost-savings for industry is constrained by the current regulatory model.</p> <p>As the service provider, we provided input into the Department of Infrastructure and Regional Development's industry discussion paper about the regulatory review of ARFFS.</p>

Appendix 4: Statutory and administrative information

Work Health and Safety—executive commitment

The Work Health and Safety (WHS) Strategy Safe and Well 2013–2018 continues to progress. The strategy aims to integrate health and safety in all that we do and supports the corporate objective to maximise safety performance. The objectives of the strategy are to:

- get it right—through safe design and effective risk management
- fit and well—through health risk management and worker wellbeing
- first care—through early intervention and injury management.

Consultation and health and safety committees

The National Health and Safety Committee is our peak consultative body for work health and safety. Three meetings were held throughout the year, one each in Brisbane, Melbourne and Sydney. The Sydney and Melbourne meetings were open forums, open to all workers, health and safety representatives and management.

During 2015–16 the National Health and Safety Committee commenced transitioning to a new model with greater representation and involvement of workers and Health and Safety Representatives under new Terms of Reference.

Quarterly local WHS Committee meetings were held in Brisbane, Sydney, Canberra and Melbourne which primarily focused on the WHS issues within their local area. Occasionally WHS topics are identified as being of national significance and are reported to the National WHS Committee. Changes in the WHS rules and regulations and internal procedural changes are also within the local committees agenda for awareness.

A new forum was established within one business group for Health and Safety Representatives and Technical Services Managers to discuss topical WHS issues and to promote national information sharing. Two forums were held in 2015–16.

Education

Our online work health and safety induction and legal obligations refresher package was completed by 97.6 per cent of employees.

Safety Assist Visit program

The Safety Assist Visit initiative helps managers and supervisors to implement work health and safety principles across our workplaces. This assists with compliance with health and safety requirements. The initiative is a safety feedback and coaching process rather than an audit. There were eight Safety Assist Visits conducted in 2015–16. Improvements were made throughout 2015–16 to the program to provide greater focus on specific workplace hazards and risk controls.

Work health and safety incidents

Work health and safety notifications to Comcare in 2015–16 complied with the *Work Health and Safety Act 2011 (Cth)*. Table 3 shows occurrences and hazards for the last five financial years.

Workers compensation premium

The Comcare premium for the financial year was 0.83 per cent of payroll. In 2014–15 it was 1.05 per cent.

Comcare investigations and notices

There were no Comcare investigations conducted this year. Comcare undertook three liaison visits to two Airservices workplaces.

Provisional improvement notices

There were no provisional improvement notices raised this year.

Aviation security

We build, run and manage a range of operational and corporate Information Communication Technology systems. These electronic services and associated data have a range of security requirements surrounding the management of the confidentiality, integrity, and availability of data. Our processes and systems have served us well until now, however, with the continued emergence

of cyber threats we need to ensure that we are constantly updating and improving our processes and systems to maintain security against any cyber incursion.

We are now moving towards compliance with the Attorney-General's *Protective Security Policy Framework* and the *Australian Government Information Security Manual*.

We also maintain a Transport Security Program, and associated Aviation Security Identification Card Program. The programs have been updated as required under the *Aviation Transport Security Act 2004* and the *Aviation Transport Security Regulations 2005* and were approved by the Office of Transport Security.

TABLE 3 Work Health and Safety Occurrences and Hazards 2010–2016

Incident category	2011–12	2012–13	2013–14	2014–15	2015–16
Total occurrences and hazards lodged in the health and safety reporting system.	NR	NR	423	386	446
Workplace fatality.	0	3 ¹	0	0	0
Serious injury or illness requiring Comcare notification ²	6	4	6	3	3
Dangerous incidents requiring Comcare notification ² .	34	22	16	17	11

¹ Relates to deaths of members of the public due to a vehicle accident.

² Requirement for Comcare notifications changed in January 2012.

NR = not reportable.

TABLE 4 Corporate Plan performance measures

Performance measure	Purpose and definition	Performance standard	Rate at 30 June 2014	Rate at 30 June 2015	Rate at 30 June 2016
Work, health and safety occurrence rate	Occurrences per one hundred workers per month	0	0.53	0.46	0.40
Total Lost time Injury Frequency Rate	Total number of lost time injuries per million hours worked (Comcare accepted claims)	0	8.5	6.6	5.8

Protective security

We apply protective security standards consistent with the *Australian Government's Protective Security Policy Framework* using a risk-based, outcomes-focused approach. We participate in various government and industry security forums, including the Trusted Information Sharing Network for operators of critical infrastructure, as well as local airport security committees and associated airport security consultative working groups.

Fraud control

Fraud control arrangements comprise of prevention, detection, response, monitoring, evaluation, and reporting activities. They are articulated in our *Fraud Control Policy* and supporting *Ethics and Fraud Control Plan* and *Ethics and Fraud Framework*.

Fraud risks are subject to quarterly review with an independent review also conducted during the year. All reasonable measures were undertaken to minimise and investigate the incidence of fraud. Wherever possible the recovery of fraud losses occurred as well.

Resilience

During the year we collaborated with the Attorney-General's Department, the Office of Transport Security, various state and Commonwealth law enforcement agencies, and operators of critical infrastructure on various activities to support the Critical Infrastructure Resilience Strategy.

This strategy describes the Australian Government's approach to enhancing the resilience of our critical infrastructure to all hazards that may impact operations. It encourages and enables critical infrastructure organisations through a range of initiatives and activities. This will better manage both foreseeable and unforeseen or unexpected risks

to critical infrastructure assets, supply chains and networks.

We participated in several state and federal based resilience exercises and information sharing forums to improve the ability of critical infrastructure operators to plan and respond to hazards that may impact our operations. We also conduct annual internal resilience exercises for our executive, senior managers and subject matter experts who are all involved in the response to abnormal operations.

Privacy

The *Privacy Act 1988* requires our organisation to maintain a Privacy Policy in accordance with the *Australian Privacy Principle 1.3*. This policy includes the following:

- the kind of personal information that we collect and hold
- how we collect and hold personal information
- the purposes for which we collect, hold, use, and disclose personal information
- how an individual may access their personal information held by us and seek the correction of such information
- how an individual may complain about a breach of the Australian Privacy Principles, or a registered Australian Privacy Principles code (if any) that binds us, and how we will deal with such a complaint
- whether we are likely to disclose personal information to overseas recipients
- if we are likely to disclose personal information to overseas recipients, the countries in which such recipients are likely to be located if it is practical to specify this.

Our Privacy Policy is available at www.airservicesaustralia.com/terms-copyright-privacy

During 2015–16, the Privacy Commissioner did not undertake any investigations under section 40 of the Privacy Act in relation to Airservices.

Freedom of information

In accordance with the Information Publication Scheme requirements, information we publish is available at www.airservicesaustralia.com/about/information-publication-scheme

Powers and functions

Our legislative framework, powers and functions are set out in the corporate overview section of this report.

Procedures and initial point of contact

Under the Freedom of Information (FOI) Act, the Chief Executive Officer or authorised officers may grant or refuse access to any document held by us. The Office of Legal Counsel makes initial decisions about access and fees. A request under the FOI Act must be in writing and state an address to which notices can be sent. Applicants may have to pay administrative charges to process a request. Rates are prescribed by the Act and Regulations.

The address for lodging FOI requests is:

Freedom of Information and Legal 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

Freedom of Information activity in 2015–16

Table 5 shows Airservices FOI activity for 2015–16.

TABLE 5 FOI activity for 2015–16

Activity in 2015–16	Numbers
Requests	
On hand at 1 July 2015	0
New requests received	37
Total requests handled	37
Total requests completed at 30 June 2015	35
Outstanding at 30 June 2016	2
Action on requests	
Access in full	27
Access in part	7
Access refused	1
Access transferred in full	0
Request withdrawn	0
Response times (excluding withdrawn)	
0–30 days	32
31–60 days	2
61–90 days	1
90+ days	0
Internal review	
Requests received	0
Decision affirmed	0
Decision amended	0

Commonwealth Ombudsman activity

During 2015–16, Airservices received no formal requests for information from the Office of the Commonwealth Ombudsman.

Aircraft Noise Ombudsman activity

During 2015–16, Airservices received 12 formal requests for information from the Aircraft Noise Ombudsman and closed 12 requests.

The Aircraft Noise Ombudsman also undertook a review into complaints about the Perth Noise Improvement Proposals, and provided recommendations for improving our consultation practices. The majority of these have been addressed and will be completed by the end of the 2016 calendar year.

Consultative arrangements

We welcome comment from other organisations and the public on our policies and practices. We maintain several methods for consultation, including attending airport community aviation consultation groups and other forums, the website—www.airservicesaustralia.com—our Noise Complaint and Information Service, telephone enquiry services, industry and pilot briefings, and, when required, locally advertised public meetings.

Our representatives attend community aviation consultation groups to provide information on our activities. These meetings are conducted at federally leased airports and similar community forums at some non-federal airports.

During the year, our representatives attended 94 Community Aviation Consultation Group meetings as well as community noise forums and airport technical noise forums.

In June, Airservices and the Australian Airports Association held the 6th annual Aviation Industry Noise Forum. This was attended by more than

80 representatives from airports, airlines, federal government, aviation industry bodies and noise consultants to collaboratively discuss aircraft noise related issues, and to identify and look for opportunities to better manage aircraft noise. A number of initiatives were identified to be progressed through an industry wide working group.

We are also a member of various Australian and international aviation and peak industry bodies.

Documents

Categories listed below are for documents held by our organisation as paper records, optical, audio and 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; and freedom of information 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, responses and releases; tenders, bids and submissions; original contract documents; contracts, agreements and memorandums of association; and contract precedent information.

Management and governance: Board charter; board submissions, minutes and records; management meeting submissions; corporate and strategic plans; business management documents; business plans; cases and reports; and 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; project financial data; approvals, briefs, plans, designs and commissioning reports; project management policies, manuals, processes and procedures; project records including schedules, contracts and financial records; project documentation; working party and committee reports; statistical information; information technology policy, procedures, specifications, instructions, manuals, standards, reports, maintenance and asset records; back-up tapes; quality management records.

Employees: workplace agreements; procedural manuals; employee and personnel management records; service and employment agreements; workplace health and safety records; equity and diversity records; internal staff publications; training and assessment records.

Technical: the Integrated Aeronautical Information Package containing the Aeronautical Information Publication, amendments, supplements, Notices to Airmen and aeronautical information circulars; communication systems handbooks; Airways 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; curriculum, syllabus, courseware and assessment records.

Environment: standards and procedures; records of assessment under Air Navigation (Aircraft Noise) Regulations; Australian noise

exposure forecasts; exposure concepts, indices and related documents; noise and flight path monitoring system reports; reports on environmental assessments; records of telephone enquiries and aircraft noise complaints; assessments of heritage values; assessments of contamination and site status; and reports of research and development trials.

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: separation policy, guidelines, standards, instructions, agreements and manuals; training records, standards, curriculum, syllabus, courseware and assessment records; procedure development records; air traffic control and air traffic 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 and plates, including en route information and world aeronautical charts.

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

Aviation rescue fire fighting: 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; curriculum, syllabus, courseware

and assessment records; aviation rescue fire fighting systems training and instruction manuals; incident and investigation records.

Superannuation

Our employer superannuation arrangements comply 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 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.

We are a Commonwealth Superannuation Scheme (CSS) approved authority under the Superannuation Approved Authority Declaration (1995). Approximately 127 employees are defined benefit members of the CSS, which is administered by the Commonwealth Superannuation Corporation (RSE licence L0001397).

The CSS was closed to new members on 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

There were no judicial or tribunal decisions made during the reporting period that have had, or may have, a significant effect on the operations of Airservices.

In April 2016, the Darwin Federal Court ordered Airservices to pay a penalty in relation to breaches of Occupational Health and Safety laws that arose out of a fatal accident in Darwin on 7 August 2011 involving one of our fire vehicles.

Appendix 5: Staff equity and diversity progress report

As a Commonwealth authority employer, Airservices is bound by the:

- *Equal Employment Opportunity (Commonwealth Authorities) Act 1987*
- *Human Rights Commission Act 1986*
- *Racial Discrimination Act 1975*
- *Sex Discrimination Act 1984*
- *Disability Discrimination Act 1992*
- *Age Discrimination Act 2004.*

TABLE 6 Equity and diversity reporting

EEO Act (1987)	2015–16 activities
<p>Informing employees—S.6 (a)</p> <p>Without limiting the generality of the definition of program in subsection 3(1), the program of a relevant authority shall provide for action to be taken:</p> <p>To inform employees of the contents of the program and of the results of any monitoring and evaluation of the program under paragraph (h).</p>	<p>We continued to inform our employees about our equity and diversity policies, procedures and organisational expectations through:</p> <ul style="list-style-type: none"> ▪ staff induction and during other mandatory training ▪ internal communication including our intranet, staff magazine and other internal newsletters ▪ our Annual Report which incorporates statistical and demographical data. <p>Policies, procedures and supporting information is accessible on our intranet.</p>
<p>Conferring responsibility—S.6(b)</p> <p>To confer responsibility for the development and implementation of the program (including a continuous review of the program), on a person or persons having sufficient authority and status within the management of the relevant authority to enable the person or persons properly to develop and implement the program.</p>	<p>Overall accountability for our equity and diversity programme has been conferred to the Chief Executive Officer and Executive Committee.</p> <p>The Diversity Council sets our direction for diversity and maintains oversight of initiatives and progress through regular meetings and updates. The Diversity Council met four times during 2015–16.</p> <p>All employees have a responsibility to ensure their behaviour is compliant with Airservices Code of Conduct which sets the standard for treating staff with dignity, respect, courtesy, fairness and equity at all times.</p>
<p>Consultation with trade unions—S.6 (c)</p> <p>To consult with each trade union having members affected by the proposal for the development and implementation of the program in accordance with this Act.</p>	<p>Airservices continues to consult with employees and their representative organisations prior to the implementation of new policies and procedures relating to employment matters. These organisations are Professionals Australia, Communications, Electrical and Plumbing Union, Civil Air, Community and Public Sector Union and the United Firefighting Union.</p> <p>To ensure ongoing dialogue about specific employee related issues we meet with the above employee organisations twice a year at the National Consultative Council (NCC). This Council is comprised of employee representatives and members of our Executive.</p> <p>We also consulted with employees and their representative organisations regarding the new operating model and the voluntary redundancy programme. During 2015–16, Airservices has been negotiating a new enterprise agreement with air traffic controllers and their representatives.</p>

EEO Act (1987)	2015–16 activities
<p>Consultations with employees—S.6 (d)</p> <p>To consult with employees of the relevant authority, particularly employees who are women or persons in designated groups</p>	<p>In preparation for the transition to our new operating model in 2016–17, our CEO and executive team kept employees informed using existing internal communication channels, including corporate email, group meetings, corporate newsletters and intranet news items. Employees' questions or concerns about the changes were gathered via a confidential email inbox. Information, answers to specific questions and timelines for the changes were provided in internal intranet pages, corporate emails, announcement and feedback sessions hosted by the CEO.</p> <p>We also consulted with staff through diversity focus groups and our Reconciliation Action Plan reference group.</p> <p>In addition, Executive General Managers consulted with employees as appropriate for their groups through regional site visits, group meetings, newsletters and videos.</p> <p>'Women in Airservices' events were held each quarter, with sessions promoting engagement and discussion on issues of specific interest. In 2015–16 we introduced a new work performance system framework for corporate staff and prepared for the introduction of a new work performance framework for air traffic controllers and aviation rescue fire fighters in 2016–17 through consultation and training.</p>
<p>Collection of statistics—S.6 (e)</p> <p>For the collection and recording of statistics and related information concerning employment by the relevant authority, including the number of, and the types of jobs undertaken by, or job classifications of:</p> <ul style="list-style-type: none"> (i) employees of either sex (ii) persons in designated groups. 	<p>We use our Human Resource Information Management System (HRIS) to collect, record and report information including staff numbers by gender, demographic groups and by Job Family.</p> <p>Please refer to Tables 8–14 for more information on the Airservices employee diversity profile.</p>
<p>Consideration of policies, examination of practices—S.6 (f)</p> <p>To consider policies, and examine practices, of the relevant authority, in relation to employment matters to identify:</p> <ul style="list-style-type: none"> (i) any policies or practices that discriminate against women or persons in designated groups (ii) any patterns (whether ascertained statistically or otherwise) of lack of equality of opportunity in respect of women or persons in designated groups. 	<p>We promote a workplace that is free from discrimination by providing practices and policies that improve equity and diversity.</p> <p>We continue to review and revise our people systems, policies and procedures to reflect changes in the organisation or in the external environment, including legislative changes. We also monitor the impact of legal decisions around anti-discrimination legislation.</p> <p>Refer to Tables 8–14 for more information on Airservices employee diversity profile.</p>

EEO Act (1987)	2015–16 activities
<p>Setting objectives and selecting indicators—S.6 (g)</p> <p>To set:</p> <p>(i) the particular objectives to be achieved by the program</p> <p>(ii) the quantitative and other indicators against which the effectiveness of the program is to be assessed.</p>	<p>We are committed to building the capability of our future workforce to meet the needs of our organisation and our customers. This commitment is underpinned by our Workforce Strategy 2015–2035.</p> <p>Significant work was undertaken in 2015–16 to formulate the workforce transformation framework and related activities to support our move to our new operating model in 2016–17. We also:</p> <p>i) reviewed and updated our Airservices Diversity and Inclusion Strategy (2016–2020)</p> <p>ii) renewed our commitment to reconciliation through the development of our second Reconciliation Action Plan (RAP).</p>
<p>Monitoring and evaluation—S.6 (h)</p> <p>To monitor and evaluate the implementation of the program and:</p> <p>(i) to assess the achievement of those objectives; and</p> <p>(ii) to assess the effectiveness of the program by comparing statistics and information collected and recorded under paragraph (e) with the indicators against which the effectiveness of the program is to be assessed.</p>	<p>Airservices continues to work towards a more inclusive and diverse workforce through a range of initiatives which are implemented across the business.</p> <p>Additionally we use the Diversity and Inclusion Index from the Employee Opinion Survey to monitor and understand the extent to which our employees feel that their work environment is inclusive and supports diversity. All employees are surveyed every two years and a smaller, random group surveyed during the alternate year.</p> <p>In 2015–16, we:</p> <ul style="list-style-type: none"> ▪ regularly monitored and reported internally at both the Board and Executive level through monthly scorecards ▪ reported externally through our Annual Report.

Enquiries and complaints

The number of complaints and enquiries—which may include equity and diversity—for the reporting period are shown in Table 7.

TABLE 7 Enquiries and complaints 2013–2016 (may include equity and diversity)

	2012–13	2013–14	2014–15	2015–16
Employee numbers	4204	4475	4493	4468
Ethics Hotline enquiries ¹	3	3	2	5
Ethics Hotline disclosures ²	17	21	16	16
Formal complaints	55 ³	35 ³	40	18
	9 ⁴	3 ⁴	4 ⁴	27 ⁴

1. These relate to all enquiries received through the Ethics Hotline, which may include equity and diversity.
2. These relate to all formal disclosures received through the Ethics Hotline which may include equity and diversity.
3. These complaints were made via the Fair Treatment Review System.
4. These relate to complaints reported via the Process Review Procedure where an individual believes that an Airservices system, policy, or procedure has been applied incorrectly. It also includes any complaints that are escalated to the Grievance Board.

Diversity profile

Our diversity profile has remained relatively stable over the past four reporting periods.

There has been a slight increase in the percentage of Aboriginal and Torres Strait Islander People with a net headcount increase from 48 to 54 during 2015–16, or 0.1 per cent. This includes new employees as well as existing employees who have now chosen to self-identify as Aboriginal and Torres Strait Islander People.

There was also a slight increase in the people from Culturally and Linguistically Diverse backgrounds, with a net headcount increase from 300 to 305 during 2015–16.

The percentage of women in the workforce remained steady at 19.3 per cent. Of this, 21 per cent of our female workforce is employed in organisational leadership roles.

There was no change in the number of staff reporting a disability.

A significant proportion of Airservices workforce is mature-aged with 26.9 per cent aged between 45–54 years and 16.5 per cent aged between 55–64 years. A range of initiatives are in place to retain skilled workers and support succession planning including knowledge and skills transfer, part-time working arrangements, and phased retirement plans.

TABLE 8 Representation of designated groups in overall headcount 2013–2016

Designated groups*	2012–13	2013–14	2014–15	2015–16
Indigenous Australians	1.0%	1.0%	1.1%	1.2%
People with a disability	1.4%	1.2%	1.1%	1.1%
People from a culturally or linguistically diverse background	6.9%	6.7%	6.7%	6.8%
Female employees	19.4%	19.3%	19.3%	19.3%

* Note that disclosure is voluntary and not all staff provide equity and diversity data for these groups.

TABLE 9 Employees in diversity groups by job role classification at 30 June 2016*

Job family	Aboriginal and Torres Strait Islander	CALD	Disability
Air Traffic Services	11	70	17
Aviation Rescue Fire Fighting	29	15	2
Accounting and Finance	0	17	3
Administration	2	13	5
Communications and Stakeholder Engagement	0	6	1
Comply Regulate Monitor and Audit	0	9	0
Engineering and Technical	4	94	16
Information and Communications Technology	1	23	1
Information and Knowledge Management	0	5	0
Organisation Leadership	3	8	1
People	3	15	3
Service Delivery	1	2	0
Strategic Policy Research and Project	0	28	0
TOTAL by diversity groups	54	305	49
Percentage of workforce	1.2	6.8	1.1

* Personal information, as recorded in the Airservices HRIS, is treated confidentially according to the *Privacy Act 1988*.

TABLE 10 Gender by job role classification as at 30 June 2016

Job family	Female by percentage	Female by number	Male by number
Air Traffic Services	15.2	240	1,340
Aviation Rescue Fire Fighting	3.5	30	826
Accounting and Finance	63.5	80	46
Administration	67.8	120	57
Communications and Stakeholder Engagement	51.9	27	25
Comply Regulate Monitor and Audit	29.3	24	58
Engineering and Technical	7.0	50	662
Information and Communications Technology	19.6	19	78
Information and Knowledge Management	82.8	24	5
Legal	42.9	3	4
Organisation Leadership	21.2	62	230
People	43.3	90	118
Service Delivery	31.3	15	33
Strategic Policy Research and Project	39.6	80	122
Total by gender	19.3	864	3604

TABLE 11 Airservices employee age profile at 30 June 2016

Age range	Under 25	25–34	35–44	45–54	55–64	65+
Number of employees	122	1,081	1,227	1,200	736	102
Percentage of employees	2.7%	24.2%	27.5%	26.9%	16.5%	2.3%

TABLE 12 Airservices average retirement age

Data as at 30 June 2016	2012–13	2013–14	2014–15	2015–16
Average retirement age	60.0	59.8	61.1	60.9

TABLE 13 Airservices part-time workers by age bracket

Flexibility age profile	Under 25	25–34	35–44	45–54	55–64	65+	Total
Permanent part-time	2	24	75	65	53	23	242
Temporary part-time	1	1	0	0	1	0	3
Casual	3	0	1	4	8	7	23

Program report

In 2015–16, we focused our efforts on building a sustainable and fit-for-purpose workforce that is representative of the diverse community in which we operate. We have worked towards implementing measures that will ensure our diversity is celebrated and intrinsic to how we operate, as well as being supported and valued by leaders and managers who are diversely represented.

The *Workforce Diversity Strategy 2012–16* clearly articulates our diversity priorities and provides a framework to successfully manage workplace diversity to enhance the capability of employees and better deliver on our requirements to provide safe, secure, efficient and environmentally responsible services to the aviation industry.

TABLE 14 Program report against our *Workforce Diversity Strategy 2012–16*

Target diversity groups	Activities
Women—we are implementing strategies to increase the representation of women in senior leadership and operational roles.	<p>During the reporting period, we:</p> <ul style="list-style-type: none"> ran a number of recruitment and development programs to increase the participation of women in our workforce. These focused on attracting women into operational roles (including aviation rescue fire fighting, air traffic controllers, engineers and technicians), and the development of women into more senior roles. Targeted recruitment campaigns resulted in the attraction of a number of females into various roles continued to support the Chief Executive Women's Leadership program, providing opportunities for three women to attend increased opportunities for women to participate in our corporate leadership development programs. Thirty per cent of places on programs were reserved for women reviewed our flexibility guidelines to ensure an inclusive work place and to make flexible working arrangements available to all staff.

Target diversity groups	Activities
<p>Aboriginal and Torres Strait Islander—we are working to reduce the gap in employment levels between the wider Australian population and Indigenous.</p>	<p>During the reporting period, we:</p> <ul style="list-style-type: none"> ▪ continued our commitment to reconciliation through the development of our Innovate Reconciliation Action Plan (RAP) ▪ identified and worked with representatives of Aboriginal and Torres Strait Islander communities and staff to develop the Innovate RAP ▪ celebrated National Reconciliation Week and provided opportunities for staff to participate in events ▪ developed and implemented a written statement and supporting procedure for Acknowledgement of Country ▪ arranged the permanent display of Aboriginal and Torres Strait Islander flags at major centres and regional offices ▪ established our Aboriginal and Torres Strait Islander peoples procurement strategy and established a relationship with Supply Nation to expand opportunities for Aboriginal and Torres Strait Islander peoples ▪ developed and implemented our Aboriginal and Torres Strait Islander peoples Attraction, Retention and Development Strategy. This strategy provides Aboriginal and Torres Strait Islander peoples with access to year on year opportunities across a range of areas including work experience at Airservices, Certificate 2 and 3 Traineeships, Apprenticeships, Cadetships and Graduate program opportunities ▪ developed and implemented an indigenous employment and development strategy that focused on creating entry level career opportunities as well as career pathways to Aboriginal and Torres Strait Islander peoples.
<p>Culturally and linguistically diverse backgrounds—we encourage diversity of applicants</p>	<p>During the reporting period, we:</p> <ul style="list-style-type: none"> ▪ celebrated cultural and linguistic diversity during Harmony Day and Australia Day providing staff with an opportunity to celebrate and share information about their heritage ▪ continued to make multi-purpose rooms available in our major locations of Canberra, Brisbane, Melbourne, Perth and Adelaide to support employees who wish to observe religious practices while at work.
<p>Employees with a disability—we are committed to removing barriers to participation</p>	<p>During the reporting period, we:</p> <ul style="list-style-type: none"> ▪ investigated opportunities for people with disabilities to contribute to roles as Airservices by analysing role requirements and removing systematic barriers to employment ▪ continued to provide employment for staff with intellectual and physical disabilities in our Melbourne, Canberra and Brisbane ▪ conducted an accessibility audit to ensure that we have a plan in place to ensure that our buildings and websites are accessible to those with disabilities ▪ commenced the development of a Disability Action Plan which will result in a more proactive approach to attracting people with a disability and a framework for identifying and overcoming barriers to full access and inclusions.
<p>Mature aged workers—the contribution and job satisfaction of mature aged workers is a priority</p>	<p>During the reporting period, we:</p> <ul style="list-style-type: none"> ▪ continued to tap into the specialist skills and knowledge of our retired workforce through our alumni network ▪ ensured that transition to retirement arrangements were in place to allow us to continue to employ people beyond their nominal retirement age.

Appendix 6: Workforce plan progress report

Our *Workforce Plan 2013–20* provided analysis of our workforce, significant people, capability challenges and risks, and our planned mitigation strategies. We have subsequently outlined our long-term vision for our workforce in the *Airservices Workforce Strategy 2015–35*.

Consistent with the Ministerial Statement of Expectations, this appendix provides an update on the activity undertaken over 2015–16.

Business diagnostic and efficiency review and the Accelerate Program

In 2015–16, significant progress was made in ensuring that the future Airservices workforce will be sustainable and fit-for-purpose, in line with our workforce strategy.

Building on enterprise-level workforce demand and supply forecasting undertaken in 2014–15 we applied a strategic cross-functional focus on future workforce capability requirements and appropriate mitigation of workforce risk.

This was used as an input into the business diagnostic and efficiency review that was initiated in November 2015. This review developed a baseline for our business operations and identified opportunities for improvement.

As part of the organisation's transformation through the Accelerate Program, planning for a new operating model to be introduced from 1 July 2016 commenced. The new model established clear accountabilities and increased our focus on delivering outcomes for customers, with

less bureaucracy and duplication, and more agility to respond to changing demands from our customers.

As a result of the new operating model, changes to Airservices leadership structure were planned and implemented based on the following five principles:

- review and 'reset' all roles in the leadership layer based on capability to deliver our strategy
- allocate candidates considered best capability fit for the role regardless of age, gender or ethnicity
- create succession planning opportunities for high potential people to perform roles in parts of the business to broaden their skill base
- optimise the overall combination of skills and experience across the business
- enable new experience, capability and/or opportunity by advertising selected roles.

Continued maturation of strategic and operational workforce planning, in alignment with the principles of the new operating model is the primary focus for 2016–17.

Development and implementation of strategies

Our key workforce risks and our associated strategies were identified and articulated through our *Workforce Plan 2013–20*. Table 15 presents these risks and strategies along with a summary related activities undertaken in 2015–16.

TABLE 15 Airservices workforce risks, strategies and activities

Risk	Strategy	Activities
Ageing workforce (knowledge loss through retirement).	<ul style="list-style-type: none"> ▪ Accommodate individual preferences and improve work-life balance by implementing flexible working practices (job sharing, phased retirement, casual hours, and part-time hours) ▪ Develop mentoring programmes to transfer knowledge from potential retirees to identified successors ▪ Maintain focus on entry-level recruitment to balance our ageing demographic. 	<ul style="list-style-type: none"> ▪ Monitoring casual and part-time employees indicated a continued increase. Around 5.9 per cent of the workforce are employed with flexible conditions ▪ Targeted diversity and flexibility initiatives to attract, recruit, develop, and advance suitable staff from a number of diversity groups, including mature aged workers, were implemented in one of our service delivery arms ▪ Recruitment campaigns brought newly qualified starters into entry level positions.
Long tenure—potential impending retirements	<ul style="list-style-type: none"> ▪ Continue to implement succession planning and talent management ▪ Continue to build leadership capability. 	<ul style="list-style-type: none"> ▪ A new leadership development curriculum was developed and implemented along with a number of leadership-related employee development initiatives ▪ The Emerging Leaders Program was rolled out. It was designed to build a pool of future leaders and provide opportunities to grow and develop high performing and potential employees ▪ Work performance frameworks across the business were renovated to emphasise competency-based learning and development.
Increased workforce mobility demand internally	<ul style="list-style-type: none"> ▪ Develop fit for purpose secondment and career pathways to other geographical areas ▪ Develop employment conditions to facilitate movement, particularly to remote geographic locations. 	<ul style="list-style-type: none"> ▪ Secondment processes were updated to support the effective deployment of people across the business and provide ongoing development and knowledge sharing opportunities ▪ A number of flexible employment arrangements were continued to support remote and regional station staffing requirements, including fly-in-fly-out, own-time own-expense relocation, temporary and term transfers.

Risk	Strategy	Activities
Turnover of short tenure (less than three years)	<ul style="list-style-type: none"> Monitor and review career development plans matching individual aspirations with tailored development opportunities. 	<ul style="list-style-type: none"> Employee opinion survey results show stable levels of engagement in short tenure employees Our Workforce Capability Framework was finalised to support career development planning based on the critical requirements of current and future positions.
Competitive market for specialist skills (skills shortage)	<ul style="list-style-type: none"> Establish an organisational brand for current and prospective employees including an Employee Value Proposition Develop marketing and engagement strategies to better target candidate pools Adopt recruitment strategies that are flexible and reflect current labour market conditions with a focus around flexible working arrangements. 	<ul style="list-style-type: none"> Our Employee Value Proposition concept and theme were implemented in external branding. Tailored campaigns to optimise candidates were introduced or refined Recruitment process review recommendations were implemented. This included amending the eligibility criteria for some positions to improve talent and increase diversity, while still maintaining our high standards The 'Stay Fit Save Lives' campaign was implemented to increase the diversity of applicants for fire fighter roles, particularly women. After one full recruitment campaign, indicators show a positive impact with more female respondents and appointments.
Diversity profile	<ul style="list-style-type: none"> Continue to build a diverse workforce including in: <ul style="list-style-type: none"> Indigenous women people with a disability cultural and linguistically diverse backgrounds. 	<ul style="list-style-type: none"> We have continued to make progress against the current Workplace Diversity Strategy. More information is in Appendix 5.
Government and regulatory changes	<ul style="list-style-type: none"> Review the current recruitment processes to ensure alignment with changing external environment. 	<ul style="list-style-type: none"> Operational and non-operational recruitment processes were reviewed and refined All non-operational recruitment has been deferred (unless approved by the CEO).

Appendix 7: Ecologically sustainable development (ESD) report

This section is presented in accordance with the requirements of section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). In 2015–16:

- our Board Environment Committee provided oversight and governance on environmental compliance and initiatives. It monitored our environmental performance related to service delivery of air navigation services and aviation rescue fire fighting services including infrastructure, people and processes
- our Environmental Management System (EMS) continued to provide a framework of policies, standards, procedures and tools to enable us to manage environmental risks and achieve sound environmental performance, as well as meet our legislative and regulatory obligations, and environmental accountabilities
- our energy and water consumption was routinely reported to the board.

During the year we continued to develop and implement policies and programs that protect and conserve the environment and contribute to ecologically sustainable development. These are highlighted in Table 16.

TABLE 16 How Airservices applies ecologically sustainable development principles

Ecologically sustainable development principles	Activities
<p>Integration principle: decision making processes should effectively integrate both long-term and short-term economic, environmental, social and equitable considerations.</p>	<p>We undertook environmental impact assessments for changes to aircraft operations to understand noise impacts on communities.</p> <p>We enhanced our online tool (WebTrak) to improve public access to aircraft noise and operations information for eight of Australia's busiest airports.</p> <p>To support the environmental efficiency of our customers' operations we:</p> <ul style="list-style-type: none"> ▪ provided efficient routing options ▪ implemented Required Navigation Performance procedures ▪ continued to participate in international initiatives to reduce emissions including the Asia and South Pacific Initiative to Reduce Emissions (ASPIRE) and the Indian Ocean Strategic Partnership to Reduce Emissions (INSPIRE).
<p>Precautionary principle: if there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation.</p>	<p>We continue to actively participate in the Commonwealth Interdepartmental Committee focused on establishing a coordinated approach to management of polyfluorinated chemical (PFC) concerns.</p> <p>The implementation of the PFC Strategic Environment Management Plan (SEMP) is underway including continuing site assessments to better understand the extent and level of PFC residues to inform next steps; undertaking research and development activities to better understand the issues and trialing new technologies in the field aimed at containing PFCs and their migration; and working with relevant government authorities to develop the regulatory guidance required to better address these issues.</p> <p>We continue to support development of national ecological and health screening levels for PFCs that will assist in determining appropriate management action.</p>
<p>Intergenerational principle: the present generation should ensure that the health, diversity and productivity of the environment is maintained or enhanced, for the benefit of future generations.</p>	<p>We continued to promote environmental awareness and train staff on environmental issues, the environmental management system, risk management and staff accountabilities.</p> <p>We ensured that our environmental management system is in line to ISO14001 and maintained ISO14001 certification at two sites, Gold Coast Airport and Gellibrand Hill Radar.</p> <p>We worked with the Civil Aviation Historical Society and other stakeholders to preserve Australia's aviation history and launched the 'Connecting the Nation' web portal.</p> <p>We improved our system for ongoing monitoring of greenhouse gas emissions, energy consumption and production. We are able to report in accordance with <i>National Greenhouse and Energy Reporting Act 2007</i> requirements for 2015–16.</p>
<p>Biodiversity principle: the conservation of biological diversity and ecological integrity should be a fundamental consideration in decision making.</p>	<p>We undertook environmental impact assessments for on-ground operations in accordance with EPBC Act 1999 requirements, in support of new and changing internal business processes for projects, property and operational procedures.</p>

Appendix 8: Noise complaints and information service data

While there was an overall increase in complainants contacting the Noise Complaints and Information Service (NCIS) regarding airport operations for 1 June 2015 to 31 May 2016 compared to the same period for the previous year (4117 up from 3615), there was a decrease in complainants regarding Adelaide (>48 per cent), Brisbane (>19 per cent) and Canberra (>35 per cent) airports. There were small increases for Sydney (<2 per cent) and Melbourne (6 per cent) airports.

There were substantial increases in the number of complainants contacting NCIS regarding Perth (32 per cent) and the Gold Coast (46 per cent) airports. This has been attributed to community

feedback about our exploration of measures to mitigate noise impacts.

Additionally there was strong community reaction to Perth Airport's runway maintenance and upgrade programme which resulted in an increased use of the crossing runway during periods when the main runway is closed.

Contacts have come largely from residents of suburbs at the south-west end of the crossing runway.

This end is used relatively infrequently under normal conditions because it is the least preferred runway direction under the Noise Abatement Procedures.

TABLE 17 Number of complainants who contacted the NCIS for eight major airports.

Airport	Number of people contacting NCIS 1 June 2014 – 31 May 2015	Number of people contacting NCIS 1 June 2015 – 31 May 2016	Number of people contacting NCIS 1 July 2015 – 30 June 2016
Adelaide	183	95	111
Brisbane	356	287	286
Cairns	30	30	37
Canberra	46	30	33
Gold Coast	261	381	411
Melbourne	188	199	204
Perth	1642	2170	1913
Sydney	909	925	921
Total	3615	4117	3916

Appendix 9: Aircraft Noise Ombudsman Annual Report

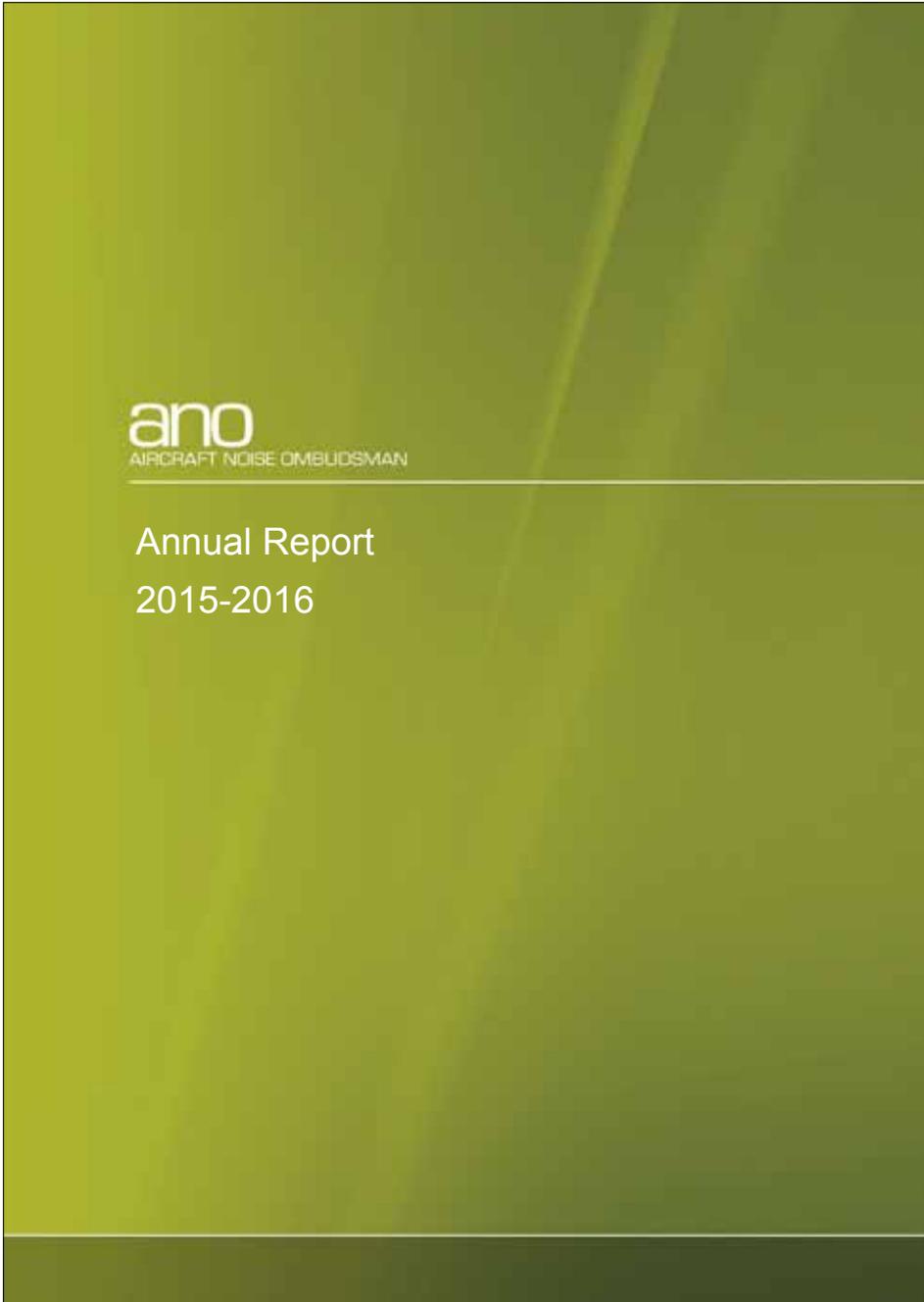


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ANO role

The ANO provides independent administrative reviews of Airservices Australia's and the Department of Defence's management of aircraft noise issues, specifically focussed on three areas:

- Complaint handling
- Consultation
- Information provision

In addition, the ANO may undertake targeted reviews on systemic issues.

ANO contact

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Write to: Aircraft Noise Ombudsman
 GPO Box 1985
 Canberra City ACT 2601

1 From the Ombudsman

1.1 With the release of two significant reviews and a marked increase in the number of complaints received, 2015-16 has been a busy and productive year.

1.2 ANO achievements this year have included:

- ❖ Efficiently handling a significant increase in the number of complaints received by the office.
- ❖ Finalising our first major review for Defence: *Review of Australian Super Hornet Flying Operations at RAAF Base Amberley (August 2015)*.
- ❖ Finalising a major review in response to complaints received about Airservices' noise improvement initiatives in Perth: *Investigation into Complaints about the Perth Noise Improvement Proposals (November 2015)*.
- ❖ Seeing six potential noise improvements investigated as a response to complaints handled by the ANO office, one of which has led to a change and two others remain under investigation. ***“Six noise improvement opportunities were identified from investigations into complaints to the ANO office”***
- ❖ As Chair of the Standards Australia technical committee for Aircraft and Helicopter Noise (EV-011), leading the development and publication of the handbook about aircraft noise information provision. The handbook will assist the Australian aviation sector to more clearly explain noise impacts, which may in turn reduce the levels of annoyance from aircraft noise.
- ❖ Presenting at several national and international forums on emerging trends and insights into improving aircraft noise management through a focus on reducing annoyance and better use of complaints.



Ron Brent presenting at 11th ACI Asia-Pacific Regional Assembly, Conference & Exhibition April 2016

1.3 Through the 2015-16 period, as well as responding to the recommendations of the Perth review, Airservices has been reforming its complaints management database and enhancing its public information about aircraft noise. The ANO has been particularly impressed with the responsiveness of Airservices' Noise Complaints and Information Service to emerging issues through developing issues-based information sheets and maintaining the Noise News component of its website. The new online reporting capability which is still in development also looks promising. Airservices has also continued to improve its community engagement around change, and published an updated Communication and Consultation Protocol on 4 July 2016.

“Airservices’ response to emerging issues has impressed the ANO”

“Defence has responded to Super Hornet Review recommendations”

1.4 Defence has responded to the recommendations of our first review and we have noted an increase in awareness and accountability for aircraft noise issues at the Bases we have visited over the year.

Complaints received about Defence's aircraft noise management highlighted the need for a more systemic review. On 4 July 2016, the ANO office published the Terms of Reference for a *Review of Defence's Aircraft Noise Complaints Management System*. This will be finalised by end October 2016.

1.5 The ANO office aims to work in a collaborative way with aircraft noise stakeholders to understand issues and seek opportunities for improving noise outcomes. During the past year, ANO staff have delivered regular presentations to industry conferences and community consultation forums. In addition to our regular formal and informal interactions with Airservices and Defence staff, we have met with airport operators, community and resident group representatives, local, state and federal level politicians and their staff, departmental staff, and aviation technology providers. The ANO has also provided complaint management training to Defence, Airservices and other aviation industry staff on request.

1.6 I must again acknowledge the ongoing highly professional and effective contribution of the small ANO team. As just four part-timers with a national brief, we managed a significant increase in complaints while maintaining good response times, continued engagement with community and industry stakeholders across the country, and production of two major reviews. This reflects a genuine commitment to excellence and I commend the team on their significant accomplishments again this year. In line with this, I was pleased to recognise Tim Abberton's role with a change in title to Deputy Aircraft Noise Ombudsman. Tim has been an outstanding representative of this office for over five years and has represented me at a number of forums throughout Australia.

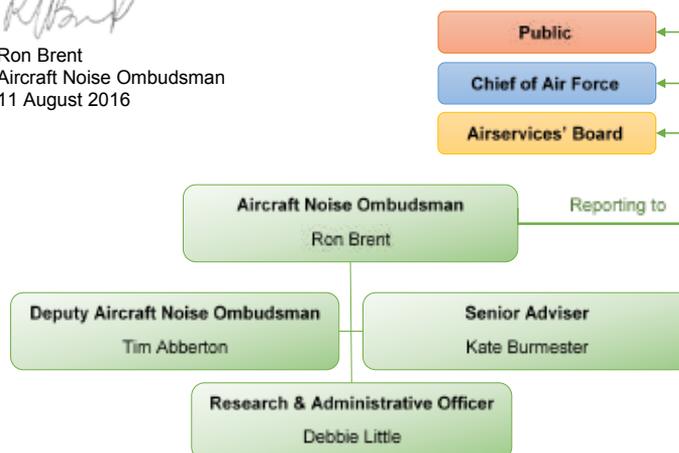


Tim Abberton, Deputy Aircraft Noise Ombudsman

- 1.7 Over the past year, we have worked proactively and reactively with both Airservices and Defence to support improved complaint-handling, information provision and community consultation on aircraft noise issues. This is not always easy and I thank the staff of Airservices and Defence with whom we work day-to-day and the leadership teams that support them. There have been staff changes in both organisations, but there remains a commitment in Defence and Airservices to maintaining effective working relationships with the ANO. I look forward to the continuation of our work with Defence and Airservices in seeking better aircraft noise outcomes.
- 1.8 Finally, we are always grateful to residents for raising concerns and making suggestions to improve aircraft noise outcomes. I continue to be inspired by the community members who make significant efforts to engage on the aircraft noise issues that concern them. Almost invariably people are seeking to understand the aircraft noise situation in their area and whether there is scope for reducing the impacts, not only for themselves, but for the broader community.
- 1.9 Frequently we see that aircraft noise complaints are not simply about the noise levels, but concern a range of other factors that drive annoyance. Through both complaints and community participation at airport community forums, we are building a better understanding of what causes annoyance to help shape options to improve aircraft noise management. This is an exciting progression in the aircraft noise management space and one that we look forward to pursuing further in the coming year.



Ron Brent
Aircraft Noise Ombudsman
11 August 2016



ANO structure – 2015/2016

5 YEARS ON...

In September 2010 the ANO office opened its doors to complaints about Airservices Australia's handling of aircraft noise issues. This included complaint handling, community consultation and information provision. In January 2015, the ANO Charter was extended to encompass Defence's management of aircraft noise issues. In over five years, a lot has been achieved.

- **complaint handling reforms** Airservices has made significant transformation in the way that it handles complaints, no longer designating each contact a complaint and focusing on issues rather than individual events. Defence is starting on this path.
- **cultural shifts** Airservices is now identifying and actively pursuing opportunities to improve noise outcomes. Defence has integrated aircraft noise management into its combat support work, with each Base in the process of establishing a Noise Management Strategy.
- **information responsiveness** Airservices is actively developing fact sheets and information packs to respond to emerging issues arising from complaints. Defence is harnessing social media and web-based technologies to get messages out about its activities and the potential for aircraft noise impacts.
- **philosophical shifts** Internationally there is recognition that aircraft noise management is about managing annoyance more than simply trying to reduce the noise (see thought piece on following page). Further, we note the shift in industry information towards recognising that aircraft noise causes annoyance and that this will affect some people, rather than down-playing or under-stating the potential for noise impacts.
- **internal efficiencies** Within the ANO, as well as in Defence and Airservices, we have seen notable system and process improvements implemented, enhancing the quality and efficiency of complaints and noise management services.
- **fairness** Talking about subjective terms such as fairness and annoyance used to be a no-go zone in the industry's engagement with communities about aircraft noise. Instead there was a heavy focus on presenting technical noise data. We are now seeing a more effective nuanced discussion about the issues and impacts of aircraft noise.

It's not all about the noise!

Some thoughts
on aircraft noise
annoyance

Around the world the aviation industry has made a very substantial effort to reduce aircraft noise. Manufacturers continue to devise new ways to make aircraft quieter. Airports and air traffic control providers seek to manage aircraft in and out of airports to put less noise over fewer people. Aircraft operators work with air traffic control providers and safety regulators to find quieter ways of flying aircraft safely.

The aviation industry has responded to community concerns about aircraft noise by reducing the noise it makes. So why are complaints about aircraft noise higher than ever? From the ANO's perspective, we would suggest a number of key factors:

Industry growth: Unfortunately much of what has been gained by reducing the noise output of aircraft and introducing noise abatement procedures at airports has been offset by rapid growth in the aviation industry. For many this is because there are more flights (even if they are quieter than similar flights 20 years ago), there are more flights during noise-sensitive times (night and early morning), and larger (generally noisier) aircraft that carry more passengers operating. For many the overall experience is that aircraft noise has become worse.

More residents experience aircraft noise: Residential encroachment around airports has definitely played a role in increased community concerns about aircraft noise. Despite any reductions in noise levels, when more houses are built under flight paths and close to airports, there is an increased number of residents who may be negatively affected by aircraft noise. There is a demand for such housing so the ANO does not suggest a restriction on development. However to date such developments have not always been accompanied by clear and comprehensible information about the aircraft noise impacts and potential changes over time. This has meant residents have not always had the opportunity to consider aircraft noise impacts when deciding if the location is suited to their lifestyle choices.

Non-noise annoyance drivers: Our experience suggests that what most annoys people about the aircraft noise is not the noise itself but the feeling that they are being subjected to aircraft noise unfairly. This could be that the noise impacts are different to what they expected, their area seems to be getting more flights than other areas, they weren't aware that it could change over time, or they can see no compelling reason for the flights to operate where or when they do. Where aircraft noise impacts have been down-played, people have moved into areas affected by aircraft noise unaware that it will be noisy. It is perhaps unsurprising that the impact of noise is fundamentally determined by a person's attitude to that noise. While some people will pay hundreds of dollars to get front row seats at a music concert, households nearby the concert venue can be lodging complaints about the self-same 'noise'.

The conclusion from this for the better management of aircraft noise is that the aviation industry must certainly continue to pursue quieter ways of operating, where practical. At the same time it must also respond to the other drivers of annoyance. While many individual characteristics affect the response to aircraft noise, our experience shows that the aviation industry can control or change some of the other critical factors affecting how annoyed people will be about aircraft noise, including:

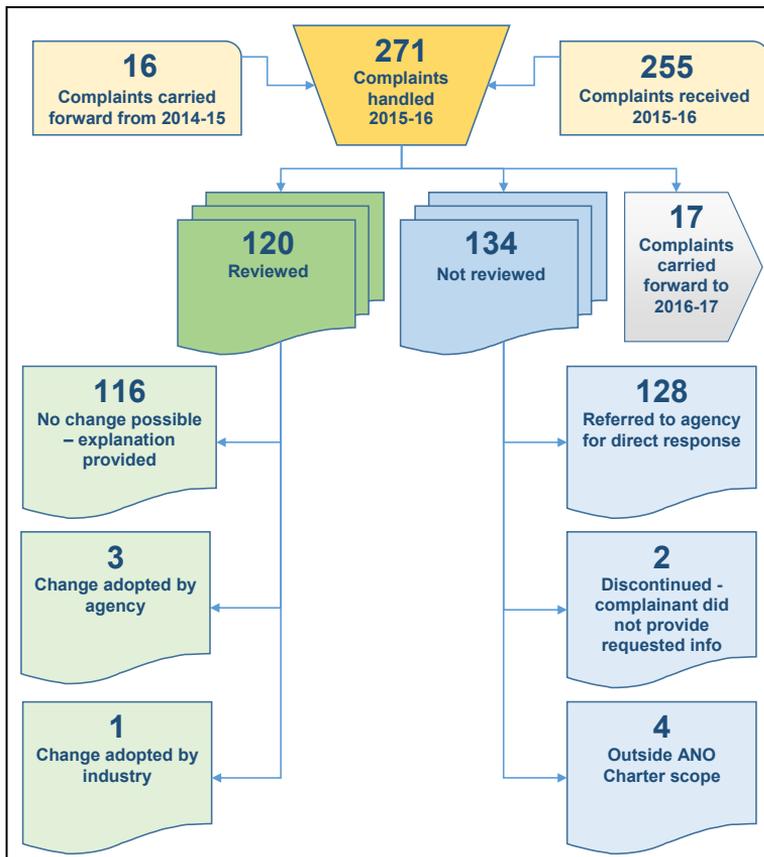
- Providing clear and comprehensible information to help residents understand why the aircraft have to fly where, when and how they do, whether there has been a change in the level of noise (particularly an unexpected or unexplained change), and whether residents understand why the aircraft can't fly elsewhere.
- Listening carefully and empathetically to complaints to identify potential opportunities to reduce noise and improve information about why changes can't be made.
- Engaging with land-use planners and the real estate industry to improve the compatibility of residential developments near airports and under flight paths, and in particular to ensure that potential aircraft noise impacts are not down-played.

There is no 'silver bullet' solution to the challenges of aircraft noise management, but by addressing the drivers of annoyance, not just the noise itself, the aviation industry can do significantly better than it has done in the past.

2 Complaints

Complaint statistics

2.1 The ANO received more complaints in 2015-16 than in any of the previous years. The following graphic shows how we handled them.



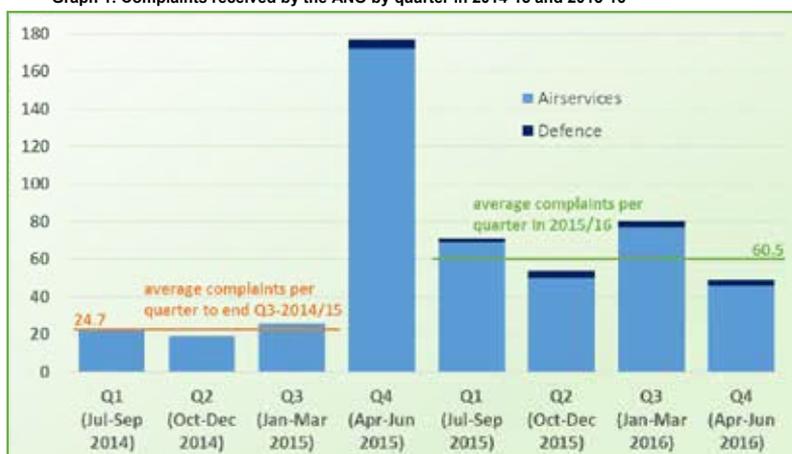
- 2.2 The table below shows the changes in the annual and per month average for ANO complaints received over time.

Table 1: Comparative complaints received by financial year

	Total fin. year	Ave per month	% Change
Sep 2010-Jun 2011 (10 mths)	101	10.1	
Jul 2011-Jun 2012 (12 mths)	109	9.1	↓ 10.1%
Jul 2012-Jun 2013 (12 mths)	88	7.3	↓ 19.3%
Jul 2013-Jun 2014 (12 mths)	106	8.8	↑ 20.5%
Jul 2014-Jun 2015 (12 mths)	239	19.9	↑ 125.4%
Jul 2015-Jun 2016 (12 mths)	255	21.3	↑ 6.7%

- 2.3 The significant increase experienced in the last quarter of the 2014-15 financial year was not sustained into the 2015-16 financial year, although complaint numbers remained substantially higher across the financial year compared with the previous the long-term average (up to the end of quarter 3 – 2014/15).

Graph 1: Complaints received by the ANO by quarter in 2014-15 and 2015-16



- 2.4 The ANO started the financial year with 16 open complaints and received a further 255 complaints during the period. Of the total 271 complaints handled in 2015-16, we closed 254. Of these, we reviewed 121 complaints in detail, referred 128 back to either Airservices or Defence to respond to directly, and closed six more without review due to a lack of information from the complainant or the complaint being outside the scope of the ANO Charter.
- 2.5 The number of complaints reviewed was significantly higher this year than in any previous year, although in percentage terms this has been quite variable over time as shown by the table below.

Table 2: Complaints reviewed versus total complaints handled

	Complaints handled	Complaints reviewed #	Complaints reviewed %
2011-12	120	88	73%
2012-13	120	82	68%
2013-14	128	75	59%
2014-15	253	58	23%
2015-16	271	120	44%

- 2.6 Of the complaints reviewed in 2015-16, most were not able to lead to any change (see table below). In such cases, the ANO, having investigated the issues, provides a detailed explanation to the complainant.

Table 3: Outcome of complaints reviewed by the ANO in 2015-16

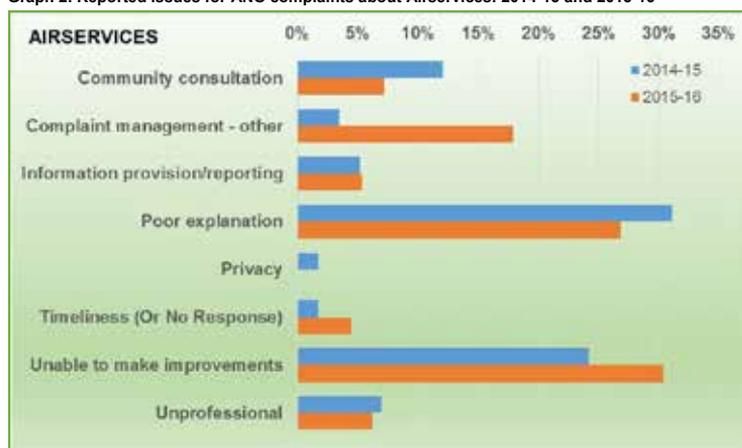
Complaints reviewed and closed:	120	
No change possible - explanation provided	116	96.7%
Change adopted by Airservices or Defence	3	2.5%
Change adopted by airport operator	0	0.0%
Change adopted by operator	1	0.8%

- 2.7 The statistics above relate to those complaints raised with the ANO. Although only three complaints raised with the ANO led directly to Airservices or Defence adopting a change (all three of which were procedural changes by the complaints handling team), both agencies have actively pursued noise improvements. Two further changes were adopted by the industry more broadly, in response to complaints to the ANO and facilitated by Airservices and the ANO.
- 2.8 **Attachment 1** provides a summary of ANO complaint statistics for 2015-16.

Issues analysis

- 2.9 Issues were recorded only for those complaints that were reviewed by the ANO and reflect what the complainant reported as the main issue(s) in dealing with either Defence or Airservices. The aim in collecting this data is to allow the ANO to better identify systemic issues.
- 2.10 For Airservices, the following graph shows the reported issues arising from complaints about Airservices that were reviewed by the ANO and closed in the 2015-16 financial year compared with the 2014-15 financial year. Given the significant difference in the number of reviewed cases in 2015-16 compared to 2014-15, the number of issues is shown as a percentage of the reviewed cases for each year.

Graph 2: Reported issues for ANO complaints about Airservices: 2014-15 and 2015-16



- 2.11 The above graph shows that in the past financial year, as in 2014-15, the two main issues for complainants who escalate their concerns about Airservices to the ANO were about receiving poor explanations or Airservices not being able to make improvements.
- 2.12 Interestingly, there was a significant increase (in percentage terms) in the number of cases recorded in the past year against the issue "complaint management – other". Analysis of the data revealed that this issue largely reflected concerns about the validation study Airservices held in Perth earlier this year. Seventeen of the 20 complaints raising the "complaint management – other" issue were from Perth and 14 of these were about the trial. There were two types of concern about the trial captured:

- Firstly, complainants from areas that would be negatively affected by the trial raised concerns that Airservices was proceeding simply because of a complaint campaign by residents who would benefit from the trial. Negatively affected residents considered this his was an inappropriate way to respond to complaints, given Airservices' own modelling didn't support that the change would represent an overall noise improvement.
- Secondly, those set to benefit from the trial were raising concerns about the short-term nature and the emphasis by Airservices on the trial being to validate the modelling that wouldn't support a permanent change. The second group contended that the trial was a cynical exercise by Airservices and a disingenuous response to complaints.

2.13 For Defence, the ANO reviewed just eight cases in total in the financial year. The dominant issues, as displayed on the graph below, were "information provision/reporting" and "Complaint management – other". This latter issue related mainly to complainants experiencing difficulty initially reaching the right person or area within Defence who could respond to their complaint or enquiry.

Graph 3: Reported issues for ANO complaints about Defence: 2015-16



3 Noise improvement opportunities

- 3.1 Investigations into noise improvement opportunities that stem from complaints handled by the ANO or from ANO attendance at community consultation meetings are tracked in our quarterly reports. These reports are available on our website and **Attachment 2** summarises the noise improvement opportunities considered in 2015-16.
- 3.2 Five of the six potential noise improvements considered in the past year as a response to complaints handled by the ANO office were matters referred to Airservices for further investigation and analysis. One has led to a change and two others remain under investigation. Three were thoroughly investigated and after independent consideration, the ANO accepted Airservices' decision not to progress the proposals further for varying reasons. In two instances, although a very minor noise improvement might be technically feasible, the smallness of the potential benefit was not sufficient to justify the effort that would be required to make the change, which would also have some small potential negative impacts. The case study below demonstrates this difficult evaluation.

CASE STUDY 1 Is it worth it?

In November 2015, a resident affected by arrivals to runway 06 at Perth Airport contacted the ANO asking why planes arriving from the north fly to the east and south of the airport to arrive on the south-westerly aligned runway, over-flying many Perth residents. Why couldn't the planes come in from over the ocean?

Even though the runway is least preferred for arrivals and therefore has a very low number of days when it is used for arrivals, the ANO asked Airservices to look into whether alternative approaches to runway 06 in Perth would reduce the numbers of residents overflown. After analysis, Airservices concluded that, although a potentially feasible approach route could be identified, the anticipated benefits did not justify the time and cost of the work involved to progress the proposal. This included the following considerations:

- The timeframes required to do the work with the likelihood that further re-design would be required soon after, when planning for the new runway commences
- The substantial workload involved in designing a technically compliant, safe, operationally effective and environmentally responsible approach procedure
- The workload and costs to assess changes to noise impacts for some residential areas and to develop / implement appropriate community consultation strategies
- The relatively low use of runway 06 anyway, meaning that the potential benefits to be gained are not significant.

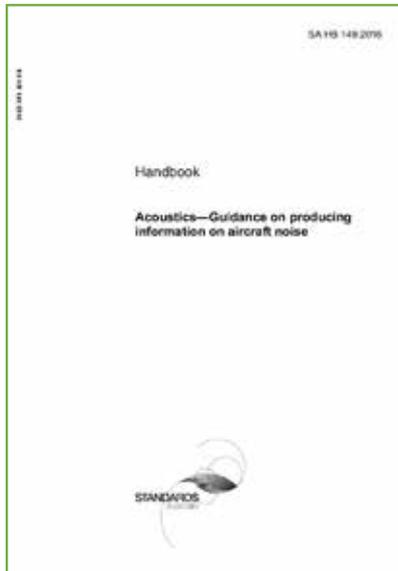
The ANO independently reviewed in detail the analysis and information provided by Airservices. We accepted Airservices' decision not to pursue this potential noise improvement opportunity for the reasons provided.

We pressed Airservices to demonstrate that all reasonable options were explored. We met with several senior managers involved in managing the noise initiatives in Perth to ensure this process was thorough. On balance, we were satisfied with Airservices' decision.

– Tim Abberton, Deputy ANO

4 Community engagement and information provision

- 4.1 As we do each year, the ANO office has attended a variety of community and aviation industry meetings across Australia during the past twelve months. By going to these meetings we gain a first-hand perspective of community and industry issues. We use the opportunity to monitor Airservices' and Defence's information presentation and consultation activities, and to identify emerging aircraft noise issues. It also helps to increase public awareness of the ANO role, our recent activities, and the opportunities we are pursuing to improve noise outcomes.
- “By attending community and aviation industry meetings, the ANO can gain a first-hand perspective of emerging aircraft noise issues”*
- 4.2 This year ANO staff attended 15 Airport Community Aviation Consultation Group (or equivalent) meetings. Additionally, we attended various industry meetings, including the major annual conferences of the Australian Airports Association (AAA), the Australian Mayoral Aviation Council (AMAC), and the Aviation Industry Noise Forum.
- 4.3 The ANO was also invited to present at several international forums, including the Air Transport Action Group (ATAG)'s Global Sustainable Aviation Summit, the Airports Council International (ACI) World Environment Standing Committee meeting, the Aircraft Noise Non-Acoustical (ANNA) group meeting and the 11th ACI Asia-Pacific Regional Assembly Conference.
- 4.4 As mentioned in last year's report, the ANO also chaired the committee that developed the Standards Australia handbook about aircraft noise information provision, which was published in June 2016 (SA HB 149:2016). The handbook “provides guidance on how information about aircraft noise and its impacts on areas in the vicinity of airports can be presented in a clearer, less technical and more informative manner for the general public... [It] is intended for use by airport owners and operators, government agencies, and other organisations, when producing and promulgating information on the distribution of aircraft noise around an airport.”



5 ANO reviews

Airservices

- 5.1 As foreshadowed in last year's annual report, the ANO responded to community reactions about Airservices' efforts to introduce noise improvement changes in Perth by releasing a review: *Investigation into Complaints about the Perth Noise Improvement Proposals (November 2015)*.
- 5.2 It is fair to say that the review was quite critical of some aspects of Airservices' management of the change proposals. These included development of the proposals, presentation to the public and the analysis of the possible benefits and impacts. However, the ANO commends Airservices on seeking and pursuing aircraft noise improvements in Perth. The report was in no way critical of Airservices making or continuing to pursue such efforts to improve noise outcomes.
- 5.3 By adopting the recommendations the ANO expects that Airservices will better manage future noise improvement changes. Already nineteen of the twenty-five recommendations are complete and work is underway on each of the remaining six. **Attachment 3** summarises the ANO assessment of progress on each recommendation.



Defence

- 5.4 The ANO's first review for Defence was an audit of Defence's compliance with the Conditions of Approval for Australian Super Hornet Flying Operations, RAAF Base, Amberley, QLD (EPBC 2008/4410), as varied by Ministerial approval in April 2014 (Conditions of Approval). This led to publication of our report: *Review of Australian Super Hornet Flying Operations at RAAF Base Amberley* in August 2015.
- 5.5 The report sets out the detailed review, ANO findings and makes twelve recommendations. Defence has commenced work on all recommendations and has closed seven. **Attachment 3** summarises the ANO assessment of progress on each recommendation.
- 5.6 On 4 July 2016, the ANO released the Terms of Reference for a *Review of Defence's Aircraft Noise Complaints Management System*. The aim is to review the effectiveness of Defence's handling of complaints relating to aircraft noise, and to recommend improvements where appropriate. This will include benchmarking against the requirements for 'Operation of the Complaint Management System' set out in Chapter 8 of the Australian /New Zealand Standard 10002:2014 "Guidelines for complaint management in organizations". The review is already well underway and is due to be finalised in October 2016.

6 ANO publications

- 6.1 In addition to our quarterly reports and last year's annual report, the ANO published the following on our website during 2015-16:
- 7 August 2015 - ANO Statement - Perth Noise Initiatives
 - 24 November 2015 - Review of Australian Super Hornet Flying Operations at RAAF Base Amberley
 - 21 January 2016 - Investigation into Complaints about the Perth Noise Improvement Proposals, including Airservices Australia's response
 - 25 February 2016 - ANO view on the flight path validation study
 - 29 April 2016 - Tim Abberton assigned title as Deputy Aircraft Noise Ombudsman
 - 4 July 2016 - Review of Defence's Aircraft Noise Complaints Management System – Terms of Reference
- 6.2 Further, an article about an ANO industry paper "Overly persistent complaining: unreasonable conduct or rational response?" was published in *Consumer Directions* (March 2016), the official members publication of the Society of Consumer Affairs Professionals Australia.

UNREASONABLE CONDUCT OR RATIONAL RESPONSE

Persistent complainers, or just wanting to be heard

Are the armies of complaint handlers part of the problem in creating persistent complainers?

The Aircraft Noise Ombudsman considers the issue in this industry paper on the differences between unreasonable conduct and rational response.

Interactions with complaint management are central to many organisations. It is often the only point of contact between the organisation and the customer. The way in which these interactions are managed can have a significant impact on the customer's perception of the organisation. This paper explores the concept of 'persistent complainers' and the role of complaint management in addressing their concerns.

OVERLY PERSISTENT COMPLAINING: UNREASONABLE CONDUCT OR RATIONAL RESPONSE?

Background

What calibrates unique persistence?

Beyond good complaint handling

7 Financial Results

- 7.1 The ANO operates autonomously in managing its financial accountabilities. In line with the ANO Charter, the ANO independently determines how funds and resources are allocated, within the budget provided by Airservices and Defence.
- 7.2 As with previous years, the ANO has managed its budget effectively, with actual costs again well within the annual budget. In 2015-16, the total operating expenditure of the office was \$608,536 against a budget of \$757,567.
- 7.3 Costs include all staff salaries and entitlements, travel, and administrative overhead costs. The decrease in costs from last year reflects savings made largely in staff costs from reducing the administrative staffing level. We also under-spent compared to budget on minor purchases, incidentals and training.

Graph 4: ANO budget and actual expenditure 2011-12 to 2015-16



Attachment 1 ANO Complaint Statistics

The following summarises the ANO complaint statistics for 2015-16.

	Total	Airservices	Defence
Complaints carried forward from 2014-15	16	13	3
Complaints received 2015-16	255	243	12
Total complaints handled in 2015-16	271	256	15

<u>Closed complaints - reviewed</u>			
No change possible - explanation provided	116	108	8
Change adopted by Airservices or Defence	3	3	0
Change adopted by airport operator	0	0	0
Change adopted by operator	1	1	0
Total complaints reviewed and closed	120	112	8

<u>Closed complaints - not reviewed</u>			
Referred to agency to respond to directly	128	123	5
Complainant did not provide further information	2	2	0
Outside Charter scope	4	4	0
Total complaints not reviewed and closed	134	129	5

Complaints closed during 2015-16	254	241	13
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Complaints carried forward to 2016-17	17	15	2
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Attachment 2 Noise improvement opportunities

One of the core focuses of our investigations into complaints is to look for the potential to improve noise outcomes. The following table summarises the noise improvement opportunities stemming from complaints received by the ANO or part of ongoing ANO monitoring during the 2015-16 financial year.

Noise improvement opportunities considered during 2015-16

Complaint received by ANO	Description of initiative	Current status
Apr 2012	Brisbane – Can some northbound and westbound departures from runway 19 depart on additional tracks to reduce the concentration of noise over current areas?	Airservices examined the option of a noise sharing approach, where a single departure track is replaced with multiple tracks to enhance noise sharing. Airservices identified that such an arrangement has not been trialled previously in Australia; however Airservices intends to consider this approach in the future. Airservices subsequently advised that trials of this approach are not likely to be held in Brisbane initially due to the operational constraints of the airport. Airservices had previously advised that it would use the proposed night time respite path in Perth to test the validity of a multi-track model. As the trial is now not proceeding, Airservices has advised that further consideration of a multi-track model is unlikely to be trialled anywhere in Australia for some time.
May 2014	Gold Coast: flights over NSW residences during daylight saving hours	The ANO asked Airservices to consider if a better noise outcome can be achieved for NSW residents affected by re-directing southerly departures from Gold Coast Airport in the hour prior to 11pm QLD time (that is, prior to the curfew commencing, but 11pm-midnight in NSW time), when the two states are on different zones. Airservices added this opportunity to its Strategic Noise Improvement Plan and identified that the change "adds some complexity but is feasible". Airservices has given this opportunity further consideration and does not propose to proceed with a change. The ANO has independently reviewed the information and data provided and accepts that, on balance, at this time, Airservices' decision is reasonable. The analysis does not support further development of this proposal given the very low number of aircraft involved and the resources required to progress the change.
Aug 2014	Camden: removing practice engine failures from residential areas	The ANO asked Airservices to look into whether procedures for 'practice engine failures', similar to those employed at Jandakot Airport, could be applied at Camden Airport to avoid this practice over residential areas. Airservices consulted with relevant stakeholders and the airport has now updated their 'fly friendly' arrangements accordingly. The new arrangements were endorsed at the July 2015 Community Aviation Consultation Group meeting. The updated fly friendly procedures were published on the Airport website on 29 September 2015.
Nov 2015	Perth: approach to runway 06 over fewer residents	The ANO asked Airservices to look into whether alternative approaches to runway 06 in Perth would reduce the numbers of residents overflown. After analysis, Airservices concluded that, although a potentially feasible approach route could be identified, the potential benefits did not justify the time and cost of the work involved to do the necessary detailed assessments of the proposal at this time. The ANO was satisfied that Airservices had explored reasonable options and, on balance, accepted Airservices' decision not to pursue this potential noise improvement opportunity for the reasons provided.

Table continues on next page

Complaint received by ANO	Description of initiative	Current status
Mar 2016	Sydney: adjustment to flight paths over water during curfew hours	The ANO has asked Airservices to consider if a better noise outcome can be achieved for coastal residents south of Sydney Airport affected by flights departing during the curfew. Airservices added this opportunity to its Strategic Noise Improvement Plan and have commenced preliminary investigations into the feasibility of a change.
Apr 2016	Adelaide: options to reduce the impacts of helicopter operations, especially during curfew hours	The ANO received a complaint about helicopter activities over residential areas late at night. The ANO is seeking more information about the nature of helicopter operations at Adelaide Airport to determine if any opportunities are available to reduce the noise impacts while meeting operational needs.

Attachment 3 ANO assessment of action on recommendations

During the 2015-16 financial year the ANO finalised two major reviews. The following tables summarise the status of each recommendation, as at the end of June 2016.

Review of Australian Super Hornet Flying Operations at RAAF Base Amberley (August 2015)

Ongoing recommendations	ANO assessment of agency response
Recommendation 1 – Defence should adopt appropriate record management practices to ensure identified gaps in record-keeping are addressed.	<u>Ongoing</u> – Defence has advised it has addressed this recommendation. ANO is seeking evidence to support Defence advice.
Recommendation 2 – Defence should work with the NFPMS supplier to improve the accuracy and reliability of the data captured by the NFPMS and presented in reports.	<u>Complete</u> – The ANO is satisfied that Defence has worked with the NFPMS supplier to improve the accuracy and reliability of the data captured and reported.
Recommendation 3 – Defence should ensure that requirements in Standing Instructions and similar documents are aligned with the Super Hornet Conditions of Approval and associated plans and strategies.	<u>Complete</u> – The ANO has reviewed the updated Noise Management Plan and the amended Standing Instructions to confirm alignment.
Recommendation 4 – Defence should as soon as possible <ol style="list-style-type: none"> conduct a review of the state of implementation against the recommendations of the Vipac report completed in 2011. report the findings of this review to the Commonwealth Environment Department in accordance with the Conditions of Approval. 	<u>Ongoing</u> – Defence has advised that this is complete. ANO is seeking evidence to support Defence advice.
Recommendation 5 – Defence should: <ol style="list-style-type: none"> update the Noise Management Plan and delete the requirement for a copy to be provided to the Ipswich Library, or provide a copy to the library update the Noise Management Plan to correct the telephone number for obtaining a copy of the Plan. 	<u>Complete</u> – The ANO has reviewed the updated version of the Noise Management Plan and confirmed this recommendation is completed.
Recommendation 6 – Defence should review the reporting requirements in the Noise Management Plan and establish systems to ensure adherence to the requirements.	<u>Ongoing</u> – The ANO has reviewed Defence's systems and is seeking supporting data to confirm reporting requirements are adhered to.

Ongoing recommendations	ANO assessment of agency response
Recommendation 7 – Defence should routinely review and update (as required) the Noise Management Plan in line with the documented requirements. Defence should document the review process and outcomes.	<u>Complete</u> – Defence has amended the relevant Standing Instruction to specify accountabilities for annual reviews and implemented a system for recording reviews.
Recommendation 8 – Defence should ensure that future quarterly reports include information to support the requirements of the current version of Noise Monitoring and Complaints Handling Strategy.	<u>Ongoing</u> – Defence has advised that work on this recommendation is ongoing with completion expected in Q3 2016.
Recommendation 9 – Defence should publish reports and meeting minutes in a reasonable timeframe.	<u>Complete</u> – Defence has updated its website with all current reports and meeting minutes and introduced a tracking system to ensure ongoing compliance.
Recommendation 10 – Defence should expedite establishment of an online complaint lodgement capability.	<u>Ongoing</u> – Defence has advised that work on this recommendation is ongoing with completion expected by end 2016.
Recommendation 11 – Defence should routinely review and update (as required) the Australian Super Hornet Noise Monitoring and Complaints Handling Strategy in line with the documented requirements. Defence should document the review process and outcomes.	<u>Complete</u> – Defence has amended the relevant Standing Instruction to specify accountabilities for annual reviews and implemented a system for recording reviews.
Recommendation 12 – Defence should routinely review and update (as required) the Australian Super Hornet Noise Mitigation and Complaint Resolution Strategy in line with the documented requirements. Defence should document the review process and outcomes.	<u>Complete</u> – Defence has amended the relevant Standing Instruction to specify accountabilities for annual reviews and implemented a system for recording reviews.

Investigation into Complaints about the Perth Noise Improvement Proposals (November 2015)

Ongoing recommendations	ANO assessment of agency response
Recommendation 1: Airservices should explain the discrepancy in its public information when compared to their detailed Environmental Assessment and, if found to be in error, correct all public information and, as far as practicable, advise all individuals who had received incorrect data of the correction.	<u>Ongoing</u> – The ANO notes that Airservices has corrected its public website information. The ANO will finalise this recommendation when the PIR is released, as we are advised it will be sent directly to individuals reflecting corrected information.

Ongoing recommendations	ANO assessment of agency response
Recommendation 2: Airservices should correct the public record at the next opportunity through the PACF to provide a comprehensive answer to the Guildford resident's issues, which includes an explanation of the potential for Airservices' preferred runways change to have contributed to the resident's experience of an increase in take-offs over the area.	<u>Complete</u> - The ANO has reviewed the updated response by Airservices and confirmed this recommendation is complete.
Recommendation 3: For all changes to air traffic management that will have an effect on aircraft noise impacts, Airservices should provide clear information to the public on both the justification for the change and the expected changes in aircraft noise in time for meaningful consultation and certainly prior to implementation of the change.	<u>Complete</u> – Airservices has amended its Communication and Consultation Protocol. The ANO has noted the early consultations on the Aircraft Navigation Modernisation Program provided clear information on the expected aircraft noise outcome and justification for the change.
Recommendation 4: Airservices should present potential aircraft noise impacts accurately and avoid under-statement.	<u>Complete</u> – Airservices demonstrated improved presentation of aircraft noise impacts in the information provided as part of the validation study conducted in Feb-Apr 2016 and also in the PIR TORs.
Recommendation 5: Airservices should review and amend the currently available information about the preferred runways change to clearly present the expected noise outcomes.	<u>Complete</u> – Airservices has clearly presented the expected noise outcomes from the preferred runways change in its PIR TORs.
Recommendation 6: Airservices should ensure that its post-implementation review of the preferred runways change addresses whether the change actually represents an overall noise improvement for Perth, considering the impacts across all areas that have been affected by the change. If the change does not deliver an overall noise improvement for Perth, Airservices should revert to previous arrangements or propose an alternative that is expected to deliver a noise improvement.	<u>Ongoing</u> – This will be considered when the preferred runways PIR, due to be completed in Sept 2016, is finalised by Airservices.
Recommendation 7: Airservices should respond to all ANO requests with complete, accurate and timely information.	<u>Complete</u> - Airservices has reallocated its relationship management with the ANO and made a commitment to improved responsiveness to ANO requests. The ANO has noted an improvement and considers this recommendation is complete.

Ongoing recommendations	ANO assessment of agency response
Recommendation 8: Airservices' post-implementation review of the preferred runways change should include a discussion of the impacts of the change in all areas affected, including for the suburbs affected by departures and arrivals to each end of each runway.	<u>Complete</u> – Airservices' PIR TORs outline that these requirements will be addressed in the preferred runways PIR, due to be completed in Sept 2016.
Recommendation 9: Airservices should review the feedback from the ANO about its Environmental Assessments and incorporate better analysis of aircraft noise issues and impacts in its environmental assessment processes. This should include introduction of a robust process of critical review before finalisation of assessments.	<u>Ongoing</u> – Airservices has advised that it is developing a 'Procedure Manual for Undertaking Environmental Assessments', due to be completed by quarter 3, 2016.
Recommendation 10: Airservices' post-implementation review should present the impacts of changes in different areas at night-time, and specifically the impact in terms of nights of respite.	<u>Complete</u> – Airservices' PIR TORs outline that these requirements will be addressed in the preferred runways PIR, due to be completed in Sept 2016.
Recommendation 11: Airservices should resolve its internal communication issues to ensure correct, adequate and timely information is provided to internal decision-makers, the ANO and the public about change proposals.	<u>Complete</u> – Airservices has amended its Communication and Consultation Protocol and also redefined its internal processes and accountabilities for noise improvement change proposals.
Recommendation 12: Airservices' post-implementation review should provide an explanation for why the change was implemented on a permanent basis despite the Environmental Assessment conclusion, and also assess the adequacy of community consultation undertaken.	<u>Ongoing</u> – This will be considered when the preferred runways PIR, due to be completed in Sept 2016, is finalised by Airservices.
Recommendation 13: Airservices should review its decision-making processes related to the introduction of this change and report to the ANO and the Board on any changes it will introduce to ensure that future air traffic management changes are made with due consideration to relevant information.	<u>Complete</u> – Airservices has redefined its internal processes and accountabilities for noise improvement change proposals, aligning it with the change processes for any air traffic management change.
Recommendation 14: Airservices should target its community consultations to areas that are identified as potentially affected by the proposed change and ensure that communities receive all relevant information in a reasonable time to be able to provide feedback on changes prior to implementation.	<u>Complete</u> – Airservices has amended its Communication and Consultation Protocol, restating its commitment to information provision and timely, targeted community consultation.

Ongoing recommendations	ANO assessment of agency response
Recommendation 15: Airservices should include in its post-implementation review a detailed analysis of the actual impacts of the introduction of smart tracking and the associated change made to the visual approach route. It should consider impacts particularly at night-time, and re-visit the findings of the Environmental Assessment to determine if the change in fact did represent a potentially significant impact within the meaning of the EPBC Act.	Complete – Airservices' PIR TORs outline that these requirements will be addressed in the smart tracking PIR, due to be completed in Dec 2016.
Recommendation 16: Airservices' material in support of a proposed change should explicitly present how the negatives are balanced by the benefits and on what basis the chosen approach is optimal compared to viable alternatives.	Complete – Airservices has amended its Communication and Consultation Protocol, to include providing balanced information on the potential impacts and benefits of a change.
Recommendation 17: In announcing proposed changes, Airservices should explicitly emphasise the degree of uncertainty and the known factors that will potentially influence the likelihood of the proposed change proceeding.	Complete – Airservices has amended its Communication and Consultation Protocol, to include providing information on the processes (including legislative processes) required to implement a change as part of the consultation information.
Recommendation 18: Airservices should consider the social, economic and cultural context of the communities it is consulting and ensure consultation strategies enable accessibility, understanding and an opportunity for genuine engagement in the issues within those communities.	Complete - The ANO has reviewed the recent material produced by Airservices on the short-term validation study and notes it meets the intent of this recommendation. The ANO expects that this learning will flow into all future community engagement activities and considers this recommendation is complete.
Recommendation 19: Airservices should consult openly with communities, even when making only temporary changes, and provide as much information as it can prior to implementing any such change.	Complete – Airservices has acknowledged and restated its commitment to open consultation in its amended Communication and Consultation Protocol. The ANO noted the effective consultation undertaken prior to Airservices' temporary validation study in Feb-Apr 2016.
Recommendation 20: Airservices should produce a proposal assessment for each change that provides a comprehensible outline of any change proposal, including the pros and cons, key considerations, the conclusion and the final decision Airservices has made. Relevant material that underpins the decisions should also be published for those seeking greater detail.	Ongoing – Airservices has advised that it is developing a 'Procedure Manual for Undertaking Environmental Assessments', due to be completed by quarter 3, 2016.

Ongoing recommendations	ANO assessment of agency response
Recommendation 21: Airservices should ensure its Environmental Assessments for changes in air traffic arrangements reflect a thorough and transparent analysis of all key issues relevant to aircraft noise impacts, and specifically reflecting the key issues and concerns of communities.	<u>Ongoing</u> – Airservices has advised that it is developing a 'Procedure Manual for Undertaking Environmental Assessments', due to be completed by quarter 3, 2016.
Recommendation 22: Airservices should tailor its public announcements about aircraft noise management to address the specific concerns and expectations of affected communities, as identified in consultation forums and aircraft noise complaints.	<u>Complete</u> – Airservices has acknowledged and restated its commitment to tailored public consultation strategies in its amended Communication and Consultation Protocol. The ANO noted the effective consultation undertaken prior to Airservices' short-term validation study in Feb-Apr 2016.
Recommendation 23: As far as practical, Airservices should make direct contact with community leaders prior to public announcements about issues that affect the community to help ensure that consistent information is passed on to residents.	<u>Complete</u> – The ANO considers that Airservices acknowledges the value in prior consultation for significant changes affecting specific community groups.
Recommendation 24: Airservices should not pursue the noise-respite trial as proposed in March 2015, even as a short term trial measure, and instead should put out clear information as to the inequitable consequences that would necessarily flow in terms of night-time respite.	<u>Complete</u> – The ANO notes that Airservices conducted a short-term validation study in Feb-Apr 2016, contrary to this recommendation, however it did provide an opportunity for clarifying the inequitable night-time respite consequences from the proposed southern departure path.
Recommendation 25: Airservices should set out the rationale behind the preferred runways and smart tracking changes implemented in Perth, including identifying the anticipated impacts in terms of aircraft movements and aircraft noise consequences, well ahead of the planned post-implementation review of these changes.	<u>Complete</u> – Airservices' PIR TORs outlines the rationale behind the two changes, with the PIRs due to be completed in Sept 2016 (preferred runways) and Dec 2016 (smart tracking).

Glossary

A-CDM	Airport Collaborative Decision Making
ACE	Airport Capacity Enhancement
ADS-B	Automatic Dependent Surveillance Broadcast
ATSB	Australian Transport Safety Bureau
CANSO	Civil Air Navigation Services Organisation
CASA	Civil Aviation Safety Authority
CMATS	Civil Military Air Traffic System
FHA	Fuel Holding Advisory
FAS	Future Airspace System
GNSS	Global Navigation Satellite System
IATA	International Air Transport Association
IFR	Instrument Flight Rules
ICAO	International Civil Aviation Organization
MET CDM	Meteorological Collaborative Decision Making
PBN	Performance Based Navigation
PFC	Perfluorinated compounds
RNAV	Area navigation
RPAS	Remotely Piloted Aircraft Systems

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