

2016-17

ANNUAL
REPORT



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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 2016–17

On behalf of the Board of Airservices Australia, I am pleased to submit to you the Airservices Australia Annual Report for the financial year 2016–17 as required under section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

During 2016–17 we were accountable to the Australian Parliament and to the Australian Government through you as the Minister for Infrastructure and Transport.

The Board, as the accountable authority of Airservices Australia, is responsible for preparing and submitting this report to you. It was endorsed at our meeting on 27 September 2017.

The report has been prepared in accordance with the requirements of the *Air Services Act 1995*, the PGPA Act, the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule), and other relevant legislation.

The report outlines the achievements and milestones met by Airservices, and includes a review of operations and financial statements for the year ending 30 June 2017.

The performance statement has been prepared to demonstrate our performance over the 2016–17 period against the *Airservices Corporate Plan 2016–2021*. It reports against our key performance measures and initiatives articulated within the Plan. The appropriateness of the performance statement was reviewed by Airservices Board Audit and Risk Committee at its meeting on 26 September 2017.

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 and section 16F of the PGPA Rule.

Yours sincerely

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

Air Chief Marshal Sir Angus Houston AK, AFC (Ret'd)
Chair
27 September 2017

connecting australian aviation



The safe movement of people from Australia and abroad through Australian skies and airports is a shared responsibility of the aviation industry. It requires extreme vigilance, care and capability.

Throughout my time as Chair of Airservices, these qualities have been evident in every aspect. The commitment of the fire fighters, air traffic controllers and those who support them in their important work is a stand-out quality of the Airservices culture and one that sustains even while the organisation has evolved and demand for our services has increased.

In 2016–17 alone, passenger movements in Australia grew almost three per cent, continuing an upward trend that has seen traffic in my six year tenure increase by almost 20 million passengers. Throughout this period, I have witnessed Australia's aviation industry navigate significant shifts in economic cycles (most notably the mining boom), growth in international routes and the changing economics of aviation.

In this context, Airservices responsibility to the industry means that we must simultaneously maintain the highest standards of safety and be responsive to changes in our external environment. It is imperative that we keep up with, and anticipate, technological developments, manage increasing customer expectations and are able to meet air traffic demand now and into the future.

We must also be able to do these things sustainably, never losing sight of the fact that we are funded by our customers through charges levied for our services. We need to reward our customers' trust in us by operating as efficiently and safely as possible, providing genuine value for their money and ensuring that the outcomes we deliver are in line with their expectations. The vast majority of our customers have undertaken transformational change in recent years in recognition of changing industry conditions and cost constraints.

In the lead up to 2016–17, the Board and I recognised that Airservices performance could not be sustained in the longer term without resetting some of the fundamentals that underpin the business. The Business Diagnostic and Efficiency Review conducted in late 2015 identified opportunities for a new operating model more focused on customer needs, a more disciplined and commercial approach to project and asset management and a stronger technology foundation from which to support future capability and service delivery.

The 2016–17 year was a period of intense and accelerated change, designed to lay these important foundations for us to discharge our purpose successfully and sustainably over the longer term. The outcomes achieved have positioned Airservices extremely well for the future. The business is in excellent shape, our operational safety performance remains outstanding, and we are far better prepared to deliver future services safely and efficiently.

In last year's annual report, I foreshadowed that the Accelerate Program would return Airservices to profitability this year and I am pleased to announce that it has exceeded expectations in that regard. Evidencing our commitment to ensuring our customers continue to receive value from us, we did not increase our service prices in 2016–17 and will continue to maintain prices throughout 2018–19.

We also share the responsibility of growing the aviation industry. This is a great privilege and gives us pause to consider the potential of technology, the power of data and analytics, changing customer needs and behaviour, trends such as the rise of cyber-security threats, security and safety considerations, and best practices around the world. Looking ahead, I believe that Airservices can continue to make a significant contribution as a global leader in a number of these aspects.

Our vision for a national integrated and harmonised air traffic management system, OneSKY, will create safer and more efficient flights across Australian skies. OneSKY welcomed new leadership during the year, and the foundations set in place through Accelerate will enable the next stage of its progress.

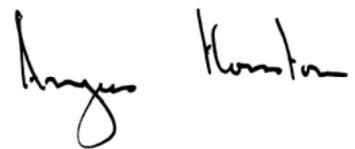
“The commitment of the fire fighters, air traffic controllers and those who support them to do their important work, is a stand-out quality of the Airservices culture and one that sustains even while the organisation has evolved and demand for our services has increased.”

Looking ahead, Airservices is bringing the focus demonstrated during the Accelerate Program to sustainably deliver the next generation of services, with our customers at the centre of everything we do. Long range air traffic flow management (LR ATFM) and airport collaborative decision-making (A-CDM) will improve air traffic safety for our customers and help ensure our skies are fit to meet the growing demand. We will support our airport partners as they invest significantly in airport infrastructure over the next 10 years. Our Information Management and Technology 2020 Strategy was introduced this year to ensure that we leverage the latest technologies in support of this ambition.

During 2016–17, my term as Chair was extended until at least June 2018 and I am honoured to continue to serve on the Board for another year. In addition, in April 2017 we welcomed John Weber to the Airservices Board. John brings a wealth of experience as the former Australian managing partner of DLA Piper and chief executive of Minter Ellison. John's extensive experience across transport, health, financial services, and defence and security, further extends the Board's capabilities.

In September 2017, we farewelled Deputy Chair Tony Mathews after more than five years on the Board. It is difficult to overstate the contribution that Tony made during his two terms. His vast aviation and business experience, his passion for our industry and his commitment to make a difference have been immensely valued.

It is a privilege to serve the aviation industry in this capacity and I look forward to seeing the continued advancement of Airservices capability and customer outcomes in this great industry.



AIR CHIEF MARSHAL SIR
ANGUS HOUSTON AK, AFC
(RET'D)

Chair

CHIEF EXECUTIVE OFFICER'S REPORT



A healthy Airservices is essential to the safe movement of people and freight across Australian skies. In just 18 months, we have transitioned from an outdated and unsustainable operating model, to a far more customer-focused organisation with a strong foundation for our role in managing the safety of Australian skies.

Our Accelerate Program, to implement a customer-focused and commercially rigorous operating model, was ambitious and challenging. We made the difficult decisions and invested the time and resources it demanded because we strongly believe it was the best way to transform our organisation. Accelerate has delivered annualised savings of approximately \$177 million, helped us operate more effectively and efficiently, and ensures that we can keep pace with our changing industry.

We promised we would not compromise safety, Airservices highest priority. In 2016–17, Australian skies were busier but also safer than ever before. We enabled 156 million passenger and more than four million aircraft movements, and both our aviation rescue fire fighters and air navigation services recorded zero significant attributable safety occurrences.

In 2016–17, \$151 million was invested through our capital programme to make the aviation industry safer and more efficient. We introduced new air traffic control tower technology into Perth and Cairns, commissioned the Melbourne Ground Based Augmentation System (GBAS), delivering a new precision approach capability using satellite navigation, and Automatic Dependent Surveillance Broadcast (ADS-B) equipment received its final mandate requiring all aircraft operating under instrument flight rules (IFR) to be equipped. We also introduced barometric vertical navigation (Baro-VNAV) approaches at regional airports, adding another layer of safety protection.

Our customers are competing in a global market and Airservices has a vested interest in supporting them to compete on this stage. We have become a more customer-focused organisation and have taken steps to measure and improve our performance in support of their ambitions.

As promised, we did not raise our service prices in 2016–17 and that will continue through 2018–19. This commitment will help customers with their business planning and allow us to ensure all elements of Accelerate are bedded down and its benefits are fully realised before any new pricing takes effect.

The improved productivity required to accommodate our pricing strategy is underway. In 2016–17, we reduced our total cost per IFR flight hour by nine per cent on the previous year. We expect this to continue falling in 2017–18—our first full year under our new operating model.

You will read in the pages that follow about how we achieved 2016–17's \$59 million underlying Net Profit After Tax—a strong result and significant turnaround for the organisation. Despite the Accelerate Program only concluding in June 2017, the benefits are already impacting our finances. We are a more efficient organisation, cutting total expenses by 15.2 per cent on the previous year, and have improved our total income and return on assets.

Like any period of transformational change, it was not without challenge. All of our Airservices team played a role in changing our course to one that has us well placed for the future. I want to thank them for their patience, resilience and commitment across the journey. Providing opportunities for the growth, development and engagement of our people following this change will continue to be a major focus as we enter 2017–18.

Championing the aviation industry is an important part of our mandate. In June, we hosted the 34th Airline/Air Traffic Services Forum with over 22 domestic and international airlines participating in a discussion on how integrated risk management can enhance aviation safety in Australia. We have worked closely with our regional neighbours for many years to improve air safety. We also played important roles in the immediate aftermath of Tropical Cyclone Debbie, helping communities and the aviation sector get back on their feet. A highlight this year is the introduction of an online weather camera portal which we launched in May to improve safety outcomes through real-time weather condition reports at airports.

Preparations for the launch of OneSKY, the most advanced, integrated air traffic control system in the world, continued. The CMATS voice communication system phase one contract was signed, negotiations on other contracts progressed, and design and construction at several locations was delivered. With transition activities commencing in 2018, it is very exciting to see this once-in-a-generation project start to take shape.

As our focus shifts to 2017–18, I am incredibly proud of what we have achieved in the past year. Airservices is in great shape to take on the challenges ahead, to evolve our business and processes to adapt to changing customer needs, and to continue playing a key role in keeping our skies safe.



JASON HARFIELD
Chief Executive Officer

“Airservices is in great shape to take on the challenges ahead, to evolve our business and processes to adapt to changing customer needs, and to continue playing a key role in keeping our skies safe.”

AIRSERVICES YEAR IN REVIEW

In 2016–17, we fulfilled our responsibility to ensure safe and secure skies for our stakeholders. We also laid important foundations for the safe, sustainable and technology-enabled delivery of the next generation of services to the aviation industry.

Airservices provides safe, secure, efficient and environmentally responsible air navigation and aviation rescue fire fighting services for the industry and broader community.

3,711 EMPLOYEES*
(TOTAL)

1,037 AIR TRAFFIC
CONTROLLERS*

877 AVIATION RESCUE
FIRE FIGHTERS*

29 TOWERS AT
AUSTRALIAN AIRPORTS

In 2016–17 Australian skies were busier, but also safer than ever.



+4M

Aircraft
movements



0

Significant
attributable
safety occurrences



+156M

Passenger
movements



430

Aircraft incidents
responded to by our
aviation rescue fire fighters

Through Accelerate, our one year business transformation initiative, we delivered more efficient, effective and sustainable operations.

100%

of Accelerate
objectives achieved

4:5 → 5:4

changed operational to
support staff ratio

9%

drop in total cost per
IFR flight hour

9 → 5

reduced number of
business groups

\$177M

in annualised
cost savings



using technology to
better support efficiency

We became a more financially secure organisation in 2016–17.

 **\$59M**
UNDERLYING
NET PROFIT
AFTER TAX (NPAT)

 **4.5%**
GROWTH IN
TOTAL INCOME**

 **10.3%**
UNDERLYING
RETURN ON
EQUITY

 **15.2%**
FALL IN
EXPENSES**

 **5.6%**
RETURN ON
ASSETS

We became a more customer-focused organisation.



New operating model
built around the
customer



Delivered value by
maintaining pricing at
2015 levels



New customer
engagement measure



Introduced new
technology that
will underpin new
digital services

**Compared to 2015–16

We continue to foster and promote the aviation industry.



Worked with civil and military emergency services in emergency planning, coordination, response and recovery for the Australian International Airshow



Brought together airlines, airports, defence and government at our annual industry forum



Hosted the 33rd and 34th Airline/ATS Safety Forums



Supported regional neighbours to improve air safety, including Indonesia, Papua New Guinea, Timor-Leste, Vanuatu, Nauru and Solomon Islands

WE INVESTED

\$151M

through our capital programme

MORE THAN

300

people bringing new capabilities joined our team to help us become a more technology-enabled organisation

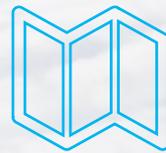
Work continued towards OneSKY, the most advanced, integrated air traffic control system in the world.



Commenced industry engagement briefings



Executed the CMATS Voice Communication System Phase One contract



Completed numerous preparatory design and construction projects

●.....
AIRSERVICES PROVIDES SAFE,
SECURE, EFFICIENT AND
ENVIRONMENTALLY RESPONSIBLE
AIR NAVIGATION AND AVIATION
RESCUE FIRE FIGHTING SERVICES
FOR THE INDUSTRY AND
BROADER COMMUNITY.
●.....

 3,711* total employees

 1,037* air traffic controllers

 877* aviation rescue fire fighters

 29 towers at Australian airports

 26 airports supported by aviation rescue fire fighters

●.....
**As at 30 June 2017*



01 CORPORATE OVERVIEW

PURPOSE

Our 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 levies on our customers and capital raised from debt markets. Our prices are set by the Airservices Board after extensive consultation with industry and are subject to oversight by the Australian Competition and Consumer Commission (ACCC). Airservices does not receive any government funding.

Safety is our number one priority. We are proud that global benchmarking consistently places Airservices as one of the top air navigation service providers for safety in the world.

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

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

Our functions under the *Air Services Act 1995* include:

- providing facilities for the safe navigation of aircraft within Australian-administered airspace
- promoting and fostering civil aviation in Australia and overseas
- providing air traffic services, aviation rescue fire fighting services, aeronautical information, radio navigation and telecommunications services.

In undertaking our functions we must regard the safety of air navigation as our most important consideration, and protect the environment as far as practicable from the effects of aircraft operations.

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

CORPORATE GOVERNANCE

We are governed by a Board whose members are appointed by the Minister for Infrastructure and Transport, the Hon. Darren Chester MP. It consists of eight non-Executive Directors including the Chair and Deputy Chair and one Executive Director who is the Chief Executive Officer (CEO), appointed by the Board. 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 about Board membership, meetings and committees is available in Appendix 1.

STRATEGIC DIRECTION

Our corporate plan outlines the initiatives and the performance outcomes we seek to achieve over a five year period in support of our vision and purpose.

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

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

MINISTER'S STATEMENT OF EXPECTATIONS AND STATEMENT OF INTENT

The Government provided the Airservices Board with its Statement of Expectations on 15 June 2015 for the period July 2015 to June 2017.

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

In May 2017, Airservices received an updated Statement of Expectations covering the period 22 May 2017 to 30 June 2019. Our formal Statement of Intent, which addresses the new Statement of Expectations, is included in the *Airservices 2017–18 Corporate Plan*.

MINISTERIAL DIRECTIONS AND GOVERNMENT POLICY ORDERS

Our Minister can issue directions which inform the performance of our functions. Four ministerial directions were current in 2016–17:

- 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).

The government can issue policy orders with which Airservices must comply. During the reporting period 2016–17, no government policy orders applied to Airservices.

ORGANISATIONAL STRUCTURE

Airservices is led by our CEO and executive team. During 2016–17, a new operating model was implemented that focuses on our two service delivery lines – air traffic management and aviation rescue fire fighting services. The refined organisational structure that supports this new model is at Figure 1.

To transition Airservices to the new operating model, a redundancy programme was undertaken in 2016–17 to right-size our corporate centre. Frontline operational teams were not directly impacted as a result of this organisational change. In 2017, we also recruited more than 300 people, bringing new capability into the organisation.

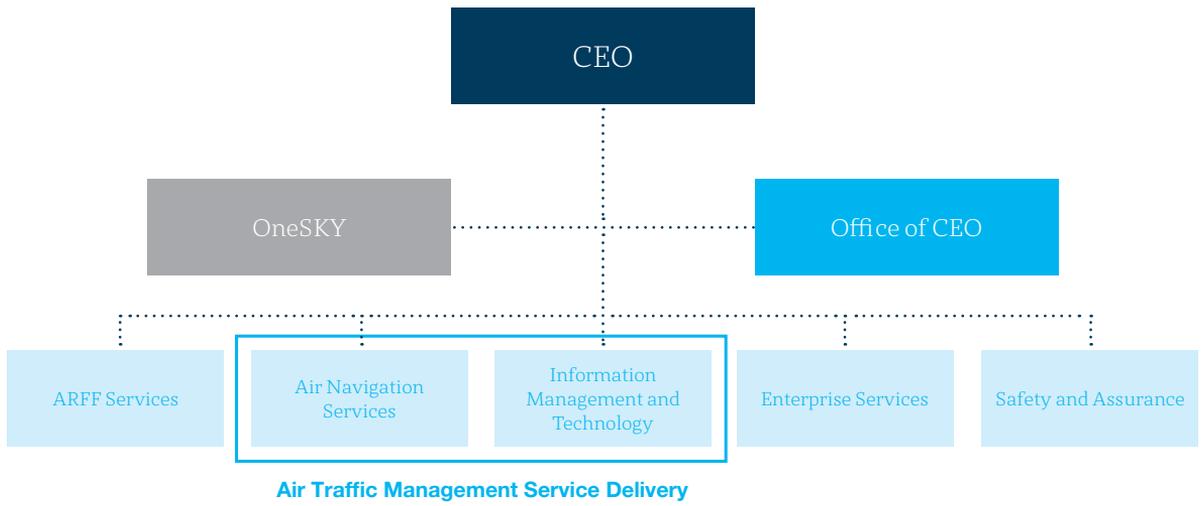
OUR LOCATIONS

Our head office is in Canberra and at 30 June 2017 we employed 3,711 staff across Australia, including:

- 1,037 air traffic controllers, working from two air traffic services centres in Melbourne and Brisbane, three terminal control units and 29 towers at international and regional airports
- 877 aviation rescue fire fighters at 26 of Australia's biggest airports.

Further detail about our workforce is included in Appendices 3 and 4. Information about our facilities is available at www.airservicesaustralia.com/about/our-facilities.

Figure 1: Airservices Australia organisational structure at 30 June 2017



.....
WITH A RESET COST BASE AND
MORE EFFICIENT PRACTICES, WE
MOVED INTO A STRONG,
SUSTAINABLE FINANCIAL
POSITION IN 2016-17.
.....

.....
\$59M underlying Net
 Profit After Tax
.....

↻ 10.3% underlying
 return
 on equity

↓ 15.2% drop in
 expenses*

.....
*Compared to 2015-16



02 OUR FINANCIAL PERFORMANCE

ANNUAL RESULT

Our 2016–17 financial performance of underlying Net Profit After Tax (NPAT) of \$59 million, and 10.3 per cent underlying return on equity, were both ahead of forecast. This is a strong financial performance and a significant turnaround after several years of breakeven results, and is due to significant transformation investment in 2015–16.

INCOME AND EXPENSES

Driving these results were positive trends in both income and expenses. International airways growth, predominantly from the Middle East and north–east Asia, spurred a 4.5 per cent uplift in income to \$1.08 billion despite relatively flat domestic growth.

Expenses dropped 15.2 per cent to \$1.03 billion as the implementation of Accelerate concluded and the benefits started to take effect. Restructure costs dropped by \$98 million, staff costs by \$60 million and supplier costs by \$26 million, due to our new operating model, refined approach to asset management and project delivery practices.

Accelerate will deliver annualised savings of approximately \$177 million to our bottom line.

CAPITAL INVESTMENT AND GEARING

In 2016–17, we invested \$151 million in our capital programme. Funding was derived from operating cash flows and existing borrowings. Airservices concluded 2016–17 with 49 per cent gearing, within our medium-term target range of 40 to 50 per cent.

FINANCIAL OUTLOOK

With Accelerate fully implemented, expenses will drop further in 2017–18 as we experience our first full year of a reset cost base.

Our prices will remain the same through 2018–19. Preparations have begun for the next Long Term Pricing Agreement (LTPA), which is expected to be implemented in 2019–20. Should strong traffic growth continue, we will be well positioned to consider a price reduction. This is great news for our customers and will improve their competitiveness in the global market.

The strength in the international aviation space (10 per cent growth in 2016–17) is expected to continue, and will drive revenue growth despite our pricing strategy. We also expect some uptick in the domestic space due to increased capacity and an improving market which will contribute to revenue growth.



.....
ZERO significant attributable safety occurrences

↓ 9% drop in total cost per Instrument Flight Rules flight hour

\$59M underlying Net Profit After Tax
.....

03 ANNUAL PERFORMANCE STATEMENT

This annual performance statement is prepared in line with paragraph 39 (1)(a) of the *Public Governance, Performance and Accountability (PGPA) Act 2013* for the 2016–17 financial year. It accurately presents Airservices Australia's performance in accordance with s39 (2) of the Act.

OUR PURPOSE

Our purpose is to provide safe, secure, efficient and environmentally responsible services that are valued by the aviation industry on behalf of our owner, the Australian Government.

PERFORMANCE OUTCOMES

This section provides our results and highlights major achievements in 2016–17 against five performance criteria—safety, business operations efficiency, organisational capacity, industry outcomes and financial stewardship. These align to the strategic performance outcomes in the *2016–17 Corporate Plan*.

It also provides an analysis of our overall performance against our key performance indicators (KPIs) over the financial year, and demonstrates how we are fulfilling our purpose.

A table reporting on the service delivery and capability initiatives set out in *2016–17 Corporate Plan* is also included in this section.

PERFORMANCE CRITERION – SAFETY

The safety and integrity of Australia’s air navigation system is our most important consideration. We are committed to maintaining and enhancing our safety performance and systems. We have implemented a range of improvements in our operating environment to strengthen our safety performance and optimise advances in aircraft avionics and other new technologies. During a year of intense change for Airservices, management carefully considered any change to ensure potential safety risks were identified, understood and appropriately mitigated.

RESULTS

KPI	2014-15	2015-16	2016-17	
	Result	Result	Target	Result
Significant Attributable Safety Occurrences – Air Navigation Services (ANS) Any loss of separation or runway incursion occurrence where the Risk Assessment Tool score is Category A. <small>Source: Page 10 of 2016–17 Corporate Plan</small>	0	0	0	0
Significant Attributable Safety Occurrences – Aviation Rescue Fire Fighting Services (ARFFS) Any occurrence in which the response to an aircraft did not meet the regulated response time. <small>Source: Page 10 of 2016–17 Corporate Plan</small>	1	1	0	0
Lost time injury frequency rate (LTIFR) Lost time injury is defined as an occurrence that resulted in time lost from work on one day/shift or more, permanent disability or fatality. The rate measures the number of lost time injuries per million hours worked. <small>Source: Page 10 of 2016–17 Corporate Plan.</small>	6.60	5.80	5	5.61

ANALYSIS

In 2016–17, we moved to the more holistic safety measure of ‘Significant Attributable Safety Occurrences - ANS’. This is based on an internationally recognised risk assessment tool and has been effective in measuring how we deliver safe and secure services. During the reporting period we achieved the key safety targets for our two core services, air traffic management and aviation rescue fire fighting.

The LTIFR measure was refined in 2016–17 to record the number of lost time injuries accepted by Comcare during the reporting period. The result was slightly above the target and we implemented the Aviation Rescue Fire Fighting Services and Air Navigation Services ‘Care Program’ focused on early intervention and to help staff return to work. We remain committed to improving employee safety. Further information on our work health and safety outcomes is at Appendix 5.

ACHIEVEMENTS

In 2016–17, the Civil Aviation Safety Authority (CASA) approved our Part 171 Aeronautical Telecommunication and Radio Navigation (ATEL/ANAV) Service Provider application, giving our customers assurance that we are maintaining our operational systems in a robust manner.

Technology helps us make Australian skies safer for our customers. During the year, we:

- launched an online portal featuring camera views at 14 regional airports to provide pilots with real-time access to weather conditions
- implemented a targeted engagement campaign to support aircraft operating under IFR to transition to Automatic Dependent Surveillance Broadcast (ADS-B).

Industry collaboration also plays an important role in ensuring the safety and integrity of Australia’s airspace. During the year, we:

- supported our neighbours in building their capabilities to improve air safety in the region and at our airspace boundaries, including with Indonesia and Papua New Guinea, and Timor-Leste, Vanuatu, Nauru and the Solomon Islands
- participated in industry safety forums to share learnings on our emergency responses, occurrence management, information sharing, safety messaging, risk management, tactical operations and industry advancements
- worked with CASA to introduce new approach procedures using Baro-VNAV (see case study).

These activities help to improve airspace safety and enhance awareness of aviation safety, particularly at regional Australian airports.

CASE STUDY - BAROMETRIC VERTICAL NAVIGATION (BARO-VNAV) APPROACHES

PROVIDING SAFER OPERATIONS

A Baro-VNAV approach is an LNAV/VNAV (3D, lateral and vertical navigation) procedure. The aircraft flight management system (FMS) uses a barometric altimetry system to compare the aircraft's barometric altitude against a coded final approach path, providing vertical guidance to the pilot.

In March 2017, Airservices introduced the first of a new class of instrument flight approach procedures at Australian airports. These procedures, which use Baro-VNAV, enabled vertically-guided approach and landing operations to be conducted for the first time in Australia without expensive ground-based navigation equipment.

The introduction of approach procedures with vertical guidance, such as Baro-VNAV, has been identified by the International Civil Aviation Organization (ICAO) as a significant measure in reducing accidents involving Controlled Flight Into Terrain (CFIT), the leading cause of fatalities in aviation. There is a strong safety rationale for implementing Baro-VNAV approaches across all aircraft in Australia, where it is practical to do so.

Airservices, in consultation with CASA, introduced approach procedures using Baro-VNAV at 20 Australian airports for specific airframes and operators. A three-year implementation programme at more than 100 aerodromes will deliver the safety and efficiency benefits of this new technology to customers.

PERFORMANCE CRITERION – BUSINESS OPERATIONS EFFICIENCY

Our aviation industry is dynamic—rapidly adopting improvements in technology and innovating to provide more efficient aviation services to the public. Aircservices must evolve with it. During the year we transitioned to a streamlined operating model with less bureaucracy and more accountability. We introduced technologies to improve operational efficiency for our customers and new procedures to reduce the impact of aircraft noise on communities surrounding airports.

RESULTS

KPI	2014–15	2015–16	2016–17	
	Result	Result	Target	Result
Productivity: total cost per IFR flight hour (\$/hr) Total operating cost per IFR flight hour (\$/hr). Source: Page 10 of 2016–17 Corporate Plan	\$399	\$405	\$406	\$367

ANALYSIS

In 2016–17 we reduced our total cost per Instrument Flight Rule (IFR) flight hour by nine per cent on the previous year. This is a measure used by air navigation service providers and reported by the Civil Air Navigation Services Organisation (CANSO) to compare relative levels of productivity globally. It takes into account the level of resources spent to manage flights, or traffic, operating in controlled airspace. Any decrease in the measure reflects an improvement in productivity and is an indicator of how we achieved efficiency as stated in our purpose.

The target for 2016–17 was based on the 2016 underlying expenditure (excluding one-off restructuring costs) and traffic levels.

ACHIEVEMENTS

Infrastructure investment provides our customers with improved service quality and accessibility, while also improving our operational efficiency. Our major achievements for the year included:

- consolidating the Cairns Terminal Control Unit to the Brisbane Air Traffic Control Centre, reducing our infrastructure footprint and producing greater operational and staff efficiency. The project was completed on time and within budget
- commissioning a new permanent fire station at Hamilton Island in 14 months, a considerable achievement when compared to the previous average construction time of 25 months. We achieved this by using a standardised design, adopting lessons learnt from previous builds, and leveraging prior knowledge and experience. The new station provides improved safety capabilities to customers using this airport.

Smart use of technology has delivered benefits to both our customers and our people, including:

- the Melbourne Ground Based Augmentation System, which uses a global positioning system to guide aircraft on approach to an airport more safely and efficiently
- the Integrated Tower Automation Suite (INTAS) technology into Perth and Cairns. This tower technology integrates multiple data sources into one layout, enabling controllers to concentrate more on visual surveillance and deliver better safety outcomes.

CASE STUDY – OUR NEW OPERATING MODEL

IMPROVING BUSINESS OPERATIONS

In 2016–17, we implemented a new operating model as part of our Accelerate Program. The aim was to deliver long-term transformation that benefits our people and customers. This included:

- two customer-oriented service lines to refocus the business to deliver on our purpose
- an appropriately-sized corporate centre, with less bureaucracy and more accountability, to support our service lines
- a lean and capable leadership team centred on single-point accountability to drive effective decision-making.

A transformation of this scale requires good governance, change management and open communication. We rigorously applied our Safety Management System to assess and manage risks, established a Project Management Office to drive the Accelerate Program, and communicated the rationale and roadmap for change to our people and stakeholders. All of this supported the transformation and positioned us well for success.

We delivered sustainable efficiencies by embedding new ways of working into the business, optimising key end-to-end processes and leveraging automation and digitisation. The step-change in the effectiveness and efficiency of our corporate operations has reduced our cost base, built new capabilities and embedded new ways of working into our culture, enabling us to continually improve our service offering to customers.

PERFORMANCE CRITERION - ORGANISATIONAL CAPACITY

Building a diverse and engaged workforce is critical to delivering the expectations set by our customers. As the industry evolves, so does the capability we require within the organisation to ensure we deliver our services effectively and efficiently. During the year, we focused on building a strong Airservices that is commercially focused and drives value for money. We invested in our people to ensure they have the right skills and capabilities to meet the needs of our stakeholders, including government, industry and the community to help achieve our purpose.

RESULTS

KPI	2014-15	2015-16	2016-17	
	Result	Result	Target	Result
People engagement Engagement score expressed as a percentage of satisfaction and specific values-related results. <small>Source: Page 11 of 2016-17 Corporate Plan</small>	77%	68%	No less than 2015-16 result*	74%
Diversity and inclusion index Index expressed as a percentage of the extent to which employees feel that the work environment is inclusive and supportive of diversity. <small>Source: Page 11 of 2016-17 Corporate Plan</small>	67%	58%	No less than 2015-16 result*	68%

* It was determined that the target would be no less than 2015-16 result due to the significant organisation transformation programme

ANALYSIS

We recognise that significant organisational change at this pace and intensity is not easy or comfortable. We are pleased that our results have improved from 2016 and we have been able to continue the high levels of service commitment to the industry and travelling public. We also continued to have strong positive team and working relationships. We are proud of our demonstrated resilience and support to one another during the period.

ACHIEVEMENTS

We have a responsibility to provide our people with opportunities for development and growth, and to foster rewarding careers in the aviation industry. In 2016-17, we invested in a range of external and internal training and operational workshops for our employees.

Building on the success of our first Reconciliation Action Plan developed in 2012, our 'Innovate' Reconciliation Action Plan for 2016-2018 was endorsed by Reconciliation Australia and published on our website. This coincided with our first pilot Indigenous trainee programme at ARFFS Broome Fire Station, supporting our focus to attract more diversity to the aviation industry.

Importantly, the new Air Traffic Control and Supporting Air Traffic Services Enterprise Agreement was successfully negotiated and commenced its three-year term on 30 March 2017.

CASE STUDY - ONESKY AUSTRALIA

HARMONISING AIR TRAFFIC MANAGEMENT

The OneSKY Australia Program (OneSKY) is a once-in-a-generation opportunity to deliver one air traffic management system for Australia. It will improve safety and efficiency for civil and military air traffic while catering for significant forecast growth in the aviation sector. Working together, Airservices and Defence will deliver Australia's first harmonised civil and military air traffic management system (CMATS), the most advanced and integrated ATM system in the world.

To ensure readiness for operational delivery of OneSKY, a contract has been executed for the CMATS Voice Communication System (VCS) Phase One. The VCS Phase One is a key milestone for delivery of OneSKY which will create a more resilient, sustainable and efficient communications system in the short term to enable more benefits to be realised with the delivery of the full CMATS suite. We have completed work on the equipment rooms in Melbourne and Brisbane to support CMATS and VCS integration, and are currently designing the Air Traffic Services Centres that will accommodate the operational elements.

OneSKY will create significant national benefits and address the network-wide increase in demand for information-based air navigation services expected over the long term. It will ensure that Australia has a safe, secure and resilient air traffic management platform. CMATS is expected to deliver an estimated present value of over \$1 billion in economic benefits over the system's life. Airline, passenger and environmental benefits include improved safety functionality, more efficient routes and better flow of traffic through Australia's airports.

PERFORMANCE CRITERION – INDUSTRY OUTCOMES

Our role in Australian aviation is unique. As Australia’s air navigation service provider we are well positioned to work effectively with industry, other government agencies and our regional neighbours to enhance cooperation and improve aviation safety and efficiency for our country. During the year, we engaged with our customers to understand their needs and priorities for service improvement. This included a focus on implementing initiatives to improve operational efficiency for aircraft, efficient use of airspace and minimising traffic delays.

RESULTS

KPI		2014-15	2015-16	2016-17	
		Result	Result	Target	Result
Arrival airborne delay The median (and 75th percentile) excess time incurred during the arrival airborne phase of flight in reference to the estimated time of arrival for high-volume operations (High-volume operating environments defined as Brisbane, Melbourne, Perth and Sydney) Source: page 11 of 2016–17 Corporate Plan	Median (minutes)	0.36	0.36	0.36	0.56
	75th Percentile (minutes)	3.2	3.1	3.1	3.48
Industry advocacy Percentage of customers and stakeholders rating Airservices as very good or excellent as determined by survey Analysis of qualitative input Source: page 11 of 2016–17 Corporate Plan		n/a	n/a	Baselined in quarter 1	-39

ANALYSIS

The arrival airborne delay result for the reporting period was above target. This was due to a number of factors including growth in aircraft movements at Melbourne and Sydney, and significant disruptions to the air traffic system caused by Tropical Cyclone Debbie and other weather-related events.

Despite these impacts, we remain focused on improving our performance in this area and achieving our purpose. We have commenced engagement with our airline and airport stakeholders to understand the causal factors of delay, and through our Airport Collaborative Decision Making (A-CDM) and Long-Range Air Traffic Flow Management (LR-ATFM) Initiatives generate further efficiency.

For the first time, we also conducted an Industry Advocacy Survey to understand how our customers perceive our service delivery. We are harnessing the insights gathered through the survey to identify potential service improvements and ensure we deliver on our performance outcomes.

ACHIEVEMENTS

Engaging with the industry through niche and broader interest opportunities drives awareness and adoption of best practice processes. In 2016–17, this included:

- hosting workshops for senior industry representatives which provided details on customer benefits expected from the OneSKY Program
- providing emergency services support for the 2017 Australian International Airshow, with our fire fighters working with civil and military first responders in the emergency planning, coordination, response and recovery throughout the event
- convening our annual industry summit, Waypoint, which brought together representatives from airlines, airports, defence and government to discuss current and emerging risks to aviation
- hosting the 33rd Airline Safety Forum, themed ‘Safety versus Efficiency in Aerodrome Operations’.

We also completed the successful installation of nine new route surveillance radar systems, two transportable radar systems, and a radar test bed system in Melbourne. This project was integral to the ongoing surveillance requirements of air traffic management. The new radars have greater functionality, reduce the risk of radar failure, ensure our ability to maintain operational regulatory capability, and are more reliable and efficient.

CASE STUDY - RESPONDING TO CRISIS

WORKING TOGETHER TO SUPPORT THE COMMUNITY

Tropical Cyclone Debbie had a devastating impact on Far North Queensland and triggered a massive emergency response by a wide range of agencies and service providers. While our operations were impacted, we also played an important role in the recovery effort.

Tropical Cyclone Debbie caused the temporary closure of Hamilton Island Airport and Airservices operations there. Immediately following the cyclone, ARFFS on the island worked alongside Hamilton Island Enterprises to restore the airport runway and taxiway system to an operational state. Appropriate preparations were made to ensure the safety and security of the ARFF and water rescue service during the cyclone, allowing ARFFS to restore capability immediately after the event. ARFFS assisted Hamilton Island-based emergency services by responding to a range of emergency incidents, effectively deploying a disaster relief task force to assist with impact assessment and service restoration activities to the airport.

Rockhampton Airport operations were also significantly affected by extreme flooding. As part of a broader Airservices response to the local community, ARFFS undertook a staged relocation of services from the airport when it closed. Regional emergency management established an emergency airfield servicing rescue helicopter operations at the nearby Rockhampton Heritage Village. Under Queensland's state emergency mutual aid arrangements with Airservices, we provided an ARFF service to the aerodrome during the time Rockhampton Airport was closed. This included a specialist aviation fire fighting vehicle, as well as a command and communication vehicle which was used by ARFFS and the Queensland Fire and Emergency Services Air Attack Supervisor to direct helicopter operations. This service was invaluable to the safety of emergency operations and the community.

Both the Hamilton Island and Rockhampton responses demonstrate not only the quality, regulated services Airservices provides to our customers, but also the vital emergency services we provide to the local community.

PERFORMANCE CRITERION – FINANCIAL STEWARDSHIP

This for Airservices represents the responsibility we have to understand and manage our financial impact on our customers, the Australian Government and the economy. It underpins our ability to achieve our purpose. In the face of growing pressure on our financial sustainability, we undertook a significant review and transformation of our business to give our customers greater certainty about the way we manage our business. We are now well placed to adapt to the challenges and opportunities that lie ahead.

RESULTS

KPI	2014-15	2015-16	2016-17	
	Result	Result	Target	Result
Net Profit After Tax (NPAT) \$ <small>Source: page 10 of 2016–17 Corporate Plan</small>	\$4.5m	-\$127.3m	\$20.6m	\$34m
Return on assets (%) <small>Airservices annual earnings as a percentage of Airservices assets Source: Page 10 of 2016–17 Corporate Plan</small>	0.27%	-6.44%	3.9%	5.6%

ANALYSIS

Off the back of one-off transformational costs in the previous year, we exceeded our financial performance targets in 2016–17 and delivered a significant return on assets. The earlier than expected financial benefits were primarily achieved by the Accelerate Program.

ACHIEVEMENTS

Our 2016–17 financial performance of NPAT of \$34 million and 5.6 per cent return on assets were both ahead of forecast. In addition, underlying NPAT was \$59 million with 10.3 per cent underlying return on equity. This was a strong financial performance following significant transformation investment in 2015–16.

Further compounding the benefits of this reduction in expenses was income growth primarily driven by international airways. We ended 2016–17 with 49 per cent gearing, within our medium-term target range of 40 to 50 per cent.

CASE STUDY - THE ACCELERATE PROGRAM

BUILDING A SUSTAINABLE ORGANISATION FOR THE FUTURE

The Accelerate Program is now complete. Its success is driving stronger financial performance and significant efficiencies through a new operating model, improved asset and project management and a technology upgrade to support new business processes through automation and digitisation.

In addition to operational improvements, Accelerate has delivered efficiencies that strengthen our bottom line. Specific examples of where operational improvements and efficiencies were both able to be achieved include:

- rolling out workforce planning and rostering process reform to transition to a performance-based approach, leveraging analytical tools to optimise resource deployment in our service lines
- developing a fit-for-purpose, enterprise-wide training framework to ensure a cost-effective and relevant training capability that supports the needs of our services and customers
- rationalising the enterprise training portfolio to ensure it is aligned to the capability development requirements of the organisation and represents value for money
- realising substantial cost reduction in our third-party spend through a procurement cost-out exercise. To complement this, we deployed a revised procurement and training framework to ensure procurement activities reflect value for money and the organisation's risk appetite.

The programme concluded on 30 June and has achieved a more streamlined, customer-focused organisation while reducing annualised costs by \$177 million.

We also refocused our asset and project management functions to achieve greater discipline in delivering our capital programme, and asset management excellence. We implemented a top-down P3M (Portfolio, Program and Project) framework to establish a leaner, risk-based approach to delivering our capital programme and enterprise transformational change initiatives. The framework is driving programmes to deliver portfolio outcomes and ensuring that projects deliver cost-effective benefits aligned to programme objectives. This approach is also providing greater project visibility across the entire business and enabling us to better plan and prioritise investments.

REPORT AGAINST SERVICE DELIVERY AND CAPABILITY INITIATIVES

The following table provides an overview of performance against the service delivery initiatives outlined in our 2016–17 Corporate Plan. As the majority of our initiatives are multi-year, the results key shows the status as a summary of the overall result based on deliverables achieved in the 2016–17 reporting period.

Results Key

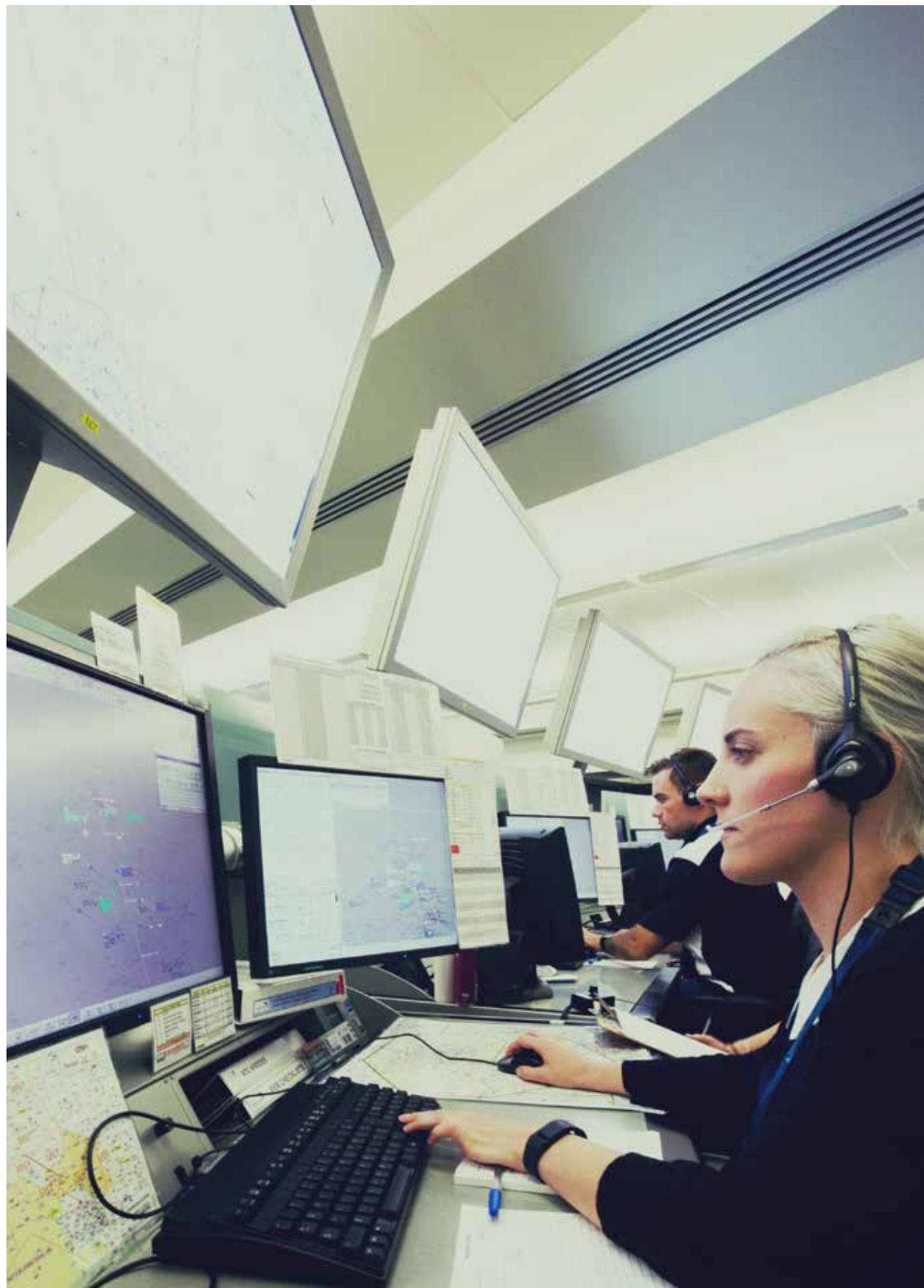
Fully met	100% of deliverables for 2016–17 were achieved
Substantially met	50-99% of deliverables for 2016–17 were achieved with some minor exceptions
Partially met	Less than 50% of deliverables for 2016–17 were achieved

Initiative	Measurement	Outcome
<p>ANS 1:</p> <p>Promoting and supporting regulatory reform activities in the provision of air navigation services</p> <p>Source: Page 13 of CP16–17</p>	<ol style="list-style-type: none"> Review of current regulatory requirements commenced Paper delivered on the evolution of regulations relevant to ANS 	Fully met
<p>ANS 2:</p> <p>The Future Airspace System</p> <p>Source: Page 14 of CP16–17</p>	<ol style="list-style-type: none"> Completion of Brisbane Extended Manoeuvring Area preliminary design and airspace concept Completion of FAS Volume 4 – Regional Concept of Operations 	<p>Substantially met</p> <p>The Brisbane design and airspace concept will be finalised early in 2017–18 followed by consultation with industry stakeholders.</p>
<p>ANS 3:</p> <p>Airport Collaborative Decision-Making (A-CDM)</p> <p>Source: Page 15 of CP16–17</p>	<ol style="list-style-type: none"> Market engagement for an A-CDM capability solution completed Operating and governance framework endorsed 	<p>Substantially met</p> <p>The operating and governance framework has been developed and will be refined in the next reporting period before a final investment decision is made in 2017–18.</p>
<p>ANS 4:</p> <p>Remote Service Delivery</p> <p>Source: Page 16 of CP16–17</p>	<ol style="list-style-type: none"> Concept of operations developed for a deployable smart tower solution Smart tower solution trial commenced and assessed 	<p>Partially met</p> <p>Input from suppliers and industry leaders has been received and analysed, allowing us to generate an operational concept for digital tower deployment in the next reporting period.</p>

Initiative	Measurement	Outcome
ANS 5: Long Range Air Traffic Flow Management (LR ATFM) <i>Source:</i> <i>Page 17 of CP16–17</i>	<ol style="list-style-type: none"> 1. Contract in place with a service provider to jointly develop processes 2. LR ATFM capability trial conducted in Sydney during early morning arrival period 3. Assessment of trial completed 	Substantially met Market engagement was undertaken with industry for an LR ATFM solution designed to drive innovation and collaboration. This will support a final investment decision to be made during 2017–18.
ARFFS 1: Promoting and supporting regulatory reform activities in the provision of aviation rescue fire fighting services (ARFFS) <i>Source:</i> <i>Page 18 of CP16–17</i>	<ol style="list-style-type: none"> 1. Acceptance by CASA of a discussion paper identifying current regulatory elements that inhibit the delivery of flexible, efficient and customer-focused ARFFS 	Substantially met We engaged with relevant stakeholders to help finalise the terms of reference for the external ARFFS Regulatory Policy Review and the key work packages to be progressed in 2017–18.
OS 1: OneSKY <i>Source:</i> <i>Page 23 of CP16–17</i>	<ol style="list-style-type: none"> 1. Mobilisation to ensure readiness for contractual execution and operational delivery 	Substantially met Our contractual negotiations with Thales focused on achieving value for money. Our goal is to achieve Acquisition and Support Contract signature in 2017.

Accelerate Program

ACC1 <i>Source:</i> <i>Page 20 of CP16–17</i>	<ol style="list-style-type: none"> 1. Transition to a new operating model 	Fully met
ACC2 <i>Source:</i> <i>Page 21 of CP16–17</i>	<ol style="list-style-type: none"> 2. Assets and projects refocus 	Fully met
ACC3 <i>Source:</i> <i>Page 21 of CP16–17</i>	<ol style="list-style-type: none"> 3. Technology enablement 	Fully met



04 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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INDEPENDENT AUDITOR'S REPORT

To the Minister for Infrastructure and Transport

Opinion

In my opinion, the financial statements of Airservices Australia for the year ended 30 June 2017:

- (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 2017 and its financial performance and cash flows for the year then ended.

The financial statements of Airservices Australia, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- 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 a summary of significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Airservices Australia in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Airservices Australia the Directors 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. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing Airservices Australia's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Directors are also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

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aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Lesa Craswell
Acting Executive Director

Delegate of the Auditor-General

Canberra
27 September 2017

STATEMENT BY DIRECTORS, CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2017 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, 27 September 2017

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
Continuing operations			
Income			
Airways revenues	1.1	1,044,927	1,000,645
Finance income	1.1	3,485	2,858
Other business revenue		22,863	23,507
Miscellaneous income		3,040	3,046
Reversal of previous asset write-down		2,347	376
Total income		1,076,662	1,030,432
Expenses			
Employee benefits – excluding restructuring costs	1.2	636,336	696,653
Employee benefits – restructuring costs	1.2	28,171	105,600
Suppliers – excluding restructuring costs		172,500	198,495
Suppliers – restructuring costs		-	20,704
Depreciation and amortisation	2.3	148,510	143,590
Finance costs	1.2	33,389	19,310
Write-down and impairment of assets	1.2	8,197	25,014
Net loss on disposal of non-current assets	1.2	497	1,936
Total expenses		1,027,600	1,211,302
Profit/(loss) before income tax		49,062	(180,870)
Income tax expense/(benefit)	1.3	15,090	(53,528)
Profit/(loss) after income tax		33,972	(127,342)

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Changes in asset revaluation reserve		8,444	5,082
Actuarial (loss)/gain on defined benefit fund	4.2	101,619	(43,234)
Income tax on items that will not be reclassified to profit or loss		(33,019)	11,446
Items that may be reclassified subsequently to profit or loss			
Foreign exchange hedge		(369)	(324)
Income tax on items that may be reclassified to profit or loss		111	97
Total other comprehensive income net of tax		76,786	(26,933)
Total comprehensive income		110,758	(154,275)

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	3.1	79,844	370,951
Trade and other receivables	2.1	122,486	120,428
Prepayments		9,328	10,705
Inventories		1,792	1,674
Assets classified as held for sale	2.2	100	161
Other current financial assets	2.6	1,133	4,061
Other current assets	2.7	-	72
Total current assets		214,683	508,052
Non-current assets			
Property, plant and equipment	2.3	1,178,913	1,170,906
Intangible assets	2.3	111,808	112,193
Deferred tax assets	1.3	-	43,456
Defined benefit fund asset	4.2	231,371	123,999
Other non-current financial assets	2.6	13,732	19,649
Total non-current assets		1,535,824	1,470,203
Total assets		1,750,507	1,978,255
Current liabilities			
Trade and other payables	2.5	77,019	95,793
Employee provisions	4.1	231,884	335,735
Other provisions	2.5	21,003	29,007
Borrowings	3.3	29,864	229,708
Other current financial liabilities	2.6	579	655
Other current liabilities	2.7	1,401	1,429
Total current liabilities		361,750	692,327
Non-current liabilities			
Deferred tax liability	1.3	3,894	-
Employee provisions	4.1	46,929	56,128
Other provisions	2.5	20,655	23,886
Borrowings	3.3	670,326	669,283
Other non-current financial liabilities	2.6	7,347	5,996
Other non-current liabilities	2.7	3,931	6,041
Total non-current liabilities		753,082	761,334
Total liabilities		1,114,832	1,453,661
Net assets		635,675	524,594
Equity			
Contributed equity		222,190	222,190
Reserves		123,891	119,757
Retained earnings		289,594	182,647
Total equity		635,675	524,594

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Retained earnings		Asset revaluation reserve	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Opening balance	182,647	342,114	119,403	116,817
Comprehensive income				
Defined benefits actuarial gains – gross	101,619	(43,234)	-	-
Defined benefits actuarial gains – income tax effect	(30,486)	12,970	-	-
Net revaluation – gross	-	-	8,444	5,082
Net revaluation – income tax effect	-	-	(2,533)	(1,525)
Profit/(loss) for the period	33,972	(127,342)	-	-
Total comprehensive income	105,105	(157,606)	5,911	3,557
Transactions with owners				
Returns on capital Dividends	-	(3,000)	-	-
Transfers between equity components				
Revaluation reserve – disposals	1,842	1,139	-	-
Revaluation reserve – disposals (net of tax)	-	-	(1,289)	(797)
Revaluation reserve – impairments (net of tax)	-	-	(230)	(174)
Closing balance	289,594	182,647	123,795	119,403

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

Foreign exchange hedge reserve		Total reserves		Contributed equity		Total equity	
2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
354	581	119,757	117,398	222,190	222,190	524,594	681,702
-	-	-	-	-	-	101,619	(43,234)
-	-	-	-	-	-	(30,486)	12,970
(369)	(324)	8,075	4,758	-	-	8,075	4,758
111	97	(2,422)	(1,428)	-	-	(2,422)	(1,428)
-	-	-	-	-	-	33,972	(127,342)
(258)	(227)	5,653	3,330	-	-	110,758	(154,276)
-	-	-	-	-	-	-	(3,000)
-	-	-	-	-	-	1,842	1,139
-	-	(1,289)	(797)	-	-	(1,289)	(797)
-	-	(230)	(174)	-	-	(230)	(174)
96	354	123,891	119,757	222,190	222,190	635,675	524,594

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash received			
Receipts from customers (inclusive of GST)		1,173,486	1,129,972
Income tax refund		3,099	15,161
Interest received		4,298	1,431
Total cash received		1,180,883	1,146,564
Cash used			
Payments to employees		(781,519)	(653,750)
Payments to suppliers (inclusive of GST)		(307,587)	(339,014)
Borrowing costs		(24,200)	(20,218)
Income tax paid		-	(3,830)
Total cash used		(1,113,306)	(1,016,812)
Net cash flows from operating activities	3.2	67,577	129,752
Cash flows from investing activities			
Cash received			
Proceeds from sales of property, plant, equipment and intangibles		2,007	50
Total cash received		2,007	50
Cash used			
Purchase of property, plant, equipment and intangibles		(160,691)	(182,095)
Total cash used		(160,691)	(182,095)
Net cash flows used in investing activities		(158,684)	(182,045)
Cash flows from financing activities			
Cash received			
Proceeds from borrowings		20,000	460,000
Total cash received		20,000	460,000
Cash used			
Dividends paid		-	(3,000)
Repayments of borrowings		(220,000)	(90,000)
Total cash used		(220,000)	(93,000)
Net cash flows from/(used in) financing activities		(200,000)	367,000
Net increase/(decrease) in cash and cash equivalents		(291,107)	314,707
Cash and cash equivalents at the beginning of the reporting period		370,951	56,244
Cash and cash equivalents at the end of period	3.1	79,844	370,951

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

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 are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and are general purpose financial statements for the year ended 30 June 2017.

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.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 27 September 2017.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Underlying Net Profit After Tax (NPAT)

The underlying NPAT result represents the financial performance of Airservices after removing the impacts of one-off items including major restructuring and asset impairment costs under the Accelerate Program in 2015–16 and 2016–17 (refer to table below).

Underlying Net Profit After Tax (NPAT) - Year on Year	2017	2016
	\$'000	\$'000
Income		
Airways revenues	1,044,927	1,000,645
Other revenue	31,735	29,787
Total Income	1,076,662	1,030,432
Expenses (excluding costs not associated with underlying performance)		
Employee benefits	636,336	694,232
Suppliers	172,500	174,772
Total Staff and Supplier Costs	808,836	869,004
Finance costs	33,389	19,310
Asset related expenses	149,007	138,526
Total expenses	991,232	1,026,840
Profit before income tax	85,430	3,592
Income tax expense	26,000	1,811
Underlying NPAT	59,430	1,781
Less: Costs not associated with underlying performance		
Employee benefits – restructuring costs	(28,171)	(105,600)
Suppliers – restructuring costs	-	(20,704)
TCU integration costs	-	(2,421)
Increase in PFAS provision	-	(23,723)
Accelerated depreciation due to restructure	-	(7,000)
Asset impairments	(8,197)	(25,014)
Less: tax impact	10,910	55,339
Net Profit/(Loss) After Income Tax	33,972	(127,342)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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>The final version of AASB 9 was issued in December 2014 and comprises three parts:</p> <p>1) Classification & Measurement</p> <p>The new requirements address the categorisation of financial assets and liabilities. The anticipated adoption of this phase of the Standard is unlikely to have a significant impact on Airservices future results.</p> <p>While Airservices has yet to undertake a detailed assessment of the classification and measurement impacts of the new standard Airservices expects the following impacts:</p> <ul style="list-style-type: none">• Airservices does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets;• Airservices does not hold any financial liabilities at fair value through profit and loss and as such there is no impact of the new standard on financial liabilities. <p>2) Hedge relationships</p> <p>The new requirements introduces a new hedge accounting model to simplify hedge accounting outcomes and more closely aligns hedge accounting with risk management objectives.</p> <p>Airservices is currently undertaking a detailed review of the potential impacts of the new standard and expects the following impacts:</p> <ul style="list-style-type: none">• As a general rule more hedge relationships may be eligible for hedge accounting and Airservices is actively reviewing options to expand its hedging relationships• Existing hedge relationships would appear to qualify as continuing hedge relationships upon adoption of the new standard.	1 Jan 2018	1 Jul 2018

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard	Application date for Airservices
		<p>3) Impairment</p> <p>The new requirements introduce a new impairment model to financial assets and move provisioning from an incurred to an expected loss model. The model will need to be applied to the company's trade receivables.</p> <p>Airservices is currently undertaking a detailed review of the potential impacts of the new standard and expects the following impacts:</p> <ul style="list-style-type: none"> • Whilst Airservices has not yet finalised its detailed assessment of the impact of AASB 9 and its interaction with AASB 15 Revenue from Contracts with Customers it is likely to result in earlier recognition of credit loss provisions. • Currently, allowances for doubtful receivables are recognised by assessing each receivable balance for collectability based on analysis of various historical factors. Under the new standard, these allowances will also be required to reflect both current and forecast credit conditions. <p>AASB 7 has been amended to reflect the requirements of AASB 9 and also introduces a number of new disclosure requirements across all three phases. Management is currently assessing the disclosure impact but they are likely to have an impact on future statutory reporting.</p>		
AASB 15	Revenue from Contracts with Customers	<p>The final version of AASB 15 was issued in December 2015.</p> <p>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.</p> <p>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.</p>	1 Jan 2018	1 July 2018

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard	Application date for Airservices
AASB 16	Leases	<p>The final version of AASB 16 was issued in February 2016.</p> <p>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.</p> <p>The Department of Finance is likely to determine a whole of government approach to transitioning to AASB 16 to ensure consistency. Finance are yet to decide on an accounting approach therefore Airservices is unable to reasonably estimate the impact of AASB 16 on the financial statements.</p>	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 89% 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.

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 2017.

1.1 REVENUE

	2017 \$'000	2016 \$'000
Airways revenue		
Airways Revenue	1,044,927	1,000,645

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 27% (2016: 28%) related to the Qantas Group excluding the Jetstar Group, 11% (2016: 12%) related to the Jetstar Group, and 20% (2016: 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.

	2017 \$'000	2016 \$'000
Finance income		
Deposits	2,835	1,419
Cash at bank	457	532
Interest rate swap fair value gain	-	581
Other	193	326
Total finance income	3,485	2,858

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.2 EXPENSES

	2017 \$'000	2016 \$'000
Employee benefits		
Wages and salaries	447,690	473,014
Superannuation (defined contribution funds)	49,940	53,152
Leave and other entitlements	118,644	141,677
Separation and redundancies – restructuring costs	28,171	105,600
Separation and redundancies – other	1,324	6,789
Employee benefits (excluding defined benefit superannuation expense)	645,769	780,232
Net defined benefit superannuation expense recognised in employee benefits		
Current service cost	25,864	30,535
Net interest expense	(5,031)	(8,514)
Loss/(gain) on curtailments and settlements	(2,095)	-
Defined benefit superannuation expense	18,738	22,021
Total employee benefits	664,507	802,253
Finance Costs		
Borrowing costs	24,395	19,310
Interest rate swap fair value loss	8,994	-
Total finance costs	33,389	19,310
Write-down and impairment of assets		
Impairment of property, plant and equipment	8,197	24,893
Impairment of intangible assets	-	121
Total write-down and impairment of assets	8,197	25,014
Impaired loss on trade and other receivables		
Movement in allowance for impairment (receivables)	371	98
Bad debts written off	335	280
Total bad and doubtful debt expense	706	378
Gain/(loss) from sales/(write-off) of assets		
Proceeds from disposal of non-current assets	2,008	50
Written-down value of disposed non-current assets	(1,412)	(25)
Proceeds from disposal of assets held for sale	-	-
Written-down value of disposed assets held for sale	-	-
Net gain/(loss) from sale of assets	596	25
Written down value of scrapped assets	(1,093)	(1,961)
Net loss from disposal of non-current assets	(497)	(1,936)
Operating lease charges	22,931	23,323

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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:

	2017 \$'000	2016 \$'000
Within 1 year	20,989	22,847
Between 1 to 5 years	47,252	62,916
More than 5 years	77,433	88,574
Total operating lease commitments	145,674	174,337

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.3 TAXATION

	2017 \$'000	2016 \$'000
Income tax		
Current tax	(19,949)	(10,751)
Deferred tax	35,039	(42,777)
Income tax attributable to profit from continuing operations	15,090	(53,528)
Reconciliation of income tax to prima facie tax payable		
Profit from continuing operations before income tax expense	49,062	(180,870)
Prima facie income tax expense at 30%	14,719	(54,261)
Tax effect of amounts which are not deductible/assessable in calculating taxable income:		
Non-deductible legal costs	45	61
Other non-deductible/(assessable) expenditure	351	(226)
Prior year over provision of tax	(25)	234
Unrealised losses on revaluation of assets to fair value	-	664
Income tax	15,090	(53,528)

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2017 \$'000	2016 \$'000
Deferred tax liability		
The balance comprises temporary differences attributable to:		
Amounts recognised in the statement of comprehensive income		
Depreciation for accounting purposes	(17,061)	(19,540)
Allowance for impairment	587	476
Employee benefits	60,581	97,286
Provision for revenue to be returned to customers	112	77
Provision for legal costs	118	75
Other provisions	12,506	13,129
Accruals	2,258	2,637
Movement in booked losses	34,534	14,588
	93,635	108,728
Amounts recognised directly in equity		
Foreign exchange hedge reserve	(51)	(162)
Revaluation of land, buildings, plant and equipment	(53,058)	(51,176)
Defined benefit (asset)/liability	(44,420)	(13,934)
	(97,529)	(65,272)
Net deferred tax (liability)/assets	(3,894)	43,456
Movements		
Opening balance at 1 July	43,456	(22,032)
Charged to the statement of comprehensive income	(35,039)	42,777
Credited to equity	(32,257)	11,959
Movement in booked losses/tax offsets - transferred from tax payable	19,946	10,752
Closing balance at 30 June	(3,894)	43,456

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Tax losses

A deferred tax asset of \$34.5m 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 \$7.2m (2016: \$6.2m) 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 2017 (2016: \$nil). There was also no final dividend paid for the year ended 30 June 2016 (2016: \$3.0m 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 2016: 30%) are \$293.1m (30 June 2016: \$296.2m).

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.

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

	2017 \$'000	2016 \$'000
Trade and other receivables		
Trade receivables (a)	115,613	113,551
Provision for impairment of receivables (b)	(1,958)	(1,587)
	113,655	111,964
Other receivables	8,077	989
Accrued revenue and interest	754	4,376
Income tax receivable	-	3,099
Total current receivables	122,486	120,428
(a) Ageing analysis of trade receivables		
Current	92,370	89,825
Overdue by:		
1 to 30 days	20,368	20,922
31 to 60 days	884	1,162
61 to 90 days	498	388
90 + days	1,493	1,254
Total trade receivables	115,613	113,551

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2017 \$'000	2016 \$'000
(b) Reconciliation for the provision for impairment of receivables		
Opening balance	1,587	1,489
Increase/(decrease) recognised in net profit	371	98
Closing balance	1,958	1,587
The provision for impairment of receivables is aged as follows:		
Current	129	60
Overdue by:		
1 to 30 days	102	61
31 to 60 days	59	73
61 to 90 days	104	7
90 + days	1,564	1,386
Total provision for impairment of receivables	1,958	1,587

Credit terms for goods and services are 28 days.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.2 ASSETS CLASSIFIED AS HELD FOR SALE

Two land assets 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 2017-18 financial year. The carrying amount of the assets amounts to \$0.1m (30 June 2016: \$0.2m).

2.3 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

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

	Land	Buildings	Plant and equipment
	\$'000	\$'000	\$'000
As at 1 July 2016			
Gross book value	50,245	377,333	693,329
Accumulated depreciation and impairment	-	(13,135)	(118,316)
Net book value 1 July 2016	50,245	364,198	575,013
Additions	-	-	835
Revaluations	1,912	2,046	6,833
Impairments - recognised in profit and loss	-	(3,567)	(135)
Impairments - recognised in other comprehensive income	(245)	(72)	(12)
Commissioned assets under construction	-	10,921	84,748
Depreciation/amortisation expense	-	(31,789)	(88,580)
Transfers	-	47	(77)
Disposals	(785)	(146)	(1,574)
Net book value 30 June 2017	51,127	341,638	577,051
Net book value as of 30 June 2017 represented by:			
Gross book value	51,127	358,257	713,481
Accumulated depreciation and impairment	-	(16,619)	(136,430)
	51,127	341,638	577,051

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Assets under construction	Total property, plant and equipment	Internally developed software	Other intangible assets	Total intangibles	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
181,450	1,302,357	289,534	85,335	374,869	1,677,226
-	(131,451)	(190,301)	(72,375)	(262,676)	(394,127)
181,450	1,170,906	99,233	12,960	112,193	1,283,099
155,537	156,372	-	-	-	156,372
-	10,791	-	-	-	10,791
(4,495)	(8,197)	-	-	-	(8,197)
-	(329)	-	-	-	(329)
(123,395)	(27,726)	26,979	747	27,726	-
-	(120,369)	(22,485)	(5,656)	(28,141)	(148,510)
-	(30)	30	-	30	-
-	(2,505)	-	-	-	(2,505)
209,097	1,178,913	103,757	8,051	111,808	1,290,721
209,097	1,331,962	316,511	85,559	402,070	1,734,032
-	(153,049)	(212,754)	(77,508)	(290,262)	(443,311)
209,097	1,178,913	103,757	8,051	111,808	1,290,721

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

	Land	Buildings	Plant and equipment
	\$'000	\$'000	\$'000
As at 1 July 2015			
Gross book value	50,624	368,675	641,734
Accumulated depreciation and impairment	-	(11,400)	(96,836)
Net book value 1 July 2015	50,624	357,275	544,898
Additions	-	161	149
Revaluations	(379)	5,438	399
Impairments recognised	-	(28)	(1,394)
Commissioned assets under construction	-	31,480	118,217
Depreciation/amortisation expense	-	(30,248)	(85,101)
Transfers	-	247	(235)
Disposals	-	(127)	(1,859)
Transferred to assets held for sale	-	-	(61)
Net book value 30 June 2016	50,245	364,198	575,013
Net book value as of 30 June 2016 represented by:			
Gross book value	50,245	377,333	693,329
Accumulated depreciation and impairment	-	(13,135)	(118,316)
	50,245	364,198	575,013

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Assets under construction	Total property, plant and equipment	Internally developed software	Other intangibles assets	Total intangibles	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
211,827	1,272,860	251,516	80,664	332,180	1,605,040
-	(108,236)	(171,698)	(64,103)	(235,801)	(344,037)
211,827	1,164,624	79,818	16,561	96,379	1,261,003
186,979	187,289	-	-	-	187,289
-	5,458	-	-	-	5,458
(23,471)	(24,893)	(121)	-	(121)	(25,014)
(193,885)	(44,188)	40,125	4,063	44,188	-
-	(115,349)	(20,367)	(7,874)	(28,241)	(143,590)
-	12	(222)	210	(12)	-
-	(1,986)	-	-	-	(1,986)
-	(61)	-	-	-	(61)
181,450	1,170,906	99,233	12,960	112,193	1,283,099
181,450	1,302,357	289,534	85,335	374,869	1,677,226
-	(131,451)	(190,301)	(72,375)	(262,676)	(394,127)
181,450	1,170,906	99,233	12,960	112,193	1,283,099

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 2017.

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

Capital commitments for property, plant, equipment and intangibles was \$57.6m (2016: \$74m). Capital commitments include GST where relevant.

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

(c) Impairment

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

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

	2017 \$'000	2016 \$'000
Land		
At cost	2,271	2,271
	2,271	2,271
Buildings		
At cost	507,922	498,409
Accumulated depreciation	(214,772)	(195,446)
	293,150	302,963
Plant and Equipment		
At cost	1,306,831	1,239,501
Accumulated depreciation	(686,791)	(621,505)
	620,040	617,996

(e) Borrowing Costs

The amount of borrowing costs capitalised during the year ended 30 June 2017 was \$5.0m (2016: \$6.8m). As Airservices borrows money generally to fund both operating and capital expenditure, the weighted average cost of borrowings of 3.86% (2016: 4.17%) was used as the capitalisation rate.

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 \$5,000, 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 2017.

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.

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:

	2017	2016
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 2017.

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.

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 at 30 June 2017 by hierarchy for assets and liabilities

Fair value measurements at the end of the reporting period						
	2017 \$'000	2016 \$'000	Category (Level 1, 2, or 3)	Valuation technique	Inputs used	
Non-financial assets						
Land	51,127	50,245	2	MC		[1]
Buildings	-	178	2	CIA		[2]
	341,638	364,020	3	DRC	[3]; [4]; [5]	
Plant and equipment	577,051	575,013	3	DRC		[6]
Assets held for sale	100	161	2			
Total non-financial assets at fair value	969,916	989,617				
Financial assets						
Forward exchange contracts	222	595	2	ADCF		[7]
Foreign currency receivable	700	1,324	2	ADCF		[7]
Interest rate swaps	12,411	20,127	2	ADCF		[8]
Other financial assets	1,532	1,664	3	DCF		[9]
Total financial assets at fair value	14,865	23,710				
Total fair value measurements of assets	984,781	1,013,327				
Financial liabilities						
Forward exchange contracts	51	55	2	ADCF		[7]
Interest rate swaps	7,875	6,596	2	ADCF		[8]
Total financial liabilities at fair value	7,926	6,651				
Total fair value measurements of liabilities	7,926	6,651				

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Notes:

MC	Market Comparable (Direct Comparison)
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. Control Towers - construction cost per metre height (range used: \$218,000 - \$482,000 [WA: \$338,749])
4. Fire Stations – Category (total reinstatement value range used \$72,000 - \$13,039,000 [WA: \$3,370,451]).
5. Historical acquisition cost - other Buildings (total reinstatement value range used \$54,000 - \$31,885,000 [WA: \$921,342]).
6. Historical capitalised costs; future planning cost estimates (range used 0 – 3% [WA 0.04%]).
7. Current foreign exchange market rates.
8. Current market interest rates.
9. Discount rate; USD foreign exchange rate (18%; \$0.76).

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 zoning, 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 differences in characteristics between the subject and the comparable sales data. Where the land is of a restrictive zoning and no directly comparable sales evidence could be obtained, the Valuer has assessed a probable land value based on surrounding land uses, to which a discount is then applied to account for the restrictive zoning.

Buildings

All buildings and site improvements are considered to be specialised and 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.

Few building assets possess an alternate use potential, and such 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. Buildings located on freehold land owned by Airservices are considered specialised, with no likely alternative use, or user, and as such they have been valued using a Depreciated Replacement Cost methodology.

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.

Other 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.

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
	2017 \$'000	2017 \$'000	2017 \$'000
Opening balance	364,198	575,013	939,211
Total gains/(losses) recognised in Statement of Comprehensive Income	-	2,347	2,347
Total gains/(losses) recognised in Other Comprehensive Income	(1,593)	4,339	2,746
Purchases	-	835	835
Commissioned	10,921	84,748	95,669
Disposals	(146)	(1,574)	(1,720)
Depreciation	(31,789)	(88,580)	(120,369)
Transfers	47	(77)	(30)
Closing balance	341,638	577,051	918,689

	Financial assets	
	Other financial assets	Total
Opening balance	1,664	1,664
Movement in discounted cash flow terms	(132)	(132)
Closing balance	1,532	1,532

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.5 OTHER PROVISIONS AND PAYABLES

	2017 \$'000	2016 \$'000
Current payables and other provisions		
Current payables		
Trade payables	14,020	17,420
Employees		
Salaries and wages	9,715	9,524
Superannuation	764	1,439
Tax payables		
Accrued payroll tax	4,019	4,432
Net goods and services tax payable	12,544	13,461
Group tax payable	6,140	6,765
Revenue received in advance	1,148	2,416
Interest payable	2,799	3,804
Other accrued expenses	25,870	36,532
Total current payables	77,019	95,793
Current other provisions		
Revenue to be returned to customers	373	256
ARFFS decontamination	8,482	8,416
Litigation and legal costs	394	250
Makegood on leasehold assets	2,920	2,402
Restructuring costs	7,260	15,000
Other	1,574	2,683
Total current provisions	21,003	29,007
Total current provisions and payables	98,022	124,800
Non-current other provisions		
ARFFS decontamination	14,760	17,825
Makegood on leasehold assets	5,895	6,061
Total non-current provisions	20,655	23,886

Description of provisions

ARFFS decontamination

The provision relates to the assessment, management and containment of possible contaminated ARFFS 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 restructuring of Airservices Australia under the Accelerate Program.

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 Services (ARFFS) training sites; the remediation and restoration of leased property sites as discussed above.

	2017 \$'000	2016 \$'000
Movements in provisions		
(i) Revenue to be returned to customers (Current)		
Carrying amount at start of period	256	143
Adjustment to provision	117	113
Carrying amount at end of period	373	256
(ii) ARFFS decontamination (Current/Non-current)		
Carrying amount at start of period	26,241	6,515
Adjustment to provision		23,581
Payments	(2,999)	(3,855)
Carrying amount at end of period	23,242	26,241
(iii) Litigation and legal costs (Current)		
Carrying amount at start of period	250	1,600
Adjustment to provision	394	250
Payments	(250)	(1,600)
Carrying amount at end of period	394	250
(iv) Makegood on leasehold assets (Current/Non-current)		
Carrying amount at start of period	8,463	9,057
Additional provisions recognised	775	-
Payments	(423)	(594)
Carrying amount at end of period	8,815	8,463
(v) Restructuring costs (Current)		
Carrying amount at start of period	15,000	-
Adjustment to provision	(1,248)	15,000
Payments	(6,492)	
Carrying amount at end of period	7,260	15,000
(vi) Other (Current)		
Carrying amount at start of period	2,683	355
Adjustment to provision	1,391	2,500
Payments	(2,500)	(172)
Carrying amount at end of period	1,574	2,683

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.6 OTHER FINANCIAL ASSETS AND LIABILITIES

	2017 \$'000	2016 \$'000
Other current financial assets		
Interest rate swaps	-	1,985
Forward exchange contracts	140	440
Foreign currency receivable	700	1,324
Navigation and augmentation systems receivable	293	312
Total other current financial assets	1,133	4,061
Other non-current financial assets		
Interest rate swaps	12,411	18,142
Forward exchange contracts	82	155
Navigation and augmentation systems receivable	1,239	1,352
Total Non-current assets - other financial assets	13,732	19,649

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, which is designated at Fair Value through Profit and Loss in accordance with the requirements of AASB 139, consist primarily of the contractual right to receive royalties from Ground Based Augmentation System (GBAS) technology sales, under an agreement with Honeywell International. The maximum credit risk exposure has been calculated to be US\$1.63m and is based on expected royalties to be received from GBAS sales over the next seven years. The following assumptions have been applied to determine the fair value of these future cash flows:

- an assumed discount rate of 18.0%, which reflects the risks associated with the specific asset, and in particular the risks associated with future GBAS technology sales. A 1% movement in the discount rate has a \$0.03m impact on the discounted receivable; and
- an average AUD/USD exchange rate of \$0.76, which is based on the 12 month forecast for the AUD/USD exchange rate. A \$0.05 movement in the exchange rate has a \$0.08m impact on the value of the discounted receivable.

Other current financial liabilities		
Interest rate swaps	528	600
Forward exchange contracts	51	55
Total Other current financial liabilities	579	655
Other non-current financial liabilities		
Interest rate swaps	7,347	5,996

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.7 OTHER ASSETS AND OTHER LIABILITIES

	2017 \$'000	2016 \$'000
Other current assets		
Lease incentive	-	72

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	1,401	1,429
Non Current	3,931	6,041
Total lease liability	5,332	7,470

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. The total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period is \$28.6m (2016: \$24.9m).

3. OUR FUNDS MANAGEMENT

This section identifies Airservices Australia's funding structure.

3.1 CASH AND CASH EQUIVALENTS

	2017 \$'000	2016 \$'000
Cash and cash equivalents		
Cash at bank and in hand	19,544	25,751
Deposit at call	60,300	130,200
Term deposits	-	215,000
Total cash and cash equivalents	79,844	370,951

(a) Cash at bank and in hand

Cash at bank has a floating interest rate of 1.70% (30 June 2016: 1.95%) for balances up to \$25m. For balances greater than \$25m, the interest rate is 1.50% (30 June 2016: 1.75%). Cash in hand is non-interest bearing.

(b) Deposits at call

The deposits at call have a floating interest rate of 1.50% (30 June 2016: 1.75%). These 11am cash deposits are rolled over on a daily basis.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.2 RECONCILIATION OF CASH AND CASH EQUIVALENTS

Reconciliation of net profit after income tax to net cash flows from operations

	2017 \$'000	2016 \$'000
Net profit after income tax	33,972	(127,342)
Adjustments for		
Depreciation expense	148,510	143,590
Impairment recognised	8,197	25,014
Reversal of previous asset write-downs	(2,347)	(376)
Net loss on sale/write-off of non-current assets	497	1,936
Fair value adjustments to derivatives	-	(581)
Prepayments & accruals relating to plant and equipment	-	(2,880)
AvSuper defined benefit contributions movement (after tax)	71,133	(6,527)
Change in assets		
(Increase)/decrease in gross receivables	(4,772)	(1,734)
(Increase)/decrease in inventories	(118)	(91)
(Increase)/decrease in prepayments	1,377	3,666
(Increase)/decrease in income tax receivable	3,099	11,331
(Increase)/decrease in other assets	8,161	17
(Increase)/decrease in deferred tax	47,461	(53,527)
Change in liabilities		
Increase/(decrease) in employee benefits	(221,275)	107,702
Increase/(decrease) in allowance for impairment	371	98
Increase/(decrease) in legal provisions	144	(1,350)
Increase/(decrease) in other liabilities	(2,975)	(1,432)
Increase/(decrease) in other provisions	(8,996)	33,960
Increase/(decrease) in creditors and accruals	(14,979)	(1,835)
Increase/(decrease) in revenue to be returned to customers provision	117	113
Net cash flow from operating activities	67,577	129,752

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.3 BORROWINGS

	2017 \$'000	2016 \$'000
Unsecured borrowings		
Current ⁽¹⁾	29,864	229,708
Non-current ⁽²⁾	670,326	669,283
Total borrowings	700,190	898,991

⁽¹⁾This represents amounts issued under a \$300m commercial paper program in three separate tranches on 15 May 2017, 22 May 2017 and 29 May 2017.

⁽²⁾This represents amounts issued under a \$975m medium term note program and includes a \$275m tranche that was issued on 28 November 2013 and will mature on 19 November 2020, a \$200m tranche that was issued on 19 May 2016 and will mature on 15 May 2023 and a \$200m tranche that was issued on 19 May 2016 and will mature on 15 May 2026.

3.4 STANDBY ARRANGEMENTS AND UNUSED CREDIT FACILITIES

	2017 \$'000	2016 \$'000
Unused credit facilities - bank overdraft	5,000	5,000
Borrowing facilities		
Commercial paper (only expires if cancelled)	300,000	300,000
Medium term note program	975,000	975,000
Committed standby facilities	230,000	230,000
Uncommitted 11am borrowing	60,000	60,000
Total borrowing facilities	1,565,000	1,565,000
Amount utilised	(705,000)	(905,000)
Unused borrowing facilities	860,000	660,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.5 FINANCIAL INSTRUMENTS

Airservices has exposure to credit risk, liquidity risk, market risk (comprising of interest rate 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 2017, when netting is applied to the FEC portfolio, currency derivative assets of \$222,213 are reduced by \$51,220 to the net amount of \$170,993 (30 June 2016: currency derivative assets of \$595,430 are reduced by \$55,442 to the net amount of \$539,988). When netting is applied to the IRS portfolio, interest rate swap assets of \$12.4m are reduced by \$7.9m to the net amount of \$4.5m (30 June 2016: interest rate swap assets of \$20.1m are reduced by \$6.6m to the net amount of \$13.5m).

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.

	AASB 139 accounting classification	Carrying amount	Fair value	Carrying amount	Fair value
		2017 \$'000	2017 \$'000	2016 \$'000	2016 \$'000
Assets					
Forward exchange contracts	FVTPL	171	171	540	540
Cash and cash equivalents	AC	79,844	79,844	370,951	370,951
Receivables	AC	122,486	122,486	120,428	120,428
Interest rate swaps	FVTPL	4,536	4,536	13,531	13,531
Other financial assets	FVTPL	1,532	1,532	1,664	1,664
Total assets		208,569	208,569	507,114	507,114
Liabilities					
Medium Term Notes	AC	670,326	686,393	869,185	909,811
Trade and other payables	AC	77,019	77,019	95,793	95,793
Commercial Paper	AC	29,864	29,890	29,806	29,869
Total liabilities		777,209	793,302	994,784	1,035,473

Notes:

AC – Amortised Cost

FVTPL – Fair Value Through Profit and Loss

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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the

market place (regular way trades) are recognised on the trade date (i.e. the date that Airservices commits to purchase or sell the 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 exchange 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).

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 \$100 million. Counterparty credit exposure is assessed using the principles of the 'Current Exposure Method'. As at 30 June 2017, the maximum risk exposure to all authorised counterparties before applying the Current Exposure Method was \$84.6m (30 June 2016: \$385.0m).

Airservices is exposed to credit risk arising from potential default of debtors. This is equal to the total amount of trade and other receivables (2017: \$122.486m and 2016: \$120.428m). Airservices has assessed the risk of default on payment and has allocated \$1.958m in 2017 (2016: \$1.587m) 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
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Loans and receivables	92,241	89,765	23,372	23,786
Total	92,241	89,765	23,372	23,786

Airservices is exposed to concentration of risk with respect to trade receivables. 60% of revenues earned are from the following dominant operators: Qantas Group, Virgin Group (including Tiger Airways Australia) and Jetstar.

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

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
2017	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities							
Non-derivative							
Trade and other payables	-	-	-	-	-	77,019	77,019
Commercial paper	1.79	30,000	-	-	-	-	30,000
Medium term notes	3.89	-	25,063	567,656	219,500	-	812,219
Derivative							
Interest rate swaps ¹	-	-	(4,777)	(6,513)	3,447	-	(7,843)
Interest rate swaps ²	-	-	2,528	1,664	(442)	-	3,750
Net financial liabilities		30,000	22,814	562,807	222,505	77,019	915,145

¹ weighted average interest rates at 30 June were pay float at 1.90% and receive fixed at 3.33%.

² weighted average interest rates at 30 June were pay fixed at 3.00% and receive float at 1.90%.

	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 ³	-	-	(6,227)	(15,775)	304	-	(21,698)
Interest rate swaps ⁴	-	-	2,562	4,485	-	-	7,047
Net financial liabilities		30,000	226,898	369,429	431,804	95,793	1,153,924

³ weighted average interest rates at 30 June were pay float at 2.12% and receive fixed at 3.78%.

⁴ weighted average interest rates at 30 June were pay fixed at 3.27% and receive float at 2.11%.

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% (2016: +/- 0.30%).

Airservices has adopted a simplified approach to calculate market risk sensitivities for foreign exchange contracts. A standard sensitivity variable of 10.2% (2016: 10.5%) 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.

	Carrying amount	Change in risk variable	Effect of positive movement		Effect of negative movement	
			Profit and loss	Equity	Profit and loss	Equity
2017	\$'000	+/-%	\$'000	\$'000	\$'000	\$'000
Currency risk						
Buy USD	21	10.2	-	(376)	-	459
Buy EUR	150	10.2	-	(1,167)	-	1,352
Interest rate risk						
Cash and cash equivalents	79,844	0.3	240	-	(240)	-
Medium term notes	670,326	-	-	-	-	-
Interest rate swaps	4,536	0.3	(2,116)	-	2,168	-
Commercial paper	29,864	0.3	(90)	-	90	-

	Carrying amount	Change in risk variable	Effect of positive movement		Effect of negative movement	
			Profit and loss	Equity	Profit and loss	Equity
2016	\$'000	+/-%	\$'000	\$'000	\$'000	\$'000
Currency risk						
Buy USD	591	10.5	-	(1,043)	-	1,240
Buy EUR	(51)	10.5	-	(119)	-	146
Interest rate risk						
Cash and cash equivalents	370,951	0.3	1,113	-	(1,113)	-
Medium term notes	869,185	-	-	-	-	-
Interest rate swaps	13,531	0.3	(3,761)	-	3,863	-
Commercial paper	29,806	0.3	(90)	-	90	-

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	
		2017 \$'000	2016 \$'000	2017 EURO/\$1
Maturity				
3 months or less	1,856	1,299	0.6839	0.6447
Greater than 3 months but less than 1 year	3,309	-	0.6692	-
Greater than 1 year	7,127	-	0.6605	-

	Buy US Dollars	Sell Australian Dollars	Average Exchange Rate	
		2017 \$'000	2016 \$'000	2017 US/\$1
Maturity				
3 months or less	4,039	1,210	0.7721	0.7882
Greater than 3 months but less than 1 year	-	6,482	-	0.7818
Greater than 1 year	-	2,605	-	0.7815

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 LTPA was established in October 2011 and incorporated nominal price increases of 3.3% for a five-year period, translating to real price reductions of 11.4% over the five-year period. Whilst this agreement notionally expired on 30 June 2016, the current pricing arrangements will remain place until a future LTPA is established with industry.

Airservices target was to achieve a return on equity after tax for 2017 of 3.6%; during the year ended 30 June 2017 there was a return of 5.9% (30 June 2016: -21.1%). After removing the one-off impacts of the restructuring costs, the return on equity ratio is 10.3% (30 June 2016: 0.3%).

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

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

	2017 \$'000	2016 \$'000
Current employee provisions		
Employee benefits		
Recreation leave	61,134	63,515
Long service leave	126,141	150,631
Separations and redundancies	33,201	108,021
On-costs associated with employee benefits	11,032	13,207
Workers compensation	376	361
Total current employee provisions and payables	231,884	335,735
Non-current employee provisions		
Employee benefits		
Long service leave	35,448	40,149
Separations and redundancies	7,251	11,196
On-costs associated with employee benefits	2,143	2,429
Workers compensation	2,087	2,354
Total non-current employee provisions	46,929	56,128

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 \$9.2m (30 June 2016: \$11.2m) in early retirement benefits which have been elected to be taken by employees as a lump sum on retirement, and \$29.1m (30 June 2016: \$108.0m) for redundancy provisions in relation to the restructuring of the organisation. The provision for early retirement benefits includes \$8.3m (30 June 2016: \$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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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.

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 1992 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.

	2017 \$'000	2016 \$'000
Benefit asset		
The amounts recognised in the statement of financial position are determined as follows:		
Present value of the defined benefit obligation	(652,962)	(865,163)
Fair value of defined benefit plan assets	884,333	989,162
Net benefit asset - non-current	231,371	123,999

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2017 \$'000	2016 \$'000
Categories of plan assets		
The major categories of plan assets are as follows:		
Cash	212,549	101,277
Equity instruments	270,928	403,045
Debt instruments	271,803	350,936
Other assets	129,053	133,904
	884,333	989,162
Reconciliations		
Reconciliation of the present value of defined benefit obligation:		
Balance at the beginning of the year	865,163	827,658
Current service cost	25,864	30,535
Contribution by members	10,634	12,516
Interest cost	29,330	37,586
Remeasurements		
Effect of changes in financial assumptions	(65,113)	33,297
Effect of experience adjustments	(15,176)	(22,979)
Benefits paid	(195,645)	(53,450)
Past service cost/losses (gains) on curtailments	(2,095)	-
	652,962	865,163
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	989,162	988,364
Interest Income	34,361	46,100
Remeasurements		
Return on plan assets (excluding interest income)	21,330	(32,916)
Contribution by Airservices	24,491	28,548
Contribution by members	10,634	12,516
Benefits paid	(195,645)	(53,450)
	884,333	989,162

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2017 \$'000	2016 \$'000
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	25,864	30,535
Interest on the net defined benefit asset	(5,031)	(8,514)
Loss/(gain) on curtailments and settlements	(2,095)	-
Total included in employee benefits expense	18,738	22,021
ii Remeasurements (recognised in Other Comprehensive Income)		
Effect of changes in financial assumptions	(65,113)	33,297
Effect of experience adjustments	(15,176)	(22,979)
Return on plan assets (excluding interest income)	(21,330)	32,916
Total remeasurements included in OCI	(101,619)	43,234
iii Total defined benefit income recognised in the Statement of Comprehensive Income	(82,881)	65,255
Actual return on plan assets	68,979	21,364

Principal actuarial assumptions

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

	2017	2016
Discount rate	4.30%	3.50%
Future salary increases	4.00%	4.00%

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

- a discount rate of 4.3% p.a. derived by interpolation between the yield on 13 year and 14 year bonds at 30 June 2017 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.

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.

	Increase	Decrease
2017	\$'000	\$'000
Discount rate (0.5% movement)	39,238	(38,172)
Future salary increases (0.5% movement)	(36,137)	37,726

	Increase	Decrease
2016	\$'000	\$'000
Discount rate (0.5% movement)	53,373	(46,692)
Future salary increases (0.5% movement)	(38,776)	46,594

Maturity profile

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

	2017 \$'000	2016 \$'000
Undiscounted Benefit Payments		
1 year or less	39,697	53,751
2 to 5 years	198,039	249,700
5 to 10 years	265,133	311,973
Greater than 10 years	1,116,065	1,248,153
Total expected payments	1,618,934	1,863,577

The average duration of the defined benefit plan obligation at the end of the reporting period is 10 years (2016: 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 30 June 2016.

Employer contributions are currently:

- 16.5% of gross salary for other Airservices employees (2015-16: 16.5%);
- 3% of gross salary for those employees who remain members of the Commonwealth Superannuation Scheme (CSS) (2015-16: 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 2018 amount to approximately \$24.4m, not including any additional contributions required.

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 2016), when a surplus of \$192.1m was reported. Last year in these financial statements Airservices recognised a defined benefit asset of \$124.0m at 30 June 2016. 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 2017 these financial statements disclose a defined benefit asset of \$231.4m (30 June 2016: \$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 2017 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 2017 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 0.20 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	6.8 years	8 year and 9 year	3.8% p.a
Early Retirement Benefit	5.5 years	6 year and 7 year	3.4% p.a

4.3 KEY MANAGEMENT PERSONNEL REMUNERATION

	2017 \$'000	2016 \$'000
Key executive remuneration expense for the reporting period		
Board of Directors		
Short-term employee benefits:		
Salary	491	525
Allowances and other benefits	76	77
Total short-term employee benefits	567	602
Post-employment benefits:		
Superannuation (post-employment benefits)	51	55
Total post-employment benefits	51	55
Total	618	657

The information about non-executive directors included in the table above relates to 8 individuals (2016: 8 individuals)

Key Executive Management		
Short-term employee benefits:		
Salary	2,622	2,324
Allowances and other benefits	155	500
At risk component ¹	234	430
Total short-term employee benefits	3,011	3,254
Post-employment benefits:		
Superannuation (post-employment benefits)	286	339
Total post-employment benefits	286	339
Other long-term benefits:		
Recreation leave accrued	215	204
Long service leave	12	65
Total other long-term benefits	227	269
Termination benefits	-	245
Total executive remuneration	3,524	4,107
Total key management personnel remuneration	4,142	4,764

The information about executives included in the above table relates to 7.0 Full Time Equivalents (FTEs) (2016: 8.6 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.

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
Chair			
Angus Houston	On-going	6 December 2011	Current
Deputy Chair			
Tony Mathews	On-going	4 June 2012	3 September 2017
Directors			
Fiona Balfour	On-going	3 June 2013	Current
Samantha Betzien	On-going	4 June 2012	Current
David Marchant	On-going	21 July 2014	Current
John McGee	On-going	4 September 2015	Current
Tim Rothwell	On-going	21 July 2014	Current
John Weber	On-going	6 April 2017	Current
Chief Executive Officer			
Jason Harfield	On-going	11 August 2015	Current

(b) Executives

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

Executives	Title	Commenced	Finished
Stephen Angus	Executive GM Air Navigation Services	1 July 2016	Current
Michelle Bennetts	Executive GM Aviation Rescue Fire Fighting Services	25 January 2013	Current
Steven Grundy	Executive GM Corporate Services	22 August 2016	30 June 2017
Paul Logan	Chief Financial Officer	2 July 2015	Current
Chris Seller	Chief Information Officer	1 July 2016	Current
Robert Weaver	Executive GM Safety & Assurance	25 January 2013	Current

(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 \$278,237 for the period 1 July 2016 to 30 June 2017 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 \$1,246,830 for the period 1 July 2016 to 30 June 2017 during which time Sir Angus Houston was both Chair of the Airservices Board and Senior Advisor, Global Government and Public Sector Practice for Ernst and Young.
- Airservices provided sponsorship of \$30,000 to Snowy Hydro SouthCare during the period 1 July 2016 to 30 June 2017 during which time Sir Angus Houston was both the Chair of the Airservices Board and the Patron of the Snowy Hydro SouthCare Rescue Helicopter Trust.

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.

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 2017 in respect of:

Aviation Rescue & Fire Fighting Services (ARFFS) 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 fire fighting foams. Airservices has been managing issues arising from the use of these fire fighting foams now known to have contained Per- and Poly- Fluorinated Alkyl Substances (PFAS) since it became aware of concerns about PFAS in the early 2000s. These foams were widely used around the world because of their superior performance and Airservices and its predecessors used them from 1978 until 2010.

Significant investment has been made to enable site investigations, research and development and stakeholder engagement activities. The focus of the 2017 financial year has been to continue to progress site investigations to understand the extent of Airservices potential PFAS contamination, research and development activities to identify practicable solutions to manage existing contamination and working with Commonwealth and State/Territory agencies and regulators to establish a nationally consistent framework for the ongoing management of PFAS within Australia.

To facilitate this and continued PFAS related activity, a sum of \$23.2m has been provided at 30 June 2017.

As site investigations progress and jurisdictions continue to establish PFAS specific requirements in lieu of the national framework, there is a likelihood that further investigations and site specific management actions including implementation of containment/remediation strategies and stakeholder communications and engagement are required to address potential PFAS related risks. It is not possible to quantify any potential remediation costs at this time.

Legal claims

Airservices has received claims from former employees alleging underpayment of the redundancy pay and other benefits due to them upon cessation of their employment. Formal proceedings have not been commenced. Airservices is reviewing the details, and merits, of each claim and is not in a position to quantify any potential liability at this stage.

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.

6. OTHER INFORMATION

6.1 REMUNERATION OF AUDITORS

	2017 \$	2016 \$
Remuneration of auditors		
Auditing services provided by the Australian National Audit Office	270,000	270,000

Audit services for Airservices are provided by the Australian National Audit Office.

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 \$0.683m (2016: \$0.532m) for the Solomon Islands and \$0.122m (2016: \$0.178m) for Nauru.

6.3 CROSS-BORDER FINANCING ARRANGEMENT

During 2003 and 2004, Airservices completed cross-border financing arrangements (Transactions) in relation to certain assets (Transaction Assets) associated with The Australian Advanced Air Traffic System (TAAATS) and radar systems. The extant Transactions were initially for periods up to 2022, but on 30 May 2017 Airservices irrevocably exercised its right to terminate those Transactions with effect on 16 January 2018. As a result Airservices will, after that date, have full and unencumbered legal and beneficial ownership of the Transaction Assets.

Airservices has provided certain guarantees and indemnities to various participants in the Transactions. If certain events occur, Airservices could be liable to make substantial payments under these guarantees and indemnities. The underlying exposure against which these guarantees and indemnities have been provided relate to residual cash flows that will last until December 2018 and amounted to US\$223m as at 30 June 2017 (the exposure as at 30 June 2016 was US\$239m). Expert external advisors consider that, unless exceptional circumstances arise, Airservices would not be required to make a significant payment under these guarantees and indemnities.

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





05 APPENDICES

APPENDIX 1: BOARD MEMBERSHIPS, MEETINGS AND COMMITTEES

Board committees

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

The Safety Committee ensures that we meet our operational safety and work, health and safety obligations. It also monitors organisational preparedness to counter security threats. Its membership consists of four non-executive Board members, as well as the Chair and CEO, both of who are ex-officio members of the committee.

The Technology and Investment Committee oversees our technology, systems engineering and information technology strategies and policies. It also oversees the strategic direction and policies of business systems, operational technology and IT security. It monitors development and delivery of our capital investment programme. Membership consists of up to three non-executive Board members, together with the Chair and CEO, both of who are ex-officio members of the committee.

The Remuneration and Human Resources Committee reviews the performance, remuneration and succession plans for the CEO and those who report to him. It also considers other human resource issues. Membership consists of three non-executive Board members, together with the Chair and CEO, both of who are ex-officio members of the committee.

Membership information and meeting attendance for each Board committee is detailed in the following pages.

Members of the Board and their terms of appointment 1 July 2016 to 30 June 2017



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

Chair

Air Chief Marshal Sir Angus Houston AK, AFC (Ret'd) was appointed to the Airservices Board on 6 December 2011 and appointed as Chair on 3 June 2012. His current term expires on 2 June 2018.

Sir Angus is Chancellor for the University of the Sunshine Coast and is Chair of the Defence South Australia Advisory Board, the Order of Australia Council, the Sunshine Coast Mind and Neuroscience Thompson Institute, the Victorian Police Corporate Advisory Group, the University of NSW Canberra Advisory Board, the Canberra Symphony Orchestra and the Supashock Advanced Suspension Advisory Committee.

He is a Board Member of the Lowy Institute for International Policy, the Australian Cancer Research Foundation, the Anzac Centenary Public Fund Board, GreaterGood Canberra and the Victorian Police Executive Command.

Sir Angus is also a visiting fellow of the Australian National University National Security College and the South Australian Special Envoy for International Trade and Investment.

In addition, he is Ambassador/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 disaster. 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.

In July 2011, Sir Angus retired as Chief of the Australian Defence Force after 41 years of service in the military.

Sir Angus was awarded the Degree of Doctor of the University, honoris causa from UNSW in November 2015 and the Degree Doctor of Laws honoris causa from ANU in December 2016.

He was awarded the Knight of the Order of Australia in January 2015 for extraordinary and pre-eminent achievement and merit in service to Australia.



**Tony
Mathews**

Deputy Chair and Chair Safety Committee

Tony Mathews was appointed to the Board on 4 June 2012. He is the Board's Deputy Chair and the Chair of the Safety Committee. Mr Mathews' term expires on 3 September 2017.

Mr Mathews has over 45 years experience in the aviation industry, including extensive work in regional aviation as the 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 of the Mildura District Hospital Fund and Director of Lower Murray Water.

He has held managerial positions with Qantas Regional Airlines, served as chair and board member of the Mildura Cooperative Fruit Company, Chair of the Murray Campaign Committee and Mildura Murray Outback Tourism, president and board member of the Regional Aviation Association of Australia, a board member of the Chances for Children Committee, a board member of the First Mildura Irrigation Trust, and a director of RCP Finance Limited.



**David
Marchant
AM**

Chair Technology and Investment Committee

David Marchant was appointed to the Board on 21 July 2014 and reappointed on 21 July 2017. He is Chair of the Board Technology and Investment Committee and a member of the Safety Committee and Audit and Risk Committee. His current term expires on 20 July 2019.

Mr Marchant has extensive experience in the transport industry. He is a Board Member of QR and a Non-Executive Director of QR Ltd. He is a former Managing Director and Chief Executive Officer of Australian Rail Track Corporation Ltd 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 was appointed a member of 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 is a member and graduate of the Australian Institute of Company Directors.



**Fiona
Balfour**

Member of the Audit and Risk, Technology and Investment, and Remuneration and Human Resources Committees

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 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 Australian Red Cross Blood Service. She is a former director of SITA SC (Geneva) and TAL (Dai-ichi Life) Australia Pty Limited.

Ms Balfour is a Fellow of Monash University and the Australian Institute of Company Directors, and holds a Master of Business Administration from RMIT, a Graduate Diploma in Information management from the University of NSW and a Bachelor of Arts (Honours) from Monash University.



**John
McGee**

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

Before joining the Board Mr McGee was Managing Director of the Bank of New York Australia Pty Ltd (BNY) for nine years, heading up the BNY'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 a non-executive director of that body for nine years.

Other non-executive board roles have included Westpac Funds Management (he was also Chair of the Audit and Compliance Committee on that board), Delhi Petroleum, and other companies in the financial and pharmaceutical industries.

Mr McGee holds a Bachelor of Economics and Bachelor of Law from the University of Sydney.

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**

Chair Remuneration and Human Resources Committee

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. Her current term expires on 3 September 2019.

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 20 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.

Ms Betzien 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.

Ms Betzien holds a Bachelor of Laws (Honours) from Queensland University of Technology and a Bachelor of Arts from the University of Queensland.



**Tim
Rothwell**

Chair Board Audit and Risk Committee

Tim Rothwell was appointed to the Board on 21 July 2014. He is Chair of the Board Audit and Risk Committee, and a member of the Remuneration and Human Resources Committee, and Technology and Investment Committee. His current term expires on 20 July 2019.

Mr Rothwell retired as Chief Financial Officer of Brisbane Airport Corporation in 2013, after 20 years with the organisation and is now a consultant to industry. He is the independent chair of the Audit and Risk Committee 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 Queensland, having been chair of that committee and a board member for a number of years.

Mr Rothwell mentors Queensland University of Technology executive MBA students and aspiring chief financial officers through the Financial Executives Institute programme, 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.



**John
Weber**

Member Board Audit and Risk Committee

John Weber was appointed to the Board on 6 April 2017. He is a member of the Board Audit and Risk Committee. His current term expires 5 April 2020.

Mr Weber served as the Australian managing partner of DLA Piper, one of the world's largest law firms, from 2014 to 2017. He was also a member of DLA Piper's international executive. Prior to that, he was chief executive of Minter Ellison for six years and a member of its executive management team for 11 years.

Mr Weber has worked extensively in the transport sector (rail and aviation), health, financial services and defence/security sectors for both industry and government.

Mr Weber is a director of the European Australian Business Council, a director of the global advisory board of Elevate Services and a member of the Australian Institute of Company Directors. He has extensive board experience across a diverse range of organisations in the public, private and not-for-profit sectors.

Mr Weber holds a Bachelor of Laws from ANU, and has attended INSEAD (France) and London Business School executive courses.



**Jason
Harfield**

Chief Executive Officer

Jason Harfield was appointed Airservices Chief Executive Officer on 9 March 2016. He has spent the majority of his adult working life with Airservices and began his career as a flight data officer in Adelaide in 1989.

Until 2005, Jason held a number of operational management and senior management positions, including Australia's Head Air Traffic Controller and Australian Airspace Regulator, as well as operating as a qualified operational air traffic controller.

With more than 25 years of experience in the aviation and air traffic management industry, Jason has been a core member of the Airservices Executive Leadership Team since 2005. His previous roles include General Manager Safety Management, Executive General Manager Air Traffic Control Group, and Executive General Manager Future Service Delivery.

As the Executive General Manager Air Traffic Control Group, Jason was fundamental to Airservices ongoing operational improvement programme. This included leading the introduction of new services, advanced airport capacity and air traffic flow management capabilities, as well as reinvigorating Airservices largest operational workforce. As General Manager Safety Management, Jason was 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.

Jason has an EMBA from Melbourne Business School (Mt Eliza), has completed the Advanced Management Program at Harvard Business School and is a Managing Successful Programmes (MSP) Registered Advanced Practitioner.

Jason is also a fellow of the Australian Institute of Company Directors, a fellow of the Royal Aeronautical Society and a private pilot.

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 2016-17, we held a directors and officers liability insurance policy. It is a condition of this policy that the Directors' and officers' indemnities and insurance 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 regarding Board and Board committee meetings, including members' roles and attendance for 2016-17, are provided in Table 1.

Table 1: Board and Board committee meetings, including members' roles and attendance 2016-17

	Board	Safety	Audit	Remuneration	Technology	Environment
No. of meetings convened	9 [^]	6 [^]	3	5 [^]	5 [^]	1 [^]
Angus Houston ^a	9	6	2	5	5	1
Tony Mathews ^{bc}	9	6	0*	2*	0*	0*
Annette Kimmitt ^d	1 [^]	0*	0*	0*	0*	0*
Samantha Betzien ^e	9	6	0*	5	0*	1
Fiona Balfour	8	0*	2	4	4	0*
David Marchant ^f	9	6	3	1*	5	0*
Tim Rothwell ^g	9	0*	3	5	5	1
John McGee	7	5	2	0*	0*	1
John Weber ^h	2	0*	0*	0*	1*	0*
Jason Harfield ⁱ	9	6	3	4 [#]	5	1

a - Chair of the Board and ex officio member of all Board Committees (excluding the Board Audit and Risk Committee)

b - Deputy Chair of the Board

c - Chair of the Safety Committee

d - Resigned from the Board effective 30 June 2016

e - Chair of the Remuneration and Human Resources Committee

f - Chair of the Technology and Investment Committee

g - Chair of the Audit and Risk Committee from 1 July 2016

h - Commenced on the Board 6 April 2017

i - 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 REM meeting

^ Includes meeting held 28 June 2016 not reported in 2015-16 Annual Report

APPENDIX 2: STATEMENT OF EXPECTATIONS AND STATEMENT OF INTENT

The Airservices Board's Statement of Intent responds to the Statement of Expectations (July 2015 to June 2017) and states our formal commitment to meeting our Minister's expectations.

Statement of Expectations (SOE)

Items 1 and 2 – Legislative and Governance Reporting

1. Ensure that Airservices acts in accordance with the *Air Services Act 1995*, *Public Governance, Performance and Accountability Act 2013* (and associated regulations) as well as other relevant legislation legal instruments.
2. Keep me and the Secretary of the Department of Infrastructure and Regional Development (the Department), fully informed of Airservices actions in relation to the initiatives and activities stated below, and alert me to events or issues that may impact on the operations of Airservices, including the provision of timely Board reports and quarterly reports of progress against the corporate plan.

3. Stakeholder Engagement

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.

4. Implementing relevant Government Air Traffic Initiatives

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.

Statement of Intent (SOI)

The Airservices Board will continue to keep the Minister fully informed about all expectations through regular reporting including Board reports, quarterly reports and timely annual reporting.

Acknowledging that our most important consideration is always the safety of air navigation, we will continue to effectively consult with community, industry and Government throughout the development and implementation of any significant changes to our service provision.

We will continue to work cooperatively with the Department and other Government agencies through the Aviation Policy Group and other forums to implement relevant air traffic management and other airspace policy initiatives.

We support regulatory changes to facilitate continued innovation to improve service outcomes and minimise regulatory overheads, while ensuring safety of air navigation.

As part of our work to support the outcomes of the Government's response to the Aviation Safety Regulation Review Report over 2016–17, Airservices will:

- commence a review of current regulatory requirements
- deliver a position paper on the evolution of regulations relevant to Air Navigation Services.

5. Provision of Information, Assistance or Advice

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.

We will continue to support other Government agencies in the performance of their regulatory and policy functions through the provision of information, assistance or advice.

Over 2016–17 this will include:

- Western Sydney Airport development
- the Future Airspace System
- regulatory reform for the provision of air navigation services
- regulatory reform for the provision of Aviation Rescue Fire Fighting services (ARFFS)
- perfluorinated compound (PFC) residues
- integration of Remotely Piloted Aircraft Systems (RPAS)
- capability building in Indonesia and Papua New Guinea.

6. Environmental Responsibilities

Assist in implementing the Government's environmental initiatives including:

- a. supporting the ongoing role of the independent Aircraft Noise Ombudsman (ANO) and implementation of agreed recommendations made by the ANO;
- b. the appropriate resourcing of the Noise Complaints Unit to continue to improve the flow and quality of information to noise affected communities;
- 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;
- d. the ongoing commitment to the Sydney Airport Long Term Operating Plan; and
- 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.

Airservices plays a key role in supporting the Government's initiatives in relation to the management of environmental impacts of aircraft operations, including aircraft noise.

We continue to support the role of the ANO by:

- maintaining an independent ANO Office
- implementing recommendations made by the ANO
- improving noise complaint management through the Noise Complaints Information Service.

We continue to focus on delivering new and improved air traffic services including performance-based navigation, to improve capacity and efficiency while also improving environmental outcomes.

Over 2016–17 Airservices is focused on:

- long range air traffic flow management (LR ATFM)
- the Future Airspace System (FAS)
- airport collaborative decision-making (A-CDM).

We will continue to report against our annual environmental work plan which outlines initiatives to manage and monitor the environmental effects of aircraft operation.

7. Airport Planning

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.

We will continue to contribute to a coordinated approach to airport planning. This includes through ongoing participation in the National Aviation Safeguarding Advisory Group (NASAG) to support a national land use planning framework that improves:

- community amenity by minimising aircraft noise-sensitive developments near airports
- safety outcomes by ensuring aviation safety requirements are recognised in land use planning decisions.

We will also continue to engage and consult with concerned community groups through:

- airport-led planning coordination and consultation forums
- Airservices-led technical noise working groups.

8. Provision of Aviation Rescue and Fire Fighting Services (ARFFS)

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 *Civil Aviation Safety Regulations 1998*. (Memorandum of Agreements with State and Territory fire authorities removed.)

We will continue to deliver ARFFS in accordance with the criteria set out in aviation safety regulations.

The current prescriptive regulatory model inhibits Airservices ability to continue to provide safe ARFFS and realise cost efficiencies for industry. Over 2016–17 we will engage with stakeholders to facilitate and promote changes towards a risk-based regulatory framework for the provision of ARFFS.

9. Joint Civil and Military Aviation Harmonisation

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.

Airservices continues to act as lead agency with the Department of Defence to deliver a harmonised civil and military air traffic management system through the OneSKY Australia Program.

With OneSKY transition activities planned to commence in 2018, the primary focus for the programme in 2016–17 is mobilising to ensure readiness for contractual execution and operational delivery

10. Future Investment in Technology and Infrastructure

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.

We continue to work collaboratively with customers and other industry stakeholders to develop and implement enhanced air traffic and surveillance services at regional airports that are safe, efficient and cost-effective.

We are investigating opportunities to leverage new technologies for remote service delivery through 'smart towers' which enable flexibility and reduce capital investment. Over 2016–17 we will develop a concept of operations for a deployable smart tower solution and commission a trial.

11. Efficient Capital Programme

Ensure the efficient, on budget and timely delivery of Airservices capital expenditure programme.

With a clear focus on the future Airservices embraces and invests in innovation through customer-centric and commercially rigorous decisions.

To ensure the efficiency, effectiveness and accountability of our capital expenditure programme, over 2016–17 we will refocus our asset and project management through the Accelerate Program.

12. Sustainable Workforce Planning

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.

We will develop and implement an integrated end-to-end human resource management cycle that is aligned to organisational strategic direction and consistent with government workplace policies. This will:

- enable us to focus our people on delivering service and operational excellence to our customers and stakeholders
- support government workplace priorities including diversity.

In addition to implementing a new operating model through the Accelerate Program, over 2016–17 we will work to improve:

- participation by Indigenous Australians in our workforce
- representation of women in leadership positions.

13. Asia-Pacific Regional Aviation Safety

Continue to support the Government's safety initiatives in the Asia-Pacific region.

We will continue to support the Australian Government's safety initiatives in the Asia-Pacific region to improve safety outcomes.

In particular, over 2016–17 we will assist air navigation service providers in Indonesia and Papua New Guinea to build their capability to manage greater air traffic. This includes through sustainable programmes that deliver safe, harmonised and integrated outcomes that are aligned with their neighbouring States, including Australia.

14. Public Sector Professionalism and Accountability

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.

We will continue to adhere to values and a code of conduct that maintain high standards of professionalism, customer service, probity, reporting, accountability and transparency.

Over 2016–17 the Accelerate Program will help us:

- simplify our operating model, reduce bureaucracy, and increase accountability
- improve the efficiency and effectiveness of our corporate centre through technology enablement.

APPENDIX 3: EQUITY AND DIVERSITY PROGRESS REPORT

As a Commonwealth authority and 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.*

The table below is the annual programme report in accordance with the requirements set out in section 6 of the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987*.

Table 2: Equity and diversity reporting

EEO Act (1987)	2016–17 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 other mandatory training • internal communication including our intranet, staff magazine and other internal newsletters • our annual report which incorporates statistical and demographic 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>Our Diversity and Inclusion Council sets our direction for diversity and maintains oversight of initiatives and progress. Under the new operating model, the membership, terms of reference and operations of the council have been refreshed to improve focus on governance, integration and strategic alignment, and good practice.</p> <p>All employees have a responsibility to ensure their behaviour complies with the Airservices Code of Conduct, which sets the standard for treating staff with dignity, respect, courtesy, fairness and equity at all times.</p>

Consultation with trade unions—S.6 (c)

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.

Airservices continues to consult with employees and their representative organisations before significant new policies and procedures relating to employment matters are implemented. These organisations are Professionals Australia; Electrical Trades Union, Civil Air; Community and Public Sector Union; and United Fire fighting Union.

To ensure ongoing dialogue about specific employee-related issues, we meet with employee organisations twice a year at the National Consultative Council (NCC). This is comprised of employee representatives and members of our Executive.

We also consulted with employees and their representative organisations regarding the new operating model and the redeployment and redundancy process for our impacted workforce. During 2016–17, Airservices finalised negotiation of a new Air Traffic Control and Support Air Traffic Services Enterprise Agreement (2017–2020), and commenced negotiations for a new enterprise agreement with aviation rescue fire fighters.

Consultations with employees—S.6 (d)

To consult with employees of the relevant authority, particularly employees who are women or persons in designated groups

Throughout 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 variety of confidential or open mechanisms. Information, answers to specific questions and timelines for the changes were provided in dedicated Accelerate internal intranet pages, corporate emails, and announcement and feedback sessions hosted by the CEO.

We also consulted with staff through diversity focus groups and our Reconciliation Action Plan reference group.

In addition, the Executive consulted with employees through regional site visits, group meetings, newsletters and videos.

Collection of statistics—S.6 (e)

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:

- i. employees of either sex
- ii. persons in designated groups.

We use our Human Resource Information Management System (HRIS) to collect, record and report information, including staff numbers by gender, demographic groups and job family.

See tables 4–10 for more information about the Airservices employee diversity profile.

Consideration of policies, examination of practices—S.6 (f)

To consider policies, and examine practices, of the relevant authority, in relation to employment matters to identify:

- 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.

We promote a workplace that is free from discrimination by providing practices and policies that improve equity and diversity.

Following preliminary preparation mid years, we started a detailed review and refresh of the whole-of-enterprise people policy framework. This will ensure that we have fit-for-purpose and contemporary processes and supporting documents to reflect our new operating model, and enable high performance through agility and flexibility.

See tables 4–10 for more information on Airservices employee diversity profile.

Setting objectives and selecting indicators—S.6 (g)

To set:

- i. the particular objectives to be achieved by the program
- ii. the quantitative and other indicators against which the effectiveness of the program is to be assessed.

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.

This year we:

- i. reviewed and updated our Airservices Diversity and Inclusion Strategy (2016–2020)
- ii. continued our commitment to reconciliation through the ongoing implementation of our second Reconciliation Action Plan.

Monitoring and evaluation—S.6 (h)

To monitor and evaluate the implementation of the program and:

- i. to assess the achievement of those objectives; and
- 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.

Airservices continues to work towards a more inclusive and diverse workforce through a range of initiatives which are implemented across the business.

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 is surveyed alternate years.

In 2016–17, we monitored and reported internally at both the Board and Executive level.

Enquiries and complaints

The number of complaints and enquiries, which may include equity and diversity, for the reporting period are shown in table 3.

Table 3: Enquiries and complaints 2013–2017 (may include equity and diversity)

Incident category	2012–13*	2013–14 ⁴	2014–15 ⁴	2015–16 ⁴	2016–17 ⁴
Employee numbers	4,204	4,475	4,493	4,468	3,711
Ethics Hotline enquiries ¹	3	3	2	5	8
Ethics Hotline disclosures ²	17	21	16	16	12
Formal complaints	55 ³	35 ³	40	18	
	9 ⁴	3 ⁴	4 ⁴	27 ⁴	6

* Note: headcount figures prior to 2016–17 include agency workers. Headcount figures for 2016–17 exclude agency workers.

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 through the Fair Treatment Review System.
4. These relate to complaints reported through 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.

Progress update against Diversity and Inclusion Strategy 2016–2020

In 2016–17, we continued efforts to build a sustainable and fit-for-purpose workforce that is representative of the diverse community in which we operate. Through the introduction of our new operating model, we 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 *Diversity and Inclusion Strategy 2016–2020* clearly articulates our diversity priorities. It 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 4: Progress report against our *Diversity and Inclusion Strategy 2016-2020*

Target diversity groups	Activities
<p>Women—we are implementing strategies to increase the representation of women in senior leadership and operational roles.</p>	<p>During the reporting period, we:</p> <ul style="list-style-type: none"> • continued to ensure our recruitment campaigns focused on attracting women into key operational roles (including aviation rescue fire fighting, air traffic controllers, engineers and technicians) • continued to increase opportunities for women to participate in our corporate leadership development programmes • commenced a detailed review and refresh of our whole-of-enterprise people policy framework, which includes making flexible working arrangements more accessible to all staff.
<p>Aboriginal and Torres Strait Islander—we are working to reduce the gap in employment levels between the wider Australian population and Indigenous Australians.</p>	<p>During the reporting period, we:</p> <ul style="list-style-type: none"> • continued our commitment to reconciliation through the implementation of our Innovate Reconciliation Action Plan • continued to promote our Aboriginal and Torres Strait Islander procurement strategy and maintained our relationship with Supply Nation to expand opportunities for Aboriginal and Torres Strait Islander peoples • celebrated National Reconciliation Week and provided opportunities for staff to participate • promoted our written statement and supporting procedure for Acknowledgement of Country • continued a permanent display of Aboriginal and Torres Strait Islander flags at major centres and regional offices • continued to provide 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 programme opportunities.

Target diversity groups

Activities

Culturally and linguistically diverse backgrounds—we encourage diversity of applicants

During the reporting period, we:

- 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.

Employees with a disability—we are committed to removing barriers to participation

During the reporting period, we:

- continued to provide employment for staff with intellectual and physical disabilities in our Melbourne, Canberra and Brisbane locations
- conducted an accessibility audit to ensure that our buildings and websites are accessible to those with disabilities
- started developing a Disability Action Plan to attract people with a disability
- launched a framework for identifying and overcoming barriers to full access and inclusions.

Mature aged workers—the contribution and job satisfaction of mature aged workers is a priority

During the reporting period, we:

- continued to ensure that transition to retirement arrangements were in place to allow us to continue to employ people beyond their nominal retirement age.

Diversity profile

Our diversity profile has remained stable over the past four reporting periods. There has been a slight increase in the percentage of Aboriginal and Torres Strait Islander people to 1.4 per cent. This includes new employees, as well as existing employees who have chosen to identify as Aboriginal or Torres Strait Islander. There has also been a slight decrease in the percentage of employees from culturally and linguistically diverse backgrounds and in the percentage of staff reporting a disability. The percentage of women in the workforce decreased slightly to 16.9 per cent (see table 5).

Table 5: Representation of designated groups in overall headcount 2014-17

Designated groups*	2013-14	2014-15	2015-16	2016-17
Indigenous Australians	1.0%	1.1%	1.2%	1.4%
People with a disability	1.2%	1.1%	1.1%	0.8%
People from a culturally or linguistically diverse background	6.7%	6.7%	6.8%	6.5%
Female employees	19.3%	19.3%	19.3%	16.9%

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

Table 6: Employees in diversity groups by job role classification at 30 June 2017*

Job family	Aboriginal and Torres Strait Islander		
	Strait Islander	CALD	Disability
Air traffic services	11	62	12
Aviation rescue fire fighting	27	13	2
Accounting and finance	0	12	1
Administration	2	11	4
Communication and stakeholder engagement	0	5	0
Comply regulate monitor and audit	1	7	0
Engineering and technical	4	78	10
Information and communications technology	1	17	0
Information and knowledge management	0	2	0
Organisation leadership	3	11	1
People	2	13	1
Service delivery	1	8	0
Strategic policy research and project	0	8	0
TOTAL by diversity groups	52	247	31
Percentage of workforce	1.4%	6.7%	0.8%

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

Table 7: Gender by job role classification as at 30 June 2017

Job family	Female by percentage	Female by number	Male by number
Air traffic services	15.0	216	1,227
Aviation rescue fire fighting	3.4	28	798
Accounting and finance	64.4	47	26
Administration	63.6	82	47
Communication and stakeholder engagement	50.0	14	14
Comply regulate monitor and audit	24.0	12	38
Engineering and technical	8.2	46	515
Information and communications technology	18.8	12	52
Information and knowledge management	76.5	13	4
Organisation leadership	19.7	47	191
People	40.6	56	82
Service delivery	25.0	10	30
Strategic policy research and project	39.4	41	63
Total by gender	16.8	624	3,087

Table 8: Airservices employee age profile at 30 June 2017

Age range	Under 25	25–34	35–44	45–54	55–64	65+
Number of employees	82	914	1,070	1,040	553	52
Percentage of employees	2.2%	24.6%	28.8%	28.0%	14.9%	1.4%

Table 9: Airservices average retirement age

Data at 30 June 2017	2013-14	2014-15	2015-16	2016-17
Average retirement age	59.8	61.1	60.9	61.9

Table 10: 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	45	55	34	16	176
Temporary part-time	1	0	1	0	1	0	3
Casual	1	0	0	1	7	7	16

APPENDIX 4: WORKFORCE PLAN PROGRESS REPORT

Consistent with the Ministerial Statement of Expectations, this appendix provides an update on our workforce planning activity, including the strategies we have put in place to maintain a strong focus on human resource issues, consistent with government workplace policies.

The Accelerate Program

In 2016–17, we transformed key aspects of our organisation to allow us to better deliver for our customers, with greater efficiency in our corporate centre, less bureaucracy and more accountability. Our new operating model focused our business on our two service lines to customers of air traffic management and aviation rescue fire fighting services.

Organisation design was guided by the following principles:

- Airservices will work as one team to achieve the organisation's goals.
 - There will be an increased focus on customer-aligned service outcomes.
 - The corporate centre will focus on enterprise-level strategy and policy, with business groups accountable for operational service delivery, assets and financial performance.
 - ARFFS will be fully separable from ATM and the corporate centre.
 - A single-point accountability for outcomes will be established while maintaining shared responsibility.
 - There will be an increased focus on commercial outcomes for all functions.
 - Duplication of effort will be eliminated – shared services will be used where possible.
 - Governance frameworks and systems will assure alignment with the approved Board risk appetite.
- Support and ancillary functions will be provided at commercially competitive rates, and considered for outsourcing, or will be assessed on whether the function is no longer required.
 - Management spans and layers will be optimised for Airservices size and focus.
 - There will be an increased focus placed on the information management capability within Airservices.
 - There will be an investment in Airservices leadership capability, differentiated from technical expertise.

Implementation of our new operating model required careful consideration of the people capability required in our new team designs. We reviewed the organisational structure to ensure the right people are in the right roles to deliver our strategy. Our Future State Capability Gaps initiative examined the strategic workforce planning and governance required to ensure our workforce remains fit-for-purpose, agile and sustainable over the long term.

Table 11 outlines our key workforce focus areas and activities undertaken in 2016–17.

Table 11: Our workforce strategies and activities

Key focus areas	2016–17 Activities
Leadership Capability	<p>The Accelerate Program has focused on building a leadership team that is capable and accountable for driving organisational transformation. We reviewed and reset all roles in our leadership layer based on capability to deliver our strategy, and the need to optimise the combination of skills and experience across the business. New capability was introduced to the business through the external recruitment of people into selected roles.</p> <p>Succession planning opportunities were created for high-potential people to perform roles in different parts of the business to broaden their skill base. A new Succession Management Framework was designed to inform whole-of-enterprise succession plans and ensure investment in development activities is aligned to key capability gaps in the workforce.</p> <p>Our Leadership Forums have been reinvigorated with a new format to bring together our entire senior leadership team to reflect, share and promote strategic focus.</p> <p>Our leadership development programmes have been reviewed and a new curriculum has been designed with strengthened alignment to the Organisational Leadership Competencies. The redesign incorporates a modularised approach, enabling a flexible, needs-based learning model and an improved nomination process with links to the Succession Management Framework.</p>
Employee Engagement, Diversity and Inclusion	<p>Implementation of the new operating model was a major undertaking, with significant impact on people in some parts of the business. Ensuring that our people were supported and engaged throughout this process was a priority. A dedicated Business Change Manager in each business group supported leaders and employees through the implementation. Regular communication, resources and responses to frequently asked questions were provided through our Accelerate Program intranet page.</p> <p>We equipped our leaders to deliver change through the roll out of a Change and Resilience Program focused on supporting staff through a period of disruption. Consulting on Change workshops were also delivered to leaders prior to the redeployment and redundancy process, with an emphasis on ensuring that all change was executed in a fair, open, transparent and respectful manner.</p> <p>Our leaders are ultimately accountable for leading, coaching and mentoring people. There has been an emphasis on building people management capability across our people-related functions. Our People policy framework has evolved to align with the new human resource end-to-end functions and we are progressing a review and refresh of our entire suite of procedures and supporting documentation.</p> <p>We have reviewed our approach to workforce diversity and inclusion, and refreshed our governance practices to promote greater integration and strategic alignment of our workforce diversity and inclusion initiatives.</p>
Transformation	<p>Evolving our business to prepare for significant shifts in workforce operations has been, and will continue to be, a major focus.</p> <p>We want to be a recognised leader in aviation information services, and to leverage our information to work smarter, perform better and unlock value creation opportunities for our customers.</p> <p>We have formed teams to build our Information Management Strategy, enabling us to generate value through the delivery of new information-based services for our customers.</p>

Optimisation and Sustainability

We have shifted to a more efficient, effective, accountable, commercial and innovative business.

Supporting the implementation of our new operating model, we have focused on improvements in business processes, minor refinements to the operating model, project and asset management, and delivering enabling technology. These activities, focused on the optimisation and sustainability of our workforce, were structured against a number of work stream initiatives, governed through our Accelerate Project Management Office:

- Enterprise Support Services
- Enterprise Training Integration
- Market Test Non-Differentiated Capabilities
- Safety and Environment Integration
- Workforce Rostering
- Stand-Alone ARFFS
- Procurement Cost Out
- Property Headquarters
- Corporate and Business Technology
- Asset and Project Refocus

Service Delivery Pipeline

Our new operating model brought together accountability for management of operational workforce pipelines in each of our two service lines.

Dedicated workforce deployment units maintain rolling long-term plans, which incorporate current operational demand based on mature requirement calculations, incremental demand based on anticipated events and growth, current workforce availability, attrition and retirement assumptions, and training plan assumptions. The plan is used to guide and direct recruitment and training schedules, internal transfers and the allocation of trainees.

We are implementing new business intelligence and analytics tools to modernise and optimise our rostering capabilities. This will mean we can better forecast how many people are needed on each shift and when and where we need them, so that we can meet that demand effectively and efficiently.

APPENDIX 5: WORK HEALTH AND SAFETY UPDATE

This section is presented in accordance with the requirements of the *Work Health and Safety Act 2011 (WHS Act)*.

Work Health and Safety - Executive commitment

In 2016–17, the Executive and Board reconfirmed its commitment to work health and safety. Rigorous monitoring of lag indicators drove targeted improvement plans premised on our understanding of the risks within our two operational groups and the supporting corporate groups. These plans are also aligned to the Board's Risk Appetite Statement, which reflects the need to manage such risks as far as reasonably practicable. The Executive retained its focus on the wellbeing of staff during a period of significant change, and this agenda will continue to be a strategic driver for Airservices as we look to continually improve. As part of the Accelerate Program, a specific initiative focused on safety integration was undertaken. This aimed to ensure that the Safety Management System was fit for purpose to drive performance outcomes and ensure that accountability for their achievement was appropriately assigned throughout the business.

Work Health and Safety initiatives

In 2016–17, we launched new work health and safety (WHS) initiatives for our operational staff—ANSCare for Air Navigation Services and ARFFCare for Aviation Rescue Fire Fighting Services. These programmes aim to significantly reduce the number of workplace injuries suffered by our operational staff, and improve our back-to-work processes when injuries do occur.

The focus is on better reporting of injuries, early intervention (and appropriate treatment including referral if required) to ensure swift recovery and greater levels of accountability for local team leaders to prioritise staff safety.

We also developed a WHS assurance framework aligned to the group WHS risk profile. For air navigation services, we implemented a WHS Management Plan to help managers understanding, undertake and acquit their WHS responsibilities. The plan is mapped to our Safety Management System and provides a compliance roadmap designed to continually improve the identification and management of key WHS risks.

In June 2017, we launched a hazard identification campaign called 'Take Five', to raise the awareness of high risk activities for our technicians working in the field. The campaign is a continuous real time hazard management approach to help staff consider and respond to hazards found at a work site, and provide a structured escalation response when a hazard is detected.

We also focused on WHS through staff engagement forums, where managers proactively undertook WHS inspections, hazard identification activities and 'toolbox talks' across all locations, as well as providing WHS promotions and communication material.

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 in Canberra, one in Melbourne and one via video conference. In keeping with the model of greater representation and involvement of workers, the two most recent meetings were chaired by a health and safety representative.

Local WHS committee meetings were held in Brisbane, Sydney, Canberra and Melbourne and these focused on WHS issues at those sites.

Four technical services WHS forums were held in 2016–17 to discuss issues and to promote national information sharing.

Education

Our online work health and safety induction and legal obligations refresher package was completed by 97 per cent of employees.

Work health and safety outcomes

Work health and safety notifications to Comcare in 2016–17 complied with the *Work Health and Safety Act 2011 (Cth)*. Table 12 shows occurrences and hazards for the last five financial years.

Both serious injury or illness and dangerous incidents reported to Comcare under legislative requirements have reduced from the previous reporting period.

WHS initiatives, including ARFFCare and ANSCare, have shown a decrease in Lost Time Injury Frequency Rate (LTIFR). The reduction in rate is shown from both the previous reporting year and current half yearly and final financial year results.

Both initiatives have had an increased focus on early intervention programmes to help staff return to suitable full-time duties sooner.

Other initiatives based around reporting culture have seen an increase in hazard reports from last financial year.

Workers compensation premium

The Comcare premium for the year was 0.90 per cent of payroll as compared to 0.75 per cent in 2015–16.

Comcare investigations and notices

No Comcare investigations were conducted or notices issued this year.

Provisional improvement notices

There were no provisional improvement notices raised this year.

Table 12: Work health and safety occurrences and hazards 2012–13 to 2016–17

Incident category	2012–13	2013–14	2014–15	2015–16	2016–17
Total occurrences and hazards lodged in the health and safety reporting system	NR	423	386	446	470
Workplace fatality	3 ^[A]	0	0	0	1 ^[1]
Serious injury or illness (SII) requiring Comcare notification ^[B]	4	6	3	3	2 ^[2]
Dangerous incidents requiring Comcare notification ² .	22	16	17	11	11 ^[3]

[A] Relates to deaths of members of the public due to a vehicle accident.

[B] Requirement for Comcare notifications changed in January 2012.

NR = not reportable

[1] Reported to Comcare based on historical claim for cancer related death. Subsequently Comcare rejected claim, recoded as non-work related.

[2] One reported SII was recoded as non-work related based on further information.

[3] Four reports recoded to non-dangerous incidents based on further information received.

APPENDIX 6: ECOLOGICALLY SUSTAINABLE DEVELOPMENT 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 2016–17:

- Our Executive and Board provided oversight and governance on environmental compliance and initiatives. They 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.
- We continued to develop and implement policies and programmes that protect and conserve the environment, and contribute to ecologically sustainable development (ESD). These are highlighted in table 13.

Table 13: How Airservices applies ecologically sustainable development principles

Ecologically sustainable development principles

Activities

Integration principle: decision making processes should effectively integrate both long-term and short-term economic, environmental, social and equitable considerations.

We refined our organisational environmental change management standards (for aircraft operations and on ground activities), placing a greater emphasis on social and long-term environmentally sustainable development considerations.

We undertook environmental impact assessments to identify potential significant impacts arising from our activities, and conducted an internal audit and improvement programme for flight path environmental change management.

To support the environmental efficiency of our customers' operations, we continued to:

- provide efficient routing options
- implement Required Navigation Performance procedures
- 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).

Ecologically sustainable development principles

Activities

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.

The implementation of the polyfluorinated chemical (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, trialling 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.

We are active in the Commonwealth interdepartmental committee focused on establishing a coordinated approach to managing PFC concerns.

We continue to support development of national ecological and health screening levels for PFCs that will help to determine appropriate management action.

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.

We continued to promote environmental awareness and train key staff on environmental issues, the EMS, risk management and staff accountabilities.

We have aligned our EMS with ISO14001, and replaced Gellibrand Hill with Canberra Airport as a key certified site to provide a stronger 'litmus test' of our system integrity.

We worked with the Civil Aviation Historical Society and other stakeholders to preserve Australia's aviation history. We continued to support the 'Connecting the Nation' portal and worked with a range of universities and industry stakeholders to gain an Australian Research Council Linkage Grant to support additional research into the role which aviation played in building our nation.

We continue to work towards improving the monitoring of greenhouse gas emissions, energy consumption and production. We reported in accordance with *National Greenhouse and Energy Reporting Act 2007* requirements for 2016–17.

Biodiversity principle:

the conservation of biological diversity and ecological integrity should be a fundamental consideration in decision making.

Our re-design of organisational environmental change management standards included a strengthening of controls to ensure appropriate impact assessment and protection of biodiversity and ecological values. Nearing completion is the development of an environmental values management standard, which prescribes key ESD and operational controls for management of key values described in the *EPBC Act* (including air, noise, water and biodiversity).

Valuation principle:

improved valuation, pricing and incentive mechanisms should be promoted.

We are currently redesigning the way we build and manage our asset base through the Portfolio, Program and Project (P3M) framework. Under P3M, investment projects are strategically prioritised to deliver value and innovation to our customers and ensure sustainment of our ageing asset base.

Environmental management requirements are embedded at key P3M project gates to ensure integration of ESD principles throughout the entire asset lifecycle.

APPENDIX 7: STATUTORY AND OTHER CORPORATE INFORMATION

Ethical standards

Airservices is committed to the highest standards of ethical behaviour and promoting consistency in decision-making around fraud and ethics in the workplace. The Ethics and Fraud Committee monitors, advises and provides assurance on the maintenance and implementation of the Airservices Ethics and Fraud Framework. This includes reviewing and monitoring:

- action taken in response to unethical and fraudulent matters to ensure response is effective and timely
- trend and theme analysis to reduce occurrence of future incidents
- the effectiveness of ethics and fraud procedures to ensure compliance with legislative obligations and that fraudulent risks are effectively identified and managed
- enhancements to the Ethics and Fraud Framework and ensuring alignment with good governance and control environment practices
- public interest disclosures under the *Public Interest Disclosure Act 2013 (Cth)*.

The *Ethics and Fraud Control Plan 2016–2018*, Ethics and Fraud Framework, Code of Conduct Policy and Management Instruction and Investigation Procedures inform employees, contractors and consultants about ethical standards and our approach to fraud control.

Our processes promote, assist and support individuals in reporting wrongdoing. To help facilitate these processes, we established an Ethics and Fraud Triage Group as a central point to facilitate a timely, transparent and consistent approach for all investigations managed in accordance with the Ethics and Fraud Framework.

Processes available to report wrongdoing include the Ethics Hotline, which is available for confidential reporting of misconduct. The *Public Interest Disclosure Procedure* enables public interest disclosures through nominated Airservices authorised officers. This provides statutory protections against reprisal action. Enhancements have been made to the Public Interest Disclosure process to facilitate easier reporting and more transparency around decision making.

Fraud control

Airservices treats fraud seriously and does not tolerate fraudulent behaviour, including corruption and bribery. We have established and committed to maintain strong and effective fraud control arrangements that are consistent with section 10 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Fraud Rule).

Airservices fraud control arrangements are articulated in our Ethics and Fraud Framework, which provides an overview of governance, prevention, detection, monitoring and evaluation for all ethics and fraud-related activities.

All alleged incidents of fraud, corruption and bribery are managed in accordance with the *Airservices Fraud Control Policy* and Ethics and Fraud Control Plan. These cover investigation and any action taken, including reporting fraud-related matters to the appropriate law enforcement agency.

Fraud risks are subject to quarterly and independent annual reviews. All reasonable measures are undertaken to minimise and investigate incidents of fraud, with recovery of fraud losses also occurring wherever possible.

We also undertake targeted fraud reviews in areas of significant risk to the organisation.

Risk management

We meet the requirements of section 16 of the *Public Governance, Performance and Accountability Act 2013*, developing and implementing mitigation strategies and actions for identified enterprise risks, and quarterly reporting on those activities to the Audit and Risk Committee and Airservices Executive. This helps assure the Board and CEO that risks are being managed appropriately and in line with their expectations.

Throughout 2016–17, Airservices continued to promote a culture of active risk management. We managed our risk exposure by implementing risk management principles and practices as outlined in the Governance, Risk and Compliance Policy and Risk Management standard. Airservices 2016–17 risk management plan was prepared in accordance with the Commonwealth Risk Management Policy and the risk management standard AS/NZS ISO 31000:2009.

Adverse effect of non-commercial commitments

No non-commercial commitments were recorded during 2016–17.

Judicial decision and reviews by outside bodies

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

Reports (Auditor-General, Parliament or Ombudsman)

We were not subject to any reports by the Parliament, the Commonwealth Ombudsman or the Office of the Australian Information Commissioner.

We were the subject of two audits by the Auditor-General, other than those mentioned under section 43 of the *PGPA Act 2013* (which deals with the Auditor-General's audit of the annual financial statements for Commonwealth entities). These two audits examined Airservices oversight and implementation of the OneSKY Program. Under the programme, Airservices is the lead agency for the joint Airservices/ Department of Defence procurement of a civil military air traffic management system (CMATS). The reports were:

- Procurement of the International Centre for Complex Project Management to assist on the OneSKY Australia Program, August 2016 (referred to below as the 'Procurement Program')
- Conduct of the OneSKY tender, April 2017.

The Procurement Program audit examined the effectiveness of Airservices procurement arrangements, focusing on the administration of consultancy contracts entered into with the International Centre for Complex Project Management (ICCPM) in relation to the OneSKY Australia project.

The audit found shortcomings in Airservices procurement policies and procedures, and in the implementation of probity principles for the ICCPM arrangements. Airservices accepted all six recommendations made by the Australian National Audit Office (ANAO) and completed implementation by 30 September 2016.

The OneSKY audit assessed whether the tender was conducted to ensure value for money and meet the timeframes required for the effective replacement of the existing air traffic management platforms.

The audit concluded that:

- the tender process design was capable of producing a value-for-money outcome
- it promoted a healthy level of competition
- its two-stage implementation was appropriate for the scale, scope and risk of the joint procurement
- the evaluation governance process was appropriate.

While there was evidence that the successful tenderer was assessed as better from a technical and schedule risk perspective, there was insufficient substantiation regarding value for money and tender affordability. Nonetheless, the report made no recommendations to Airservices for improvement.

While Airservices was confident the tender evaluation process clearly identified the tenderer that offered the best value for money at an acceptable level of risk, some potential improvements were identified for the evaluation criteria.

Security

Our Board and leadership are committed to protecting our people, information and assets to deliver safe operational services to our customers. We achieve this by identifying and managing our security threats and aligning our security risk management processes to the *Protective Security Policy Framework and the Information Security Manual*.

We recognise that our people are integral in maintaining a security-aware culture in the organisation. In support of this, we have initiated a range of measures to uplift our capability to meet the challenges from cyber actors, terrorists and a range of other threats. We are dedicated to raising organisational cyber security awareness and capability to mitigate increasing cyber security threats.

We apply security standards 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. As an aviation industry participant, we maintain a Transport Security Program and associated Aviation Security Identification Card Program. The programmes are current as required under the *Aviation Transport Security Act 2004* and the *Aviation Transport Security Regulations 2005*, and are approved by the Office of Transport Security.

Resilience

In 2016–17, we launched our new *Resilience Standard*, which strives to enhance overall resilience through improved and integrated business continuity practices, major incident and event planning, and workplace emergency planning. We published new procedures for undertaking business continuity planning and reviewed our activation process for major incidents. We conducted a number of exercises across the organisation to improve the understanding and use of continuity and emergency plans from local tower operations to executive response.

We worked with Australian Government stakeholders to engage with the Critical Infrastructure Centre and the Critical Infrastructure Criticality Project as part of the aviation sector group. We also engaged Emergency Management Australia to ensure agencies understand the role and needs of Airservices during a disaster. The Airservices response to Tropical Cyclone Debbie in March demonstrated the value of maintaining close links with these stakeholders.

We used Business Continuity Awareness Week 2017 in May to promote the global theme of cyber security, providing staff with a greater understanding of threats and the importance of cyber resilience. Using the theme "how can we be SAFE if we aren't SECURE", our activities and information campaign linked cyber security closely with our safety culture.

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 kind of personal information we collect and hold
- how we collect and hold personal information
- the purposes for which we collect, hold, use, and disclose personal information
- how to access your personal information held by us and seek correction of such information
- how to 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 2016–17, 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) 62684877

Fax: (02) 6268 5148

Email: legal@airservicesaustralia.com

Commonwealth Ombudsman activity

During 2016–17, Airservices received no formal requests for information from the Office of the Commonwealth Ombudsman.

Aircraft Noise Ombudsman activity

During 2016–17, Airservices received four formal requests for information from the Aircraft Noise Ombudsman and closed each request.

Mr Ron Brent's appointment as Aircraft Noise Ombudsman concluded and Ms Narelle Bell was appointed the new ombudsman in February 2017. We thank Mr Brent for his service and achievements in shaping Airservices approach to noise management.

Consultative arrangements

We welcome comment from other organisations and the public on our policies and practices. We maintain several methods for consultation, including through our website, www.airservicesaustralia.com, by attending airport community aviation consultation groups and other forums, and through the national Noise Complaint and Information Service, industry and pilot briefings, and 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 90 Community Aviation Consultation Group meetings and technical noise forums.

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; service agreements; and Chief Executive Directions.

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 84 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.

APPENDIX 8: NOISE COMPLAINTS AND INFORMATION SERVICE DATA

The number of people contacting the Noise Complaints and Information Service between 1 July 2016 and 30 June 2017 declined by 40 per cent compared to the same period for the previous year (from 3916 to 2368 complainants). A summary of the number of complainants for eight major airports is in table 14.

The number of complainants about Perth Airport activities declined by 59 per cent and those about Gold Coast Airport activities by 49 per cent. The higher level of complainants at those airports in the previous year was due to significant levels of feedback from the community regarding the exploration of measures to mitigate noise impacts. As those actions were finalised in that year, the number of complainants reduced in 2016–17.

For Perth Airport, Airservices investigated a total of 31 changes and successfully implemented 10 of these. The main area of community focus related to a proposed change to night time departures from Runway 21. Communities affected by the existing departure route were in favour of the proposal; however, communities that would be affected as a result of the change were against the proposal. Analysis of noise modelling data led to the determination that it was not feasible to implement this proposal.

For Gold Coast Airport, Airservices trialled a new departure flight path to the south. The aim was to reduce noise impact for the community by maximising flights over Banora Point Golf Course. Airservices concluded that the trial did not achieve the intended noise reductions.

An unexpected outcome was also that flights were concentrated over particular areas. Due to this, and consideration of community feedback, Airservices decided not to implement the trial flight path permanently.

In 2016–17, only Cairns and Canberra saw a rise in complaints compared to the previous year (by three and 30 per cent respectively). The increase in Canberra can be attributed to concerns about the introduction of a late-night international service, which caused the number of complainants to rise to 43 from a relatively low base of 33 the previous year.

Table 14: Number of complainants who contacted the NCIS for eight major airports

Airport	1 June 2014 – 31 May 2015	1 June 2015 – 31 May 2016	1 July 2015 – 30 June 2016	1 July 2016 – 30 June 2017
Adelaide	183	95	111	111
Brisbane	356	287	286	247
Cairns	30	30	37	38
Canberra	46	30	33	43
Gold Coast	261	381	411	210
Melbourne	188	199	204	155
Perth	1,642	2,170	1,913	791
Sydney	909	925	921	773
Total	3,615	4,117	3,916	2,368

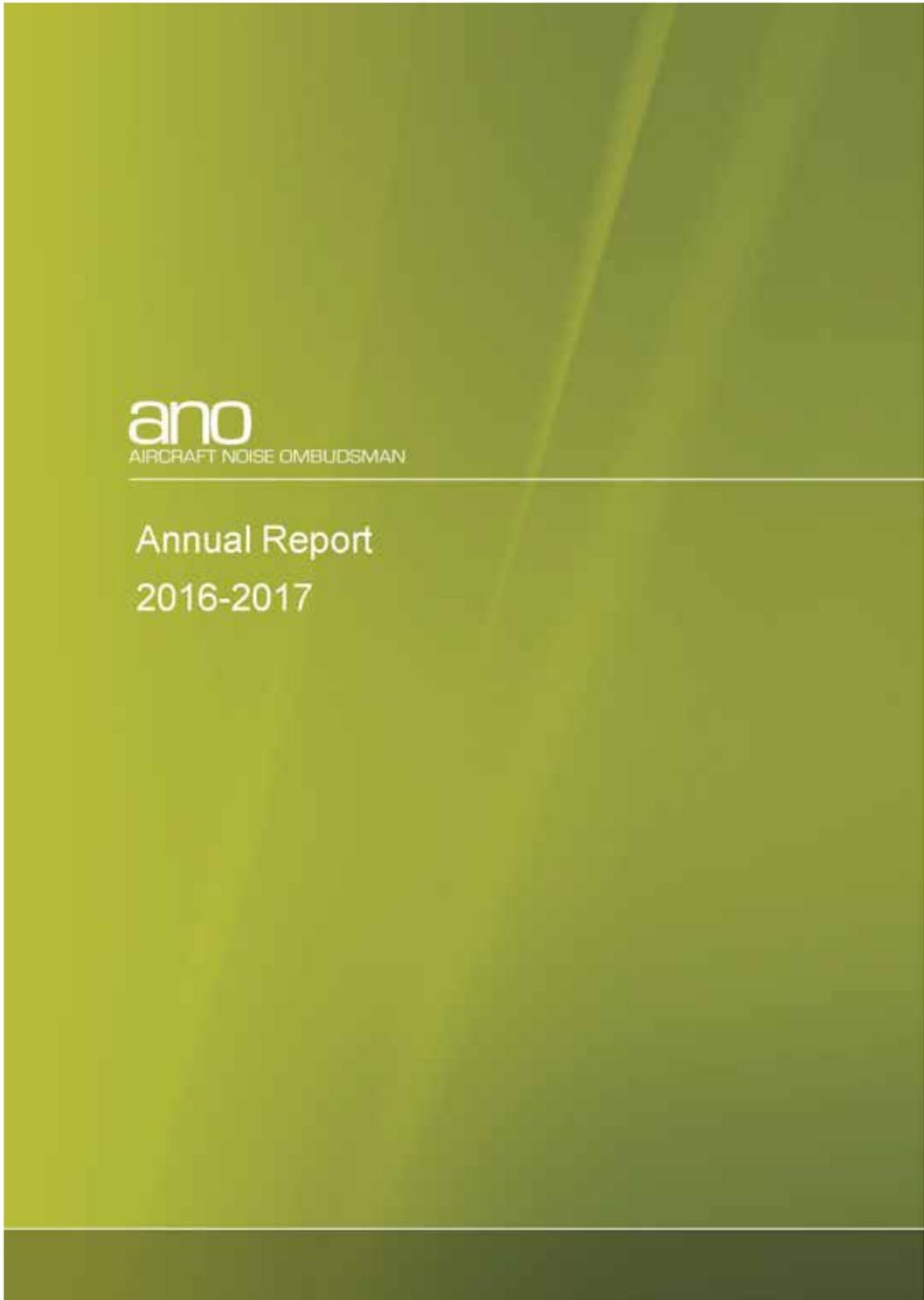


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ANO role

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

Website: www.ano.gov.au

Email: ano@ano.gov.au

Phone: 1800 266 040

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

1 From the Ombudsman

1.1 I am very pleased and excited to have been appointed as Aircraft Noise Ombudsman. In the five months since I began in the role I have been fascinated by the wide and varied range of issues that emerge in this field. Although new to aviation, I am not new to looking at the way government or agency decision making affects ordinary people in their daily lives. A background in administrative review, tribunals, legal policy development and the public and community sectors, means I am well acquainted with the consequences of agencies' failure to properly engage with affected communities. Right now, my new-ness to aviation means I can offer some insights from the perspective of an outsider – a perspective I share with most of the community.



"I am determined to deliver an effective and influential ANO service, faithful to the principles that underpin the Ombudsman model"

1.2 I am determined to deliver an effective and influential ANO service, faithful to the principles that underpin the Ombudsman model:

- An Ombudsman is independent – not aligned with or subject to government or government agencies or industry or the community.
- An Ombudsman investigates complaints, facilitates resolutions, publishes reports, supports and promotes relationships, raises issues, improves communication, persuades, influences and makes recommendations.
- An Ombudsman is concerned with transformative change and with incremental continuous improvement.

1.3 The ANO is not, as some residents would hope, a community advocate, but neither are we an industry agent or defender of the status quo. That means that, like any ombudsman, we have a unique perspective: a high and wide view of the range of interests, imperatives and concerns. This also means we have a balanced view of any issue.

1.4 As a specialist ombudsman, we bring particular insight that goes beyond purely procedural or administrative review by drawing on a high level of expertise in aviation, complaint management and investigation experience and an understanding of how government and agencies work. This leads to the identification and pursuit of noise improvements or, far more often, the provision of better explanations in the many cases where no improvements in aircraft noise issues can be identified.

1.5 Community engagement is a key aspect of aircraft noise management on which I intend to have particular focus in the coming years. Effective engagement with the community is essential for public trust and understanding. I want our work with Defence and Airservices to deliver more and better community engagement around aircraft noise issues, especially in this period of extensive development in the Australian aviation sector.

1.6 I would like to acknowledge the enormous contribution that Mr Ron Brent made during his almost six and a half years as Aircraft Noise Ombudsman until his departure in February 2017. As the first Aircraft Noise Ombudsman in Australia, Ron established an office that is widely recognised within the aviation industry and amongst many community members as an independent, credible and respected authority on aircraft noise management. Important achievements of the ANO office during Ron's tenure include transforming the way complaints are handled and shifting the attention in noise management from technical noise parameters to the drivers of annoyance.

“As the first ANO, Ron Brent established an independent, credible and respected authority”

1.7 Additionally, I recognise and celebrate the ongoing contribution of the small but highly skilled and effective ANO team (past and present), who supported Ron throughout his tenure. I consider myself extremely fortunate to be working with this superb team. In supporting the transition to my leadership, the current ANO team of Tim Abberton, Kate Burmester and Kristy Ryan has in every respect been generous, thoughtful, efficient, and patient beyond all reasonable expectations with all of my many questions. I am privileged to have inherited such a highly skilled, dynamic and dedicated staff. They are the life blood of the ANO office.

1.8 I am pleased to summarise some of the ANO's achievements from the 2016-17 financial year:

- ❖ Finalising our second major review for Defence: *Review of Defence's Aircraft Noise Complaints Management System (November 2016)*, including seven recommendations for improving complaint management across the organisation.
- ❖ Seeing the completion by Airservices of its six remaining recommendations from our *Investigation into Complaints about the Perth Noise Improvement Proposals (November 2015)*.
- ❖ Seeing the completion by Defence of its five remaining recommendations from our *Review of Australian Super Hornet Flying Operations at RAAF Base Amberley (August 2015)*, including the much-awaited launch of an online noise complaint form.
- ❖ Identifying and investigating five new potential noise improvements in response to a total of 131 complaints handled by the ANO office. One Airservices opportunity appears likely to deliver a small flight path change later this year that will potentially benefit thousands of coastal Sydney residents, while two Defence opportunities could reduce the number of aircraft overflying nearby residential areas.

“Noise improvement opportunities continued to be identified from complaint investigations by the ANO”

1.9 Also of note was an update to the ANO Charter. Following a periodic review, the Board of Airservices Australia and the Chief of Air Force endorsed an amended Charter, effective from November 2016. The amendments included editorial improvements and clarification of the Aircraft Noise Ombudsman's review processes and operations. The current ANO Charter, and all previous versions are available on the ANO website: <http://www.ano.gov.au/about/>.

1.10 Through the 2016-17 period, Airservices has been significantly reforming itself through a program called *Accelerate*. This process has led to change in its management of community engagement about aircraft noise issues, including a shift in accountability for engagement from a central head office function to being integrated into the operational Air Traffic Control group. During 2016-17, concerns about Airservices' changed approach to community engagement were expressed to the ANO by a variety of individuals, including the Chairs of some Community Aviation Consultation Groups (CACGs), community representatives, airports and others affected by this issue. The concerns were largely about the quality of information being provided, or that would be provided, following the devolution of responsibility for Airservices' engagement with CACGs to local operational managers, rather than being conducted by the previously centralised skilled community relations team. However, Airservices has been responsive to feedback and is looking for ways to adapt its community engagement approach accordingly, including a plan for training and having senior consultation specialists jointly conducting the engagement with the local operational managers at some major airports.

"The ANO has been closely monitoring Airservices' community engagement"

seeing Airservices position itself to provide more and better community engagement about aircraft noise.

1.11 The ANO has been closely monitoring the quality and effectiveness of Airservices' community engagement during this time of change. Airservices advised that it is near to finalising a community engagement strategy. The ANO looks forward to

1.12 Defence has responded to the recommendations of our reviews and is starting to make visible progress with improving its complaints management system and information provision about aircraft noise. Internally Defence has commenced reviewing and refreshing its Aircraft Noise Strategy, taking on board its experiences over the past three years. We have noted the particular challenge Defence faces with having a continuously rotating workforce so that issues that have previously been addressed must be addressed again with a new person in the role. There seems to be limited access to lessons learnt in the past. We will be looking for opportunities to improve Defence's capacity to share and embed its learnings on aircraft noise management and complaint handling.

"Defence is reviewing and refreshing its Aircraft Noise Management Strategy"

1.13 A central feature of the ANO role is to seek out opportunities for improvement in the agencies we oversee. This brings with it the need to challenge existing practices, processes and decisions. Necessarily this may involve criticism and, while never directed personally at any individuals, we accept that for the staff involved this can sometimes be difficult. We recognise how challenging this can be and thank the staff of Airservices and Defence with whom we work day-to-day and the leaders who support them. Along with my commencement in this role, there have been staff changes in both Airservices and Defence. Despite these changes, there remains a commitment to working constructively with the ANO. I look forward to building on these relationships and, through them, to ensuring the ANO continues to make valuable contributions to the management of aircraft noise by Defence and Airservices.

1.14 We are also grateful to those individuals in the community who invest their personal time in raising concerns and making suggestions for change. Since I started in this role I have made an effort to meet with people individually as well as through structured community forums. I am routinely impressed by the care and effort that people put into raising their issues and ideas about aircraft noise management. Without an engaged community, we could not do our work to the standard we expect of ourselves.

1.15 I look forward to building on the strong foundations of the ANO in 2017-18.

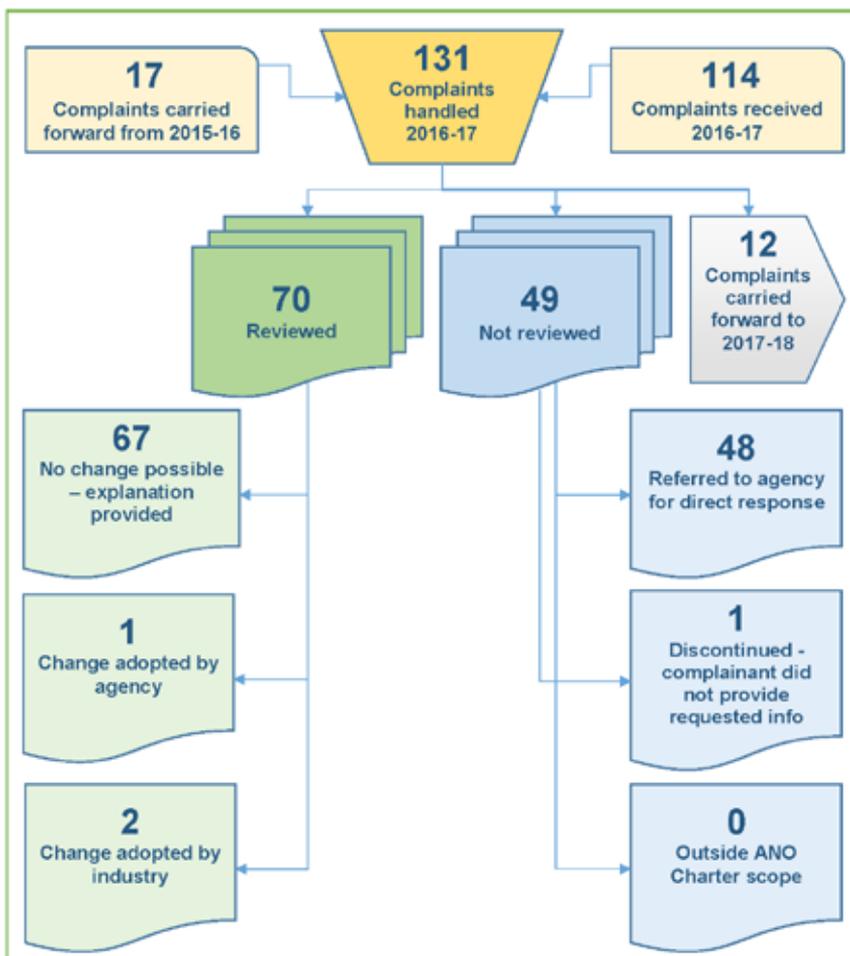


Narelle Bell
Aircraft Noise Ombudsman
31 August 2017

2 Complaints

Complaint statistics

2.1 The ANO received almost half the number of complaints in 2016-17 than in the previous financial year. The following graphic shows how we handled them.



2.2 **Attachment 1** provides a summary of ANO complaint statistics for 2016-17.

2.3 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)	254	21.2	↑ 6.3%
Jul 2016-Jun 2017 (12 mths)	114	9.5	↓ 55.1%

2.4 The significant increase in complaints received during the last quarter of the 2014-15 financial year and into the 2015-16 financial year was not sustained into the 2016-17 period. The dramatic reduction in complaints about Airservices translated to a better than halving in the overall average number of complaints received per quarter by the ANO, from 63.5 in 2015/16 to 28.5 in 2016/17 (see graph below).

Graph 1: Complaints received by the ANO by quarter in 2015-16 and 2016-17



2.5 In 2015, Airservices introduced some flight path changes in Perth and the Gold Coast that triggered relatively high levels of complaint from those areas. Additionally the announcement of the Western Sydney Airport site at Badgerys Creek in August 2015 generated higher levels of concern from the Sydney and Blue Mountains areas. In 2016-17, these locations have continued to be the source of many complaints, however the total numbers are back down to the levels prior to the changes of 2015-16.

Graph 2: Civil complaints received by the ANO, showing airport of concern, 2013-14 to 2016-17



2.6 The ANO started the financial year with 17 open complaints and received a further 114 complaints during the period. Of the total 131 complaints handled in 2016-17, we closed 119. Of these, we reviewed 70 complaints in detail, referred 48 back to either Airservices or Defence to respond to directly, and closed one more without review due to a lack of information from the complainant.

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%
2016-17	131	70	53%

- 2.7 Of the complaints reviewed in 2016-17, most did not lead to any change (see table below). In such cases, the ANO, having investigated the issues, provides a detailed explanation to the complainant. It should be noted that there are five complaints still under review because a potential opportunity for a noise improvement has been identified in each case. These cases have not yet been closed so are not reflected in the statistics below.

Table 3: Outcome of complaints reviewed by the ANO in 2016-17

Complaints reviewed and closed:	70	
No change possible - explanation provided	67	95.8%
Change adopted by Airservices	1	1.4%
Change adopted by airport operator	1	1.4%
Change adopted by operator	1	1.4%

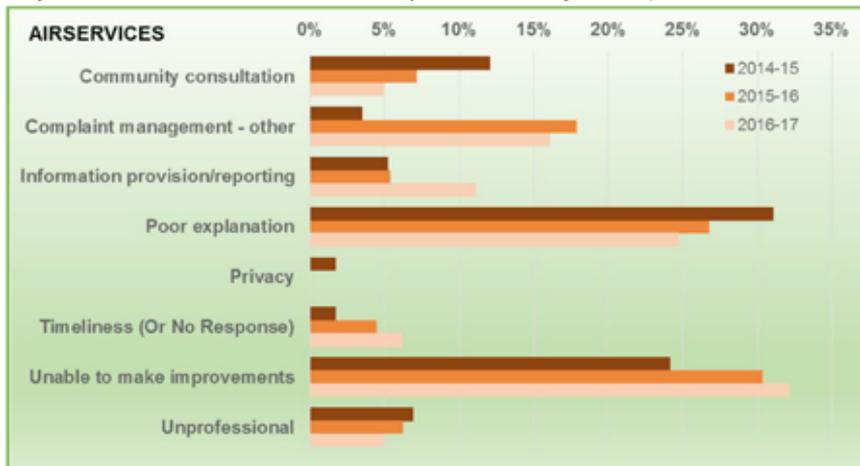
- 2.8 The complaint that led to a change by Airservices arose from community reactions to an altered approach path into the Gold Coast Airport, introduced in late August 2016. While Airservices had undertaken community consultation about the changes proposed, the potential noise and overflight impacts were not clearly presented. The community did not realise that there would be impacts so had not expressed any concerns about the proposed changes. When the changed procedures began to be used, the impacts were clearly noticeable by the newly affected communities, leading to a significant level of community concern. Airservices was responsive to this and acknowledged the errors in its communications materials. Importantly, Airservices quickly identified and introduced a noise abatement procedure to minimise use of the new approach path so that additional noise impacts on the community are avoided except as a last resort.
- 2.9 The change adopted by an airport operator was made in the Hervey Bay area, where the local council who operates the airport undertook to establish a Fly Neighbourly Agreement with the operators whose flight training activities were impacting on the community. A Fly Neighbourly Agreement is a voluntary set of rules or a 'code of conduct' agreed between aircraft operators and airports to reduce disturbance caused by aircraft. Such agreements exist at many locations and, despite not being enforceable by law, they are generally adhered to by aircraft operators. The agreement would cover hours of operation and flight routes to lessen the impact of noise generated by the aircraft on residents.
- 2.10 In Adelaide there has been ongoing concern about emergency services helicopters operating at night over the suburbs. These concerns continue. However, following our review of a complaint on this matter in August 2016, the operator did undertake to ensure its training activities were undertaken prior to 11pm. In an effort to manage community expectations and reduce annoyance associated with the unavoidable impacts of its activity, the operator was also developing plans to better inform local residents of training schedules and what can be expected during emergency flights.

Issues analysis

2.11 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 and to target areas for improvement.

2.12 For Airservices, the graph below shows reported issues arising from complaints about Airservices that were reviewed by the ANO and closed in the 2016-17 financial year compared with the two previous financial years. Given the significant difference in the number of reviewed cases each year, the number of issues is shown as a percentage of the reviewed cases for each year.

Graph 3: Airservices issues identified from complaints reviewed by the ANO, 2014-15 to 2016-17



2.13 The previous graph shows that in the past financial year, as in previous years, 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. The continuing trend of the 'poor explanation' category reducing, while the 'unable to make changes category' increases suggests that Airservices may be improving overall in its explanations in those instances where there is nothing that can be done to reduce the noise. The complainants are seeking confirmation from the ANO of this determination and in almost all instances, the ANO cannot identify improvement and endorses the outcome of the complaint as handled by Airservices.

2.14 There is a notable increase in complaints about information provision/reporting, although in total numbers of complaints these figures are small. Analysis suggests that the information concerns relate either to the information provided not aligning with the complainant's experience or to the reporting of complaints not reflecting the number of contacts from complainants of a particular area. Aircraft noise complaint reporting is something the ANO office is continuing to consider and provide feedback on.

2.15 For Defence, the ANO reviewed just six cases in total during 2016-17. Within this small sample, the dominant issues, as displayed on the graph below, were “complaint management - other” and “information provision/reporting”. The former issue related mainly to complainants experiencing difficulty initially reaching the right person (or area) within Defence who could respond to their complaint or enquiry. The latter issue reflected separate concerns from two residents about Defence’s Australian Noise Exposure Forecast (ANEF) maps for Darwin and Williamtown.

Graph 4: Defence issues identified from complaints reviewed by the ANO, 2015-16 to 2016-17



2.16 The ANO is aware that ANEF maps have a very specific land-use planning purpose and are highly technical in nature. This can lead to confusion for members of the public, who are likely to find it difficult to interpret the information. For this reason, the ANO cautions against placing too much emphasis on the ANEFs as a tool for publicly communicating expected noise impacts.

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 2016-17.
- 3.2 Five new noise improvement opportunities were identified in the past year, in addition to two that had been identified but not finalised from the previous year. In Adelaide, the emergency services operator has undertaken some minor changes and in Point Cook, Defence has addressed a number of information and complaint handling issues, with the noise improvement opportunity still being investigated. The other opportunities remained under investigation at the end of 2016-17.

4 Community engagement and information provision

- 4.1 As in previous years, the ANO office has continued to attend 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 take 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 awareness of the ANO role, our recent activities, and the opportunities we are pursuing to improve noise outcomes.
- 4.2 This year ANO staff attended 16 Airport Community Aviation Consultation Group (or equivalent) meetings. We also 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 the New Zealand Airports Association's Annual Conference, and at the International Civil Aviation Organisation's *Committee for Aviation Environmental Protection - Working Group* on aircraft noise.

5 ANO reviews

Airservices

5.1 The ANO did not undertake a formal review of Airservices in 2016-17. During the period, Airservices addressed the six remaining recommendations made in our review: *Investigation into Complaints about the Perth Noise Improvement Proposals (November 2015)*. All recommendations from this review are now closed.

Defence

- 5.2 The ANO delivered our foreshadowed *Review of Defence's Aircraft Noise Complaints Management System* in November 2016. The review assessed the effectiveness of Defence's handling of complaints about aircraft noise 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".
- 5.3 The review made seven recommendations to improve Defence's complaints management system, which Defence is working on, including:
- Defence to use complaint data to identify and pursue noise improvement opportunities, enhance public consultation and improve information provision.
 - Defence to improve public information about the complaints process.
 - Defence to review and improve web based information on aircraft noise.
 - Defence to improve complaint management processes for written responses to residents.
 - Defence to share data, experience and learnings across bases to maximise noise improvement opportunities and enhance complaint management across Defence.
- 5.4 Defence also continued to address the five remaining recommendations made in our first review, *Review of Australian Super Hornet Flying Operations at RAAF Base Amberley (August 2015)*. All recommendations from this review have now been closed, including the much-awaited launch of an online noise complaint form.
- 5.5 **Attachment 3** summarises the ANO assessment of progress on all recommendations that were either open at the start of or made during this financial year.



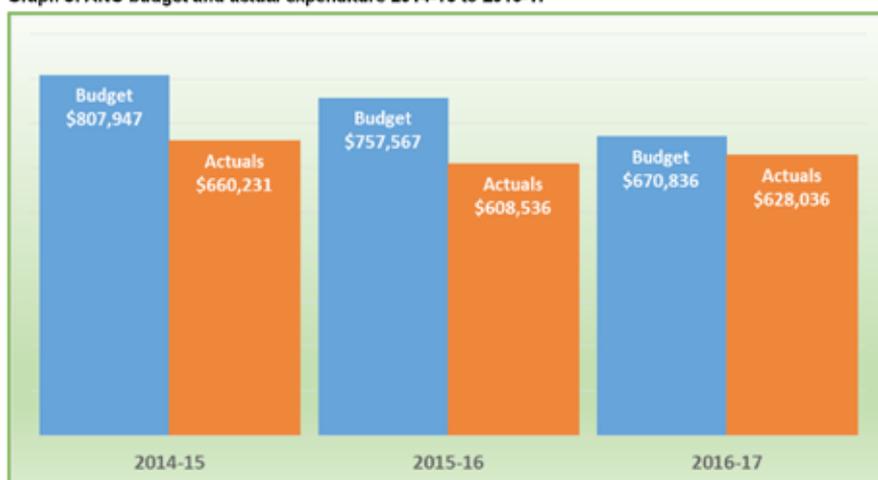
6 ANO publications

- 6.1 In addition to our quarterly reports and last year's annual report, the ANO published the following on our website during 2016-17:
- 30 November 2016 - Review of Defence's Aircraft Noise Complaints Management System
 - 14 December 2016 - Revised ANO Charter
 - 16 December 2016 – notice of ANO Charter amendment
 - 3 February 2017 - Appointment of Aircraft Noise Ombudsman
- 6.2 Aircraft Noise Ombudsman Ron Brent also published an article in the August-September issue of the Airports International magazine, called *Airports' Permission to Grow: Addressing Aircraft Noise*.
- 6.3 Further, an article about the ANO's presentation in September 2016 to the New Zealand Airports Association (NZAA) was published in the November 2016 issue of the NZAA's Magazine.

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 within the annual budget, which was again lower than allocated in the previous financial year. In 2016-17, the total operating expenditure of the office was \$628,036 against a total budget of \$670,836.
- 7.3 Costs include all staff salaries and entitlements, travel and administrative overhead costs. The small under-spend compared to budget mainly reflects savings made in staff costs, travel and incidentals.

Graph 5: ANO budget and actual expenditure 2014-15 to 2016-17



Attachment 1 ANO Complaint Statistics

The following summarises the ANO complaint statistics for 2016-17.

	Total	Airservices	Defence
Complaints carried forward from 2015-16	17	15	2
Complaints received 2016-17	114	99	15
Total complaints handled in 2016-17	131	114	17
<u>Closed complaints - reviewed</u>			
No change possible - explanation provided	67	61	6
Change adopted by Airservices or Defence	1	1	0
Change adopted by airport operator	1	1	0
Change adopted by operator	1	1	0
Total complaints reviewed and closed	70	64	6
<u>Closed complaints - not reviewed</u>			
Referred to agency to respond to directly	48	40	8
Complainant did not provide further information	1	1	0
Outside Charter scope	0	0	0
Total complaints not reviewed and closed	49	41	8
Complaints closed during 2016-17	119	105	14
Complaints carried forward to 2017-18	12	9	3

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 2016-1 financial year.

Noise improvement opportunities considered during 2016-17

Complaint received by ANO	Description of initiative	Current status
Mar 2016	Sydney: adjustment to flight paths over water during curfew hours	The ANO 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. Following ANO analysis and feedback, Airservices has re-visited its initial investigation into the feasibility of changing the standard instrument departure. Airservices considers a change may now be possible and has commenced the formal change process, including detailed procedure design, necessary assessments and relevant consultation. This work continues to proceed smoothly. Barring any unexpected issues, a change is likely to be introduced later this year that will potentially benefit thousands of coastal Sydney residents.
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 met with various stakeholders to understand more about the nature of the late night emergency services helicopter operations at Adelaide Airport to determine if any opportunities were available to reduce the noise impacts while meeting operational needs. Although some concerns continue, the operator did undertake to ensure its training activities were undertaken prior to 11pm. It was also developing plans to better inform local residents of training schedules and what can be expected during emergency flights in an effort to manage community expectations and reduce annoyance associated with the unavoidable impacts of its activity.
Nov 2016	Pallarenda: ATC procedure changes to reduce overflight of residential areas	The ANO is pursuing with Defence a possible noise improvement for residences in the Pallarenda area north of RAAF Base Townsville. The ANO has asked Defence to give detailed consideration to options to reduce the number of aircraft overflights by both civilian and military aircraft departing Townsville Airport to the north. In early July, the ANO team visited Townsville to progress this matter with Defence. A number of potential changes have been identified that could reduce the overflight of Pallarenda. Defence will explore the feasibility of these potential changes in detail and undertake the necessary consultations with operators before determining if and how any changes may be introduced.

Continued on next page

Complaint received by ANO	Description of initiative	Current status
Feb 2017	Brisbane: adjustment to arrival flight path to reduce overflight of residential areas	<p>Following a suggestion from a resident of Clear Mountain (north of Brisbane Airport), the ANO has asked Airservices to give consideration to a possible noise improvement. The suggestion is that moving the Standard Terminal Arrival Route from the north-west to Brisbane Airport's main runway to approach from further west would potentially result in a significant reduction in the number of residential areas overflown.</p> <p>Airservices has done a preliminary investigation and advised the ANO that the proposal is not practical at this time, due to the new airspace design work being already well advanced for introduction of the new parallel runway. To divert resources to another earlier change, that will then be superseded relatively soon after introduction, is not practical. However, the opportunity to incorporate noise improvements into the design of the new parallel runway approach paths is being pursued by Airservices, including for the Clear Mountain area.</p>
May 2017	Point Cook: flying orders amendment	In response to complaints received about a recent exercise, Defence is investigating the opportunity to change flying orders at RAAF Base Williams in Point Cook to encourage helicopters to operate over less noise sensitive areas.
May 2017	Hobart: relocation of flying training area	Airservices has agreed to consider an alternative area for General Aviation training to reduce impacts on nearby residential areas. Consideration needs to be given to potential overflight of new residential areas by aircraft transiting to an alternative training area. The investigation is at an early stage.
June 2017	Perth: changes to northern smart tracking approach path to reduce noise impacts for residents	This suggestion was first raised by residents prior to the new path being introduced in Sept 2015. At the time Airservices advised that the 12-month trial would be conducted with the path as designed and consideration of options to change the path would be part of the Post Implementation Review (PIR) process. The PIR report noted that 'the Perth Aircraft Noise Technical Working Group will consider the input from...residents when reviewing the use and design of Smart Tracking during 2017'. The ANO understands that Airservices has initiated discussions and is considering potential improvements for efficiency as well as noise benefits.

Attachment 3 ANO assessment of action on recommendations

During the 2015-16 financial year the ANO finalised two major reviews:

- Defence: Review of Australian Super Hornet Flying Operations at RAAF Base Amberley (August 2015)
- Airservices: Investigation into Complaints about the Perth Noise Improvement Proposals (November 2015)

At the start of the 2016-17 financial year, Defence had five recommendations not yet closed and Airservices had six. All of these recommendations have now been addressed and are closed.

During 2016-17, the ANO finalised another major review for Defence:

- Defence: Review of Defence's Aircraft Noise Complaints Management System (November 2016)

The following tables summarise the action taken during the 2016-17 financial year to address each of the outstanding recommendations.

Review of Australian Super Hornet Flying Operations at RAAF Base Amberley (Aug 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>Completed</u> – Defence has demonstrated improved record management practices that align with its published Noise Management Plan.
Recommendation 4 – Defence should as soon as possible 1. conduct a review of the state of implementation against the recommendations of the Vipac report completed in 2011. 2. report the findings of this review to the Commonwealth Environment Department in accordance with the Conditions of Approval.	<u>Complete</u> – Defence has demonstrated that a review of action taken following the recommendations of the 2011 Vipac report has been conducted and that the findings were reported to the Commonwealth Environment Department.
Recommendation 6 – Defence should review the reporting requirements in the Noise Management Plan and establish systems to ensure adherence to the requirements.	<u>Completed</u> – Defence has demonstrated that it promulgates information and reports that align with the requirements of Noise Management Plan.
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>Complete</u> – Defence has published version 1.1 of the Noise Monitoring and Complaints Handling Strategy and quarterly reports reflect the requirements of this version.
Recommendation 10 – Defence should expedite establishment of an online complaint lodgement capability.	<u>Completed</u> – Defence launched its online complaint capability on 12 July 2017.

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

Ongoing recommendations	ANO assessment of agency response
<p>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.</p>	<p><u>Complete</u> – Airservices has corrected its public website information and released the Post Implementation Review (PIR) for the Preferred Runways change reflecting the corrected data. Links to the PIR were also sent directly to individuals who had contacted the Noise Complaints & Information Service.</p>
<p>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.</p>	<p><u>Complete</u> – Airservices has released the PIR for the Preferred Runways change reflecting an incremental overall noise improvement.</p>
<p>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.</p>	<p><u>Complete</u> – Airservices has updated its National Operating Standard for 'Environmental Management of Changes to Aircraft Operations'. The ANO has reviewed this document and considers the requirements of this recommendation are addressed in the new version.</p>
<p>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.</p>	<p><u>Complete</u> – Airservices has released the PIR for the Preferred Runways change, which outlined that the change was implemented on a permanent basis as an intended means of reflecting current operational requirements and practices. Additionally the PIR includes discussion of the community consultation undertaken.</p>
<p>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.</p>	<p><u>Complete</u> – Airservices has updated its National Operating Standard for 'Environmental Management of Changes to Aircraft Operations'. The ANO has reviewed this document and considers the requirements of this recommendation are addressed in the new version.</p>
<p>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.</p>	<p><u>Complete</u> – Airservices has updated its National Operating Standard for 'Environmental Management of Changes to Aircraft Operations'. The ANO has reviewed this document and considers the requirements of this recommendation are addressed in the new version.</p>

Review of Defence's Aircraft Noise Complaints Management System (November 2016)

Ongoing recommendations	ANO assessment of agency response
Recommendation 1 – Defence should expand the focus of complaint investigation beyond compliance checking to also identify and pursue opportunities for noise improvements, improved community engagement and better public information.	<u>Ongoing</u> – Defence has advised that work is underway to amend its internal complaint processes to incorporate the recommended improvements.
Recommendation 2 – To help in managing complainant expectations, Defence should improve the public information about the complaints process to address the information requirements outlined in the Standard and as identified within the report.	<u>Ongoing</u> – Defence has advised that the Standard has been reviewed and public information about the complaints process is expected to be published by the end of 2017.
Recommendation 3 – Defence should review the Defence Aircraft Noise web information and, taking account of comments in this report, make improvements to information provision, presentation and functionality.	<u>Ongoing</u> – Defence has advised that it has made some changes already, including launching its online complaint form. Plans for a broader refresh are underway.
Recommendation 4 – To support the timely release of written responses, Defence should: <ol style="list-style-type: none"> document the procedures to be followed in the event of written complaints (whether received through post, email or an online form), ensuring such procedures incorporate a timely acknowledgement of the complaint streamline any necessary review and approval processes for written responses to complaints consider the provision of training and support material for staff that will be responding to complaints, in particular via email following the introduction of electronic complaint submission. 	<u>Ongoing</u> – Defence has advised that process review and refinement is underway.
Recommendation 5 – Defence should adhere to its existing requirements for complaint recording and tracking.	<u>Ongoing</u> – Defence has advised that work is underway to amend its internal complaint processes to incorporate the recommended improvements and improve adherence to existing requirements.
Recommendation 6 – Defence should update its localised recording systems and the OA39 form as appropriate to incorporate: <ol style="list-style-type: none"> Closing date A place to record consideration of noise improvement opportunities, community engagement improvements and public information improvements Undertakings or follow up action required (including who is accountable for delivery). A mechanism for tracking any undertakings or follow up actions through to completion. 	<u>Ongoing</u> – Defence has advised that work is underway to amend its internal complaint processes to incorporate the recommended improvements.

Continued on next page

Ongoing recommendations	ANO assessment of agency response
<p>Recommendation 7 – Defence should:</p> <ul style="list-style-type: none"> a. ensure that complaints not readily ascribed to a base are managed as effectively as other complaints b. share data, experience and learnings across bases to maximise noise improvement opportunities and enhance complaint management across Defence. 	<p><u>Ongoing</u> – Defence has advised that initial consideration has been given to how to address this recommendation, with more detailed plans to be developed.</p>

ACRONYMS

AASB	Australian Accounting Standards Board
A-CDM	Airport collaborative decision-making
ACCC	Australian Competition and Consumer Commission
ANO	Aircraft Noise Ombudsman
ARFFS	Aviation Rescue Fire Fighting Services
ADS-B	Automatic Dependent Surveillance Broadcast
ASPIRE	Asia and South Pacific Initiative to Reduce Emissions
ATM	Air traffic management
Baro-VNAV	Barometric vertical navigation
CANSO	Civil Air Navigation Services Organisation
CASA	Civil Aviation Safety Authority
CMATS	Civil military air traffic management system
CSS	Commonwealth Superannuation Scheme
EMS	Environmental Management System
ESD	Ecologically sustainable development
FRR	Financial reporting rules
FMS	Flight management system
FEC	Forward exchange contracts
FOI	Freedom of Information
GBAS	Ground Based Augmentation System
HRIS	Human Resource Information Management System
ICAO	International Civil Aviation Organization
ICCPM	International Centre for Complex Project Management
IFR	Instrument flight rules
IRS	Interest rate swaps
INSPIRE	Indian Ocean Strategic Partnership to Reduce Emissions
INTAS	Integrated Tower Automation Suite
LR ATFM	Long range air traffic flow management
LTIFR	Lost time injury frequency rate
LTPA	Long Term Pricing Agreement
NCC	National Consultative Council
NPAT	Net profit after tax
P3M	Portfolio, program and project
PFC	Polyfluorinated chemical
PGPA	Public Governance, Performance and Accountability Act
RNP	Required Navigation Performance
SMS	Safety Management System
TAAATS	The Australian Advanced Air Traffic System
VCS	Voice communication system

COMPLIANCE INDEX

List of Public Governance, Performance and Accountability (PGPA) Requirements

Under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), section 46, corporate Commonwealth entities are required to prepare an annual report in accordance with subdivision B, sections 17BA to 17BF of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule). This index lists where specific requirements are covered.

Reference	Reference in PGPA Act 2013	Page no/Section
46(2)(a)	Timetable for tabling in Parliament	Complies
46(3)	Compliance with requirements prescribed in rules	Compliance index
39(1)(b)	Inclusion of annual performance statements	21
43(4)	Inclusion of annual financial statements	35

**Legislative
reference****Reference in PGPA Rule 2014 sections 17BB to 17BF****Page no/Section**

Legislative reference	Reference in PGPA Rule 2014 sections 17BB to 17BF	Page no/Section
17BB	Approval by accountable authority	Letter of transmittal
17BC	Parliamentary standards of presentation	Complies
17BD	Plain English and clear design	Complies
17BE(a)	Enabling legislation	15
17BE(b)(i)	Objects and functions of the organisation	15
17BE(b)(ii)	Purpose of the organisation	15
17BE(c)	Responsible Minister	Letter of Transmittal
17BE(d)(e)	Ministerial directions and government policy orders	16, Appendix 2
17BE(f)	Any non-compliance with directions or orders	None
17BE(g)	Annual performance statement	21
17BE(h)(i)	Significant non-compliance with finance law	None
17BE(j)	Information about accountable authority	Appendix 1
17BE(k)	Organisational structure	16
17BE(l)	Location of the organisation	16
17BE(m)	Statement on corporate governance	15, Appendix 1
17BE(n)(o)	Decision-making process regarding payments to other Commonwealth entities or companies	Not applicable
17BE(p)	Significant activities and changes affecting the organisation	16, 25, 31, 33, 111
17BE(q)(r)	Judicial decisions or administrative tribunal decisions impacting the organisation	118, 119
17BE(s)	Lack of information from a subsidiary	Not applicable
17BE(t)	Indemnities and insurance premiums	98
17BE(u)	Index of requirements	Compliance index
17BF	Disclosure requirements for government business enterprises	Not applicable

Other information requirements

Legislative reference	Reference in text	Page no/Section
<i>Environmental Protection and Biodiversity Conservation Act 1999</i> section 516A	Ecologically sustainable development and environmental performance	Appendix 6
<i>Equal Employment Opportunity (Commonwealth Authorities) Act 1987</i> , section 9	Equity and Diversity Progress report	Appendix 3
<i>Work Health and Safety Act 2011</i>	Work Health and Safety update	Appendix 5
Aircraft Noise Ombudsman Charter 2016	Aircraft Noise Ombudsman annual report	Appendix 8
Ministerial Statement of Expectations for the Board of Airservices Australia 2015-17, section 10	Workforce Plan Progress Report	Appendix 4
<i>Air Services Act 1995</i> , section 51	Adverse effect of non-commercial commitments	118

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