



Airservices Australia Remuneration Report

2016-17

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INTRODUCTION

The purpose of the Airservices Australia (Airservices) Remuneration Report 2016-17 is to summarise for the financial year ended 30 June 2017:

- the remuneration for Board Members (**Section 5**)
- the performance outcomes and remuneration for the Executive (**Section 4 and 6**)
- the remuneration for leadership roles other than the Executive (**Appendix 1**) and other staff who were remunerated \$200,000 and over (**Appendix 2**)

From 1 July 2016 the Board of Airservices implemented a remuneration strategy and industry-based remuneration model for the Chief Executive Officer (CEO) and Executive General Managers (EGMs) that directly relates to Airservices organisational performance and the achievement of organisational objectives.

This performance-based remuneration approach ensures the Airservices Executive drives performance and strengthens the alignment with our achievement of strategic objectives and customer value.

1. OVERVIEW OF AIRSERVICES

Airservices Australia is Australia's air navigation services provider. Our purpose is to provide valued, safe, secure, efficient and environmentally responsible air navigation and aviation rescue fire fighting services to the aviation industry.

Each year we manage over four million aircraft movements carrying more than 156 million passengers across 11 per cent of the world's airspace.

We have two major operating centres in Melbourne and Brisbane, and a corporate office in Canberra. We operate 29 air traffic control towers at international and regional airports, and provide fire fighting services at 26 Australian airports.

Airservices is a corporate entity wholly owned by the Australian Government. We do not receive Government funding and generate most of our revenue by levying for the services we provide to our customers – aircraft operators who fly in Australian airspace. The majority of our revenue comes from:

- en route services provided to flights using Australian airspace
- terminal navigation services including tower and radar approach services
- aviation rescue fire fighting services.

Prices for our services are set by the Airservices Board after extensive consultation with industry. They are subject to oversight by the Australian Competition and Consumer Commission.

Airservices pays tax and dividends to the Australian Government based on our financial results.

2. AIRSERVICES BOARD MEMBERS AND EXECUTIVE

Board Members

Airservices is governed by a Board that consists of a Chair, Deputy Chair, six (6) Non-Executive Members and the CEO. The Board, other than the CEO, is appointed by the Minister for Infrastructure and Transport. The CEO is appointed by the Board.

The Board is responsible for determining the corporate direction and strategies, and ensuring that we perform our functions in a proper, efficient and effective manner.

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

Executives

The Executive is accountable for leading, planning and managing Airservices operations, activities and performance in pursuit of our mission.

Executives	Title	Commenced	Finished
Stephen Angus	EGM Air Navigation Services	1 July 2016	Current
Michelle Bennetts	EGM Aviation Rescue Fire Fighting Services	25 January 2013	Current
Steven Grundy	EGM 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
Rob Weaver	EGM Safety and Assurance	25 January 2013	Current

3. REMUNERATION STRATEGY AND SETTINGS

Executive Remuneration

In 2016-17 Airservices undertook the Accelerate Program, transforming our business to be more customer-focused and commercially sustainable while maintaining the safety of air navigation as our most important consideration.

The responsibility of our Executive and other leaders is to further improve and innovate our business, and build a workforce that is customer-centric with an accountable performance culture.

Within this context, the industry-based remuneration strategy ensures our Executive individually and collectively contribute to and drive sustained organisational performance that delivers better customer value and corporate results for the long term. The remuneration model consists of two elements: Total Fixed Remuneration (TFR) and Short Term Incentive Payment (STI).

Total Fixed Remuneration

Each Executive role is independently evaluated to determine internal and external relativities of the position's level of work value, size and complexity, accountability, and expertise and judgement required to be successful.

The position is benchmarked against a comparator group for Airservices comprising a blend of industry and sector relevant private and public sector organisations. The remuneration is subsequently set within the 50th percentile of the Mercer National General Market (MNGM). The MNGM comprises comprehensive data from over 750 organisations with over 330,000 data points across multiple industries, sectors and job families to provide an overall representation of the market.

The TFR for our Executive includes cash salary, employer contributions and any salary sacrifice component. It is reviewed annually against the remuneration benchmarking data and corporate performance, with a focus on maintaining a commercially responsible position.

These key inputs are provided through external independent advice from Mercer Australia.

The 2016-17 TFR for the Executive is provided in **Section 6**.

Short Term Incentive Payments

STI payments are designed to reward and align collective Executive performance with the organisation's performance based on key outcomes that are linked to Airservices Corporate Plan.

Based on benchmarking research conducted by Mercer, a conservative approach to STI payments has been implemented with the potential for a maximum of 10 per cent of TFR for the EGMs and for a maximum of 20 per cent of TFR for the CEO. The awarding of STI payments is solely at the Board's discretion and is based on performance and outcomes against the corporate scorecard set by the Board.

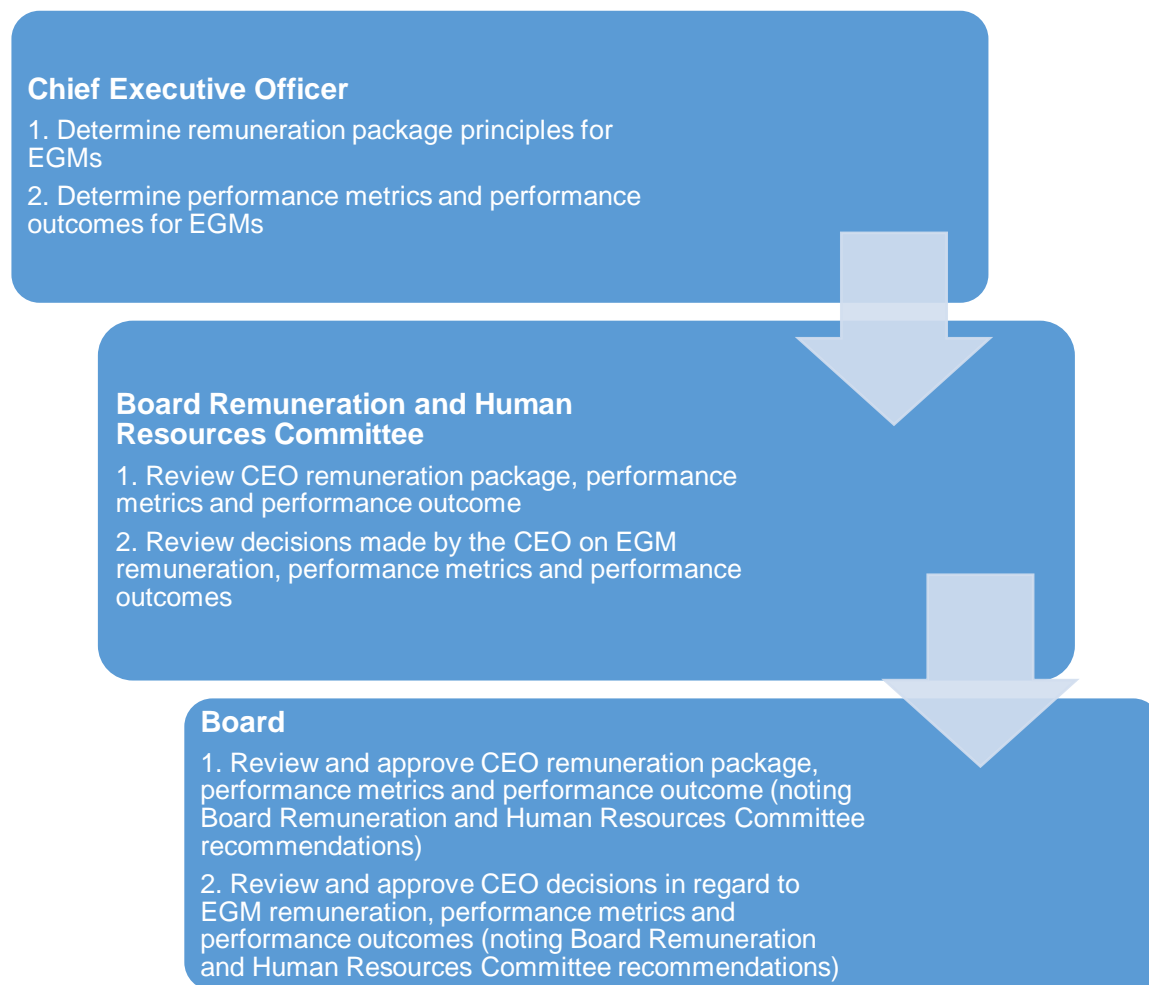
Additionally, only 60 per cent of the STI is payable in the year after it was awarded with the remaining 40 per cent held back for a further 12 months. This approach drives sustained Airservices performance and success.

Remuneration Governance

A key objective of the Board Remuneration and Human Resources Committee is to review matters relating to the remuneration and performance of the CEO and Executive.

The Committee is comprised of three non-executive Board Members, with one appointed as the Chair. In addition, the Board Chair and CEO are ex-officio members of the Committee.

In 2016-17 the Committee Chair was Samantha Betzien and members were Fiona Balfour and Tim Rothwell.



Remuneration Governance Framework

Annual Fees and Allowances for Board Members

Annual fees and allowances for our part-time Chair, Deputy Chair and Members are determined by the Commonwealth Remuneration Tribunal. In setting remuneration, the Tribunal considers a range of matters including workload and value of the office, fees in the private sector, and wage and other economic indices. The remuneration paid to Board Members in the previous financial year is provided in **Section 5**.

4. 2016-17 CORPORATE PERFORMANCE OUTCOMES

In August 2017 the Board assessed the Executive's performance against the corporate scorecard to determine the STI.

In 2016-17 the scorecard comprised the following key performance outcomes and measures:

Performance Criterion KPI	2016-17 Target	2016-17 Result	Weighting	Assessment
Corporate Performance			60%	Partially met
Safety				
Significant Attributable Safety Occurrences – Air Navigation Services	0	0		Met
Significant Attributable Safety Occurrences – Aviation Rescue Fire Fighting Services	0	0		Met
Lost Time Injury Frequency Rate	5	5.61		Not met
Business Operations Efficiency				
Total Cost per IFR Flight Hour (\$/hr)	\$406	\$367		Met
Organisational Capacity				
People Engagement	No less than 2015-16 result of 68%	74%		Met
Diversity and Inclusion	No less than 2015-16 result of 58%	68%		Met
Industry Outcomes				
Arrival Airborne Delay				
– Median minutes	0.36	0.56		Not met
– 75 th percentile – minutes	3.1	3.48		
Industry Advocacy	Baselined in 2016-17	-39		N/A
Financial Stewardship				
Net Profit After Tax (NPAT) \$	\$20.6m	\$34m		Met
Return on Assets	3.9%	5.6%		Met
OneSKY Program Performance			20%	Partially Met
Execute Advance Work Order 2 fixed firm price contract change proposal				Met
Execute Early Voice Communication Switch fixed term price contract change proposal				Met
Execute OneSKY Acquisition and Support contract				Not Met
Accelerate Program Performance			20%	Met
Achievement of outcomes of program initiatives				Met

The Board determined the STI outcome for 2016-17, based on the above achieved business outcomes and results, was to be 50 per cent of potential maximum STI achievable.

In recognition of the business outcomes and organisational transformation, the Executive were awarded the following STI:

Name	Maximum Achievable STI	STI Outcome	60% STI paid September 2017 \$	40% STI to be paid September 2018 \$
Jason Harfield	20%	10% (\$72,000)	43,200	28,800
Stephen Angus	10%	5% (\$20,000)	12,000	8,000
Michelle Bennetts	10%	5% (\$20,250)	12,150	8,100
Steven Grundy	10%	5% (\$15,000)	15,000	-
Paul Logan	10%	5% (\$18,000)	10,800	7,200
Chris Seller	10%	5% (\$20,000)	12,000	8,000
Rob Weaver	10%	5% (\$17,000)	10,200	6,800

Sixty per cent of the STI awarded from 2016-17 was paid in September 2017 and the remaining 40 per cent will be paid in September 2018 subject to assessment of performance and sustained positive impact on Airservices performance and success.

5. BOARD MEMBER REMUNERATION

The following table outlines the remuneration earned by Board Members throughout 2016-17.

Name	Annual Fee \$	Superannuation \$	Total Remuneration \$
Angus Houston	111,931	10,633	122,564
Tony Mathews	83,950	7,975	91,925
Fiona Balfour	67,552	6,418	74,477 ^a
Samantha Betzien	55,970	5,317	61,287
David Marchant	63,636	6,046	70,019 ^a
John McGee	63,636	6,046	69,746 ^a
Tim Rothwell	71,173	6,762	77,935
John Weber ^b	13,950	1,325	15,734 ^a

^a Includes reportable allowance

^b Commenced 6 April 2017

6. EXECUTIVE REMUNERATION

The following table outlines the remuneration earned by the current and former Executives in 2016-17.

Name	Reportable Salary (excluding Reportable FBT) \$	Reportable Fringe Benefit Tax Amount \$	Contributed Superannuation \$	Reportable Allowance \$	Short Term Incentive ^c \$	Total Reportable Remuneration \$
Jason Harfield	642,037	18,746	91,797 ^d	-	72,000	824,580
Stephen Angus	348,044	-	33,035	-	20,000	401,079
Michelle Bennetts	365,120	-	35,056	-	20,250	420,426
Paul Logan	338,382	-	46,097 ^d	-	18,000	402,479
Chris Seller	315,812	-	30,098	-	20,000	365,910
Rob Weaver	277,054	23,345	29,457	-	17,000	346,856
Separated						
Andrew Boyd ^e	72,621	70,903	11,361	-	-	154,885
Steven Grundy ^f	217,427	22,009	20,722	-	15,000	275,158
Linda Spurr ^g	12,833	7,654	4,904	-	-	25,441

^c Sixty per cent of the Short Term Incentive was paid in September 2017 and the remaining 40 per cent will be paid in September 2018

^d Member of AvSuper defined benefit superannuation scheme

^e Separated 30 September 2016

^f Commenced 22 August 2016 and separated on 30 June 2017

^g Separated 29 July 2016

APPENDIX 1 – LEADERSHIP ROLES (OTHER THAN EXECUTIVE) ^h

REPORT YEAR: 2016-17

	No.	Average Reportable Salary (excl. Reportable FBT Amount) \$	Average Reportable Fringe Benefit Tax Amount ⁱ \$	Average Contributed Superannuation \$	Average Reportable Allowance \$	Average Short Term Incentive \$	Average Total Reportable Remuneration \$
Active	112						
\$200,000-\$225,000	24	174,826	3,191	23,044	-	10,371	211,433
\$225,000-\$250,000	24	204,063	2,284	27,259	-	6,419	240,025
\$250,000-\$275,000	35	215,125	10,030	31,383	-	5,301	261,839
\$275,000-\$300,000	23	233,955	8,348	38,790	-	2,897	283,990
\$300,000-\$325,000	2	251,216	2,689	43,400	-	7,065	304,370
\$350,000-\$375,000	3	225,282	86,270	44,516	-	4,500	360,569
\$400,000-\$425,000	1	351,281	-	35,000	-	32,500	418,781
Separated	3						
\$200,000-\$225,000	2	187,028	-	25,681	-	-	212,709
\$225,000-\$250,000	1	201,720	-	36,482	-	-	238,202

^h Incorporates the two layers of leadership roles below Executive General Manager

ⁱ Includes Living Away From Home Allowances (\$51,136), Fly In Fly Out Allowances (\$193,724) and Home Purchase/Sale Allowance (\$128,073)

PREVIOUS YEAR: 2015-16

	No.	Average Reportable Salary (excl. Reportable FBT Amount) \$	Average Reportable Fringe Benefit Tax Amount \$	Average Contributed Superannuation \$	Average Reportable Allowance \$	Average At Risk Component ^j \$	Average Total Reportable Remuneration \$
Active	176						
\$200,000-\$225,000	47	168,600	1,208	22,366	9	18,876	211,058
\$225,000-\$250,000	39	187,693	2,491	27,320	-	20,775	238,279
\$250,000-\$275,000	39	212,326	6,378	32,630	-	12,096	263,430
\$275,000-\$300,000	31	231,978	8,291	41,236	-	4,353	285,858
\$300,000-\$325,000	13	234,340	12,488	48,243	42	11,260	306,372
\$325,000-\$350,000	4	234,642	21,345	45,736	-	29,411	331,134
\$350,000-\$375,000	2	233,884	86,750	36,626	-	-	357,260
\$375,000-\$400,000	1	215,583	142,398	39,178	-	-	397,159
Separated	3						
\$200,000-\$225,000	1	186,987	-	16,238	-	-	203,225
\$275,000-\$300,000	2	263,339	1,965	28,519	-	-	293,823

^j The "At Risk Component" remuneration model ceased at the end of 2015-16 with the introduction of a revised performance-based remuneration model and the adoption of a short term incentive framework

APPENDIX 2 – OTHER STAFF THAT ARE REMUNERATED \$200,000 OR MORE

REPORT YEAR: 2016-17

	No.	Average Reportable Salary (excl. Reportable FBT Amount) \$	Average Reportable Fringe Benefit Tax Amount ^k \$	Average Contributed Superannuation \$	Average Reportable Allowance \$	Average Short Term Incentive \$	Average Total Reportable Remuneration \$
Active	751^l						
\$200,000-\$225,000	190	183,927	2,679	26,733	42	198	213,579
\$225,000-\$250,000	307	204,734	1,310	31,148	17	8	237,216
\$250,000-\$275,000	163	225,498	1,780	33,675	37	-	260,990
\$275,000-\$300,000	58	243,714	6,092	36,222	12	-	286,039
\$300,000-\$325,000	15	243,381	27,782	38,532	27	-	309,722
\$325,000-\$350,000 ^m	8	253,562	50,671	34,672	79	-	338,983
\$350,000-\$375,000	3	206,299	122,173	36,118	461	-	365,051
\$375,000-\$400,000	1	267,462	76,046	43,548	-	-	387,056
\$400,000-\$425,000 ^m	3	316,580	56,725	42,726	-	-	416,031
\$425,000-\$450,000 ^m	1	404,748	-	25,928	-	-	430,676
\$500,000-\$525,000 ^m	2	464,394	-	40,965	-	-	505,358
Separated	6						
\$200,000-\$225,000	1	206,507	-	13,263	-	-	219,770
\$225,000-\$250,000	3	211,750	-	20,982	-	-	232,732
\$275,000-\$300,000	1	267,193	12,074	20,611	-	-	299,878
\$325,000-\$350,000	1	297,416	5,378	31,583	-	-	334,377

^k Includes Living Away From Home Allowances (total \$174,370), Fly In Fly Out Allowances (total \$1,799,795) and Home Purchase/Sale Allowances (total \$367,386)

^l Includes 709 employees on the *Air Traffic Control and Supporting Air Traffic Services Enterprise Agreement*, 7 employees on the *Aviation Rescue and Fire Fighting Enterprise Agreement*, and 38 employees on the *Airservices Australia (Corporate) Enterprise Agreement*

^m Includes Early Retirement Benefit Lump Sum payments (total \$1,222,668)

PREVIOUS YEAR: 2015-16

	No.	Average Reportable Salary (excl. Reportable FBT Amount) \$	Average Reportable Fringe Benefit Tax Amount \$	Average Contributed Superannuation \$	Average Reportable Allowance \$	Average At Risk Component ⁿ \$	Average Total Reportable Remuneration \$
Active	812						
\$200,000-\$225,000	164	181,445	4,997	26,148	61	535	213,187
\$225,000-\$250,000	299	205,119	1,777	31,295	36	55	238,282
\$250,000-\$275,000	230	223,880	2,620	34,292	84	18	260,893
\$275,000-\$300,000	74	246,441	1,582	37,326	6	-	285,355
\$300,000-\$325,000	22	268,658	3,974	36,641	22	-	309,295
\$325,000-\$350,000	7	254,564	38,780	37,573	105	-	331,021
\$350,000-\$375,000	4	222,590	95,732	42,113	-	-	360,435
\$375,000-\$400,000	1	180,969	171,916	25,411	-	-	378,296
\$400,000-\$425,000	2	310,575	62,177	48,190	1,111	-	422,052
\$425,000-\$450,000	4	298,853	89,596	39,110	1,314	-	428,872
\$450,000-\$475,000	2	417,260	-	36,937	70	-	454,266
\$475,000-\$500,000	2	449,272	-	42,605	-	-	491,877
\$525,000-\$550,000	1	484,651	-	43,567	-	-	528,218
Separated	4						
\$200,000-\$225,000	1	197,091	-	15,316	-	-	212,407
\$300,000-\$325,000	3	272,942	5,380	31,175	-	-	309,497

ⁿ The "At Risk Component" remuneration model ceased at the end of 2015-16 with the introduction of a revised performance-based remuneration model and the adoption of a short term incentive framework