

AIRSERVICES AUSTRALIA



Annual Report

2007-2008



AIRSERVICES AUSTRALIA



AIRSERVICES AUSTRALIA
ANNUAL REPORT
2007-08

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LETTER OF TRANSMITTAL

16 September 2008

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

Dear Minister

On behalf of the Board of Airservices Australia, I am pleased to submit the Airservices Australia Annual Report for 2007–08, including the report of operations and financial statements for the year ending 30 June 2008.

The report has been prepared in accordance with the requirements of the *Air Services Act 1995* and the *Commonwealth Authorities and Companies Act 1997* (CAC Act).

The report is made in accordance with a resolution on 16 September 2008 of the Directors who are responsible under section 9 of the CAC Act for its preparation and content in accordance with the Finance Minister's Orders.

Yours sincerely



David Forsyth
Chairman



CHAIRMAN'S REPORT

DAVID FORSYTH

BE (Aero), GradDip, FRAeS (Chairman)

2007–08 was a challenging year for the aviation industry. Rising fuel prices and significant air traffic growth in the Asia–Pacific region continued to challenge Airservices to create new and dynamic ways to meet the needs of industry and promote aviation in Australia.

For Airservices, the focus has been on improving the efficiency of our operations. Through our workplace programs, new technologies and the implementation of service delivery initiatives, we are aiming to reduce delays and costs to our aviation customers.

A new federal Labor government was elected in November 2007. Airservices has quickly established a positive working relationship with the new government and the Minister for Infrastructure, Transport, Regional Development and Local Government, the Honourable Anthony Albanese, Member for Grayndler.

The government has also engaged Airservices in its future aviation plan and has sought our input on the impact of air traffic on the environment and climate change, and on the potential for reducing emissions in Australia, through a series of papers addressing carbon pollution.

While air navigation service providers have a limited carbon footprint, we can play a significant role in reducing the emissions of our customers. Airservices has been at the forefront of such initiatives and will continue to be a leader in the implementation of practices and procedures to reduce fuel burn and consequently carbon emissions.

I am pleased to report that in February 2008 Airservices joined international partners the United States of America Federal Aviation Administration and Airways New Zealand in signing an agreement to reduce the environmental impact of aviation across Asia and the South Pacific.

The Asia & South Pacific Initiative to Reduce Emissions (ASPIRE) partnership will work closely to explore improvements to operational procedures in all aspects of flight. ASPIRE aims to advance current best practices and existing technologies and improve environmental standards in aviation.

During the year we maintained a collaborative relationship with our key regional partners, Indonesia and Papua New Guinea, through our Neighbourhood Strategy. We are working with Indonesia to accelerate the development of infrastructure and a strategic action plan for air traffic management in the region,

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and are providing Papua New Guinea with further training for its air traffic controllers and assisting with introduction of new technologies to improve efficiency.

We have also engaged in a number of important forums to help improve air safety in Asia and the Pacific and provide for a more seamless transition between our Flight Information Region (FIR) boundaries.

In June 2008, our CEO, Greg Russell, was appointed Chair of the Civil Air Navigation Services Organisation (CANSO) Asia Pacific Regional Executive Committee. The committee oversees the Singapore Regional Office and will coordinate and assist in dealing with air traffic management issues in the region.

Our ongoing commitment to Australia's air safety was further demonstrated during the year through a number of initiatives, including the deployment of Automatic Dependant Surveillance–Broadcast (ADS–B) ground stations across the country. This will provide virtually nationwide air traffic surveillance capability in upper airspace and substantial coverage at lower levels. The objective of the Upper Airspace Program is to provide ADS–B equipped aircraft with increased safety and operational flexibility in non-radar airspace.

2007–08 saw changes to the Board of Airservices, with Gerard McGowan resigning as a director in May 2008. Mr McGowan had been a director of Airservices since August 2007, and I thank him for his contribution to the Board.

I would also like to pay respect to my predecessor, Nick Burton Taylor, for his superb and dedicated service to Airservices during his tenure as Chairman from 2005 until 2008. Nick made a strong, lasting contribution to Airservices and the general aviation community in this country. His experience and judgement were of immense value to the organisation as it addressed several key reform programs. I wish Nick well for the future.

As we move forward, the focus for Airservices will remain on improving safety and efficiency in the face of strong growth and on relieving the pressure on industry from the impact of higher costs.

We will continue investing in new technologies and training and engage strongly in domestic, regional and international forums—increasing our presence and helping to meet environmental and fuel challenges while strengthening our relationships with our airport, airline and general aviation partners.



CHIEF EXECUTIVE OFFICER'S REPORT

GREG RUSSELL

Chief Executive Officer

Throughout 2007–08, Airservices Australia continued to progress our program of internal reform against an industry backdrop of strong growth, continuing record fuel prices, skills shortages and international rationalisation.

Safety remains Airservices' biggest priority and an ongoing focus of the Board, and all staff. The ever-changing aviation environment and our commitment to safety in Australia and the region drive us to continually improve on our safety performance.

In December 2007, we released the *Airservices Australia Safety Plan 2007–08*, which outlines our operational and workplace initiatives to raise the safety threshold and meet the challenges that face the aviation industry.

Airservices is also committed to improving our internal efficiency and safety performance. During the year, we undertook an organisation-wide workplace safety inspection and began overhauling our drug and alcohol management and fatigue management systems.

Throughout 2007–08 we put significant work into evaluating and rebuilding a long-term workforce plan. In June 2008, we launched Our Commitment—Our People, which addresses the challenges we face and outlines our plan during the next five years to build the future workforce we will need.

Airservices recorded a strong result for the year, with net profit after tax of \$92.0 million. Although this profit was below the target in our Corporate Plan as a result of end of year results adjustments, this result equates to a healthy return on average equity.

The profit for the year also reflects an increase in employee costs resulting from higher levels of overtime and additional staff, as well as a number of one-off adjustments. However, this was partially offset by the impact of asset revaluations and continued growth in airways revenue. The increase in airways revenue will result in a return of \$26.3 million to our customers early in the new financial year, in line with our risk-sharing arrangement under the current long-term pricing agreement.

Following our strong financial performance in 2006–07, we have invested heavily in infrastructure especially in our Melbourne based Airservices Learning Academy, which is being developed to become the principal

30 June 2008

Greg Russell

point of training delivery for our fire, air traffic control, technical and management training.

A broader program of capital investment is now firmly established to replace ageing infrastructure like towers and fire stations as well as essential communication and navigation infrastructure. This high level of expenditure is anticipated to continue for the foreseeable future.

Deep reform programs have also continued in major operational areas including our fire service, our technical and asset group and in the delivery of air traffic control.

In April 2008, there was an extensive functional and structural review of the environment groups of Airservices. The Environment and Climate Change team was formed to further strengthen our focus and is now addressing three key areas: strategy and compliance; aviation communities; and our internal E-Change program. In August 2007 the Strategic Coordination Unit was established to ensure integrated strategic planning across the organisation.

The newly established National Operations Centre in our Canberra headquarters provides us the opportunity to develop a network approach to air traffic management with the aim of improving system efficiency and reducing delays, fuel burn and emissions.

We continued to invest in the community through our ongoing community partnership and sponsorship program, which fosters and promotes aviation in a number of areas through flight scholarships and contributions to a number of charities and professional organisations, including Angel Flight, the Royal Flying Doctor Service and the Aviation Safety Foundation of Australia.

An important initiative during the year was a program to recognise the contribution of our people. We introduced the Chairman's Awards for Professional Excellence and the Special CEO Commendation as part of our continuing commitment to building Airservices into a great place to work.

Airservices depends on the commitment and hard work of all its employees to provide high-quality, safe and timely services to its customers and ensure that we continue to strive for excellence and improvement. I would like to acknowledge the contributions of all our staff for what has been another year of substantial progress.

CORPORATE OVERVIEW

Enabling legislation, objectives and functions

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

Under the Air Services Act, Airservices is responsible for:

- providing facilities for the safe navigation of aircraft within Australian-administered airspace
- promoting and fostering civil aviation in Australia and overseas
- providing air traffic services, rescue and fire fighting services, and aeronautical information, radio navigation and telecommunications services to give effect to the Chicago Convention or for purposes relating to the safety, regularity or efficiency of air navigation
- cooperating with the Australian Transport Safety Bureau in investigations of aircraft accidents and incidents
- acting to protect the environment from the effects of or effects associated with the operation of Commonwealth jurisdiction aircraft or other aircraft, inside or outside Australia
- performing functions prescribed by the regulations in relation to the effects of and effects associated with the operation of Commonwealth jurisdiction aircraft
- performing any functions conferred under the *Air Navigation Act 1920* or the *Aviation Transport Security Act 2004* or by regulation
- providing consultancy and management services relating to any of the above matters
- providing other services and facilities to use spare corporate capacity or to maintain or improve the skills of the organisation's employees.

In the day-to-day performance of Airservices' functions, it is subject to and empowered by a range of other legislation (a full list is available on our website at <http://www.airservicesaustralia.com>).

Annual reporting requirements and responsible minister

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

Under the Air Services Act and section 9 of the CAC Act, the Board must provide an annual report for tabling in Parliament.

The report has been prepared in accordance with the Air Services Act, the CAC Act and the Finance Minister's Orders.

Our vision and values

Our vision: To be a focused provider of air navigation and aviation services, with our competitive edge built on safety and the application of leading edge technology.

Our values: We recognise the need for:

- keeping safety first
- a collective, consistent sense of organisational identity
- strong, credible and accountable leadership
- our management and staff to be outward looking, both present and future oriented, and to embrace challenges proactively
- a spirit of unity, teamwork and trust.

During 2007–08 Airservices Australia operated in accordance with its Corporate Plan, which covers the period from 1 July 2007 to 30 June 2012. The plan outlines the broad strategic direction for Airservices, the organisation's business strategies and key supporting actions and programs.

Principal activities

FIGURE 1 THE AUSTRALIAN FLIGHT INFORMATION REGION



Airservices Australia is a statutory authority wholly owned by the Australian Government.

Airservices Australia is responsible for providing safe and environmentally sound air traffic management and related services to the aviation industry in the Australian FIR and, under contract with the governments of Solomon Islands and Nauru, in the upper airspace of the Honiara and Nauru FIRs.

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

Airservices Australia delivers:

- en route and terminal air traffic services
- aeronautical data services, such as charts and departure and approach procedures
- management of airspace usage
- tower services at 26 airports
- aviation rescue and fire fighting services at Australia's 19 busiest international and domestic regular public transport airports
- environmental services
- management of the Australian national air navigation infrastructure
- international and domestic aviation consultancy.

Airservices Australia manages more than four million aircraft movements each year, and maintains a \$610 million fixed asset base at more than 600 sites around Australia.

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

Airservices Australia is a world leader in the take-up of technologically advanced communication, navigation and surveillance systems. We work with the International Civil Aviation Organization (ICAO) to share information and advances in aviation technology, and to maintain global aviation safety standards.

In Australia, we work closely with other government organisations concerned with aviation safety, regulation, and search and rescue, such as the Department of Infrastructure, Transport, Regional Development and Local Government, the Department of Defence, Comcare, the Civil Aviation Safety Authority (CASA), the Australian Transport Safety Bureau and the Australian Maritime Safety Authority.

Airservices Australia has taken a leading role in reducing the impact of aviation on the environment, implementing a number of 'green' initiatives that reduce aircraft fuel burn and greenhouse gas emissions. The organisation works with airlines to make significant continuing contributions in this area.

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

Corporate structure

During 2007–08, Airservices Australia undertook further restructuring of its business groups in order to streamline processes and improve the efficiency of its business.

In January 2008 the Air Traffic Control Reform business group was renamed and refocused to the National Operations Centre which was established to provide centralised national traffic management. To further streamline Airservices, the Future Directions business group ceased to operate in August 2007 and the Strategic Coordination Unit was formed to ensure integrated strategic planning.

Airservices Australia now operates through the following business groups:

- Audit and Assurance
- Air Traffic Control
- Aviation Rescue and Fire Fighting
- Business Development
- Business Services
- Corporate Affairs
- Corporate Finance
- National Operations Centre
- People and Change
- Safety Management
- Technology and Asset Services.

Managers of the business groups form the Executive Committee, which advises the CEO on operational matters and is responsible for formulating strategies and policies for Board consideration. The Strategic Coordination Unit reports directly to the CEO.

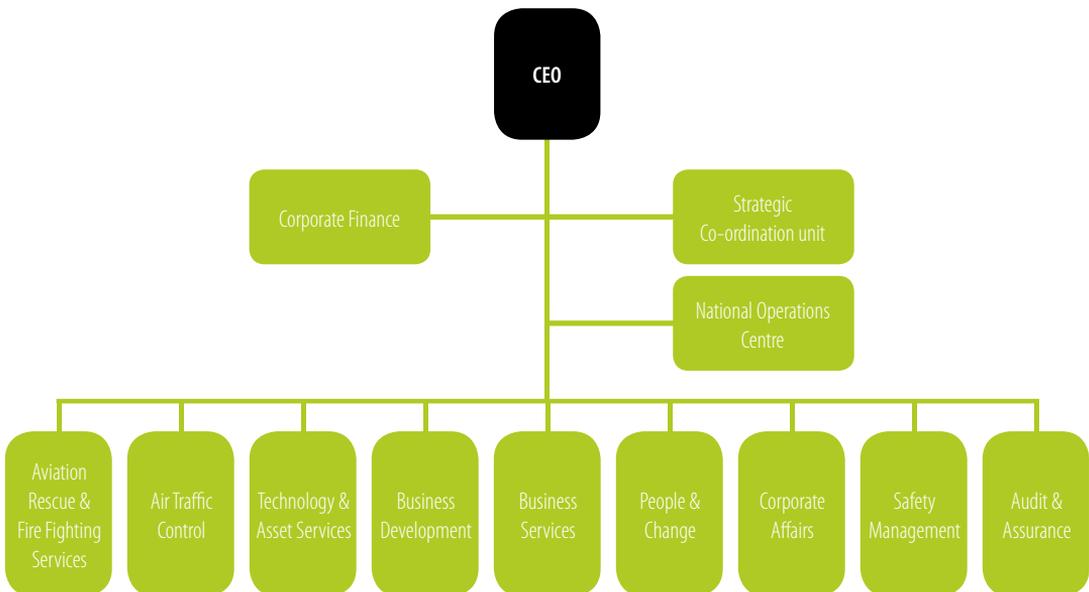
Figure 2 shows the current corporate structure. Table 1 shows the members of the Executive Committee.

TABLE 1 MEMBERS OF THE EXECUTIVE COMMITTEE, 30 JUNE 2008

Mr Greg Russell	Chief Executive Officer
Mr Andrew Clark	Chief Financial Officer
Mr Jason Harfield	General Manager Air Traffic Control
Ms Michelle Bennetts	General Manager Audit and Assurance
Mr Alan Barber	General Manager Aviation Rescue and Fire Fighting
Mr Wayne Emery	General Manager Business Development
Mr Neal O'Callaghan	General Manager Business Services
Mr Richard Dudley	General Manager Corporate Affairs
Ms Caroline Fleming	General Manager People and Change
Mr Stephen Angus	General Manager National Operations Centre
Mr Ken McLean	General Manager Safety Management
Mr Alastair Hodgson	General Manager Technology and Asset Services

At 30 June 2008, Airservices Australia employed 3,033 permanent staff across Australia. Our workforce included specialists in air traffic control, aviation rescue and fire fighting, engineering, technical services, information technology, human resource management, communications, legal services, security, safety, environment, financial management and administration. Appendix 4 includes staffing statistics.

FIGURE 2 AIRSERVICES AUSTRALIA BUSINESS STRUCTURE AT 30 JUNE 2008



Corporate governance

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

THE BOARD

The Airservices Board consists of a Chairperson, a Deputy Chairperson, the Chief Executive Officer and six other non-executive directors.

Directors are appointed by the Minister on a part-time basis, other than the CEO, who is appointed by the Board.

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

Each year, the Board conducts a formal evaluation of its performance and the performance of its committees.

Further information on Board membership is in Appendix 1.

BOARD COMMITTEES

Following a review of Board committees in August 2007, the Board made a number of changes to its committee structure. The New Business Committee established to consider new business proposals requiring urgent approval out of session was abolished. All new business proposals are now considered by the Board. After the transfer of airspace regulation on 1 July 2007 to the Office of Airspace Regulation in CASA, the Safety and Environment (Regulatory) Committee was abolished. Environmental regulatory responsibilities were transferred to the Safety and

Environment (Operations) Committee, which has been renamed the Safety and Environment Committee.

A further review of the Board committees in June 2008 resulted in the abolition of the Security Committee. The activities of the Security Committee have been incorporated into those of the Safety and Environment Committee.

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

The *Audit Committee* assists the Board in ensuring that an effective system of risk management and internal control is maintained, assures the objectivity and reliability of financial reports and helps ensure that Airservices Australia and its directors comply with all legislative and other government obligations (including obligations under the CAC Act). Membership consists of up to four non-executive directors. The Board Chairperson is an ex officio member of the committee. Any member of the Board is entitled to attend committee meetings.

The *Safety and Environment Committee* ensures that Airservices is compliant with all legislation and government and Board policies, and meets its safety, environmental, occupational health and safety, and security responsibilities. Its membership consists of up to five non-executive directors and the Board Chairperson and CEO, who are ex officio members. Any member of the Board is entitled to attend committee meetings.

The *Remuneration Committee* recommends remuneration for the CEO after consultation with the Remuneration Tribunal and reviews the CEO's performance. The committee also reviews the principles applied by the CEO in determining remuneration packages, performance reviews for the CEO's direct reports, and CEO succession. Membership consists of the Board Chairperson as committee chairperson, at least one other non-executive Board member and the CEO.

ETHICAL STANDARDS

Airservices Australia uses Board-endorsed policy, Chief Executive management instructions and other policies and procedures to inform staff about ethical standards.

As a condition of their employment, all staff must comply with a code of conduct while at work and as representatives of the organisation. The code includes guiding principles for handling conflicts of interest.

RISK MANAGEMENT

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

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

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

The CEO reports regularly to the Board on significant risks to Airservices' objectives and the management of those risks. The General Manager, Business Services reports to each Board Audit Committee meeting on initiatives to maintain and improve the organisation's risk management system.

CORPORATE PLANNING

Airservices Australia produces an annual corporate plan in accordance with the Airservices Act and the CAC Act. The plan analyses the organisation's operating environment, outlines our corporate and financial strategies, specifies the targets to be achieved, and sets out the benchmarks and key performance indicators used to measure performance. Airservices' Corporate Plan for the period from July 2008 to 2013 is due to be submitted to the Minister for review in August 2008.

The current corporate plan is available on the Airservices website (<http://www.airservicesaustralia.com/aboutus/corpdocuments/corporateplan.pdf>).

Airservices Pacific Incorporated

Airservices Pacific Incorporated, a wholly owned subsidiary of Airservices Australia incorporated in Delaware in the United States, is responsible for providing air traffic control services under contract to the United States Federal Aviation Administration. The services are delivered from five control towers: three towers on the islands of Hawaii, one in Guam and one in Saipan.

Airservices Pacific's corporate governance is managed by a board comprising:

- Mr Greg Russell (Chair)
- Mr Tim Abberton (CEO)
- Mr Roger Ray (formerly of the Federal Aviation Administration and based in the United States)
- Mr Ken McLean (until 4 June 2008)
- Mr Jason Harfield (from 4 June 2008)
- Mr Andrew Clark.

In addition, the Board is supported by a Chief Finance Officer and company secretariat positions.

Adverse effect of non-commercial commitments

There were no activities recorded during the 2007–08 financial year.

REVIEW OF OPERATIONS

Operational results

KEY RESULT AREA: SAFETY

Corporate objective: To maintain world leading safety performance by keeping safety first in the efficient delivery of all our services and by understanding and managing our risks.

Corporate Plan July 2007–2012 strategic initiatives:

- Enhance and promote safety management practices and achieve their effective integration with business processes.
- Enhance the skills of our people within a proactive collaborative safety culture.
- Eliminate potential for high-risk occurrences through application of leading edge technology and tools.

ENHANCING SAFETY MANAGEMENT

Work to integrate Airservices Australia's operational and workplace safety management systems continued in 2007–08. A single safety risk management procedure were published, and the documentation of controls for key workplace safety risks (such as working at heights) were published in 'Bow-Tie' (event tree) analyses. The Bow-Tie methodology shows not only the controls that prevent a hazard but the mitigators that minimise the effect if the hazard is realised (that is, it looks at how safety is managed before and after the event).

The first organisation-wide workplace safety inspection day (called *Inspect Today*) was held on 30 October 2007. A significant number of issues were reported after more than 150 workplaces were inspected. Since then, we have worked to overcome the deficiencies and eliminate the occupational health and safety (OHS) risks

that were identified. This program was so successful that it is now an annual event.

Safety Management trialled a program to better identify, capture and promote knowledge in safety management. So far, activities have focused on strategies for knowledge retention (particularly vital in areas with increased staff turnover) and tools for staff to quickly identify other staff members with specific skills or knowledge of key processes.

Other work to improve Airservices Australia's safety management practices began in the 2007–08 financial year, including the overhaul of our approach to drug and alcohol management and fatigue management.

In line with the new requirements of the *Occupational Health and Safety Act 1991*, which was amended in 2007, we began work to document Airservices Australia's health and safety management arrangements. We have also focused more sharply on making more effective use of health and safety representatives and on managers' responsibilities for workplace safety.

In 2007–08, safety efforts concentrated on lowering the incidence of aviation rescue and fire fighting (ARFF) workplace injuries. The long-term injury frequency rate, expressed in days, fell by two days compared with the previous year.

In other safety management work during the year:

- the Project Safety team worked proactively with project managers to ensure that they consider safety at the concept stage of projects (a Project Safety Avnet page was developed to guide them on safety through the project lifecycle)
- we began publication of *Incident Feedback*, a regular one-page newsletter to publicise lessons learned about operational and OHS matters
- we began daily safety and operations reports and meetings to provide a 24-hour review of operations.

As part of Airservices' work to enhance identification and mitigation and regular public transport (RPT) operations in uncontrolled airspace, aeronautical studies were conducted at Ballina and Hervey Bay. There will be ongoing monthly monitoring of each location and its airspace, focusing on air traffic incidents analysis to capture emerging trends. We also reviewed aviation traffic in association with mining activities in Western Australia and at Olympic Dam in South Australia and began a review of air traffic services (ATS) workload associated with increasing traffic levels in mining regions in those states. The review is focusing on the current airspace classification and possible surveillance options to reduce ATS workload by enhancing our understanding of the operational environment. The Airspace Research Application panel (involving a number of safety programs working with CASA to implement services and monitor aerodromes) was formed and held an initial meeting.

In line with the July 2007–2012 Corporate Plan, we conducted 24 audits to assess compliance with the Safety Management System as part of the 2007–08 audit program. These included:

- an audit of ATC and Technology and Asset Services operational documentation

- 13 audits of ATC-related facilities, including four control towers
- 10 audits of ARFF-related facilities, including eight ARFF stations.

A number of agreed actions are now being implemented and will be monitored by the Audit and Assurance business group until completion. Subject to the implementation of the agreed actions Airservices Australia is compliant with the Safety Management System.

During 2007–08 the Runway Incursion Group continued a program of visits to controlled aerodromes. The group completed its initial round of visits in May 2008. The group's work led to better identification of incursion hotspots and the closure of a taxiway at Moorabbin, previously identified as a runway incursion hotspot.

Through regional consultative forums, airline safety forums and print-based aviation-specific media, the Runway Incursion Group's activities have resulted in greater awareness of the dangers of runway incursions and strategies to minimise their occurrence, including new signage at Canberra, Moorabbin, Jandakot, Launceston and Darwin airports.

Other actions included working with airlines to change the runway crossing procedures for tug crews (involving tighter coordination between the tug driver and the flight deck), national distribution of runway safety booklets for pilots and airside drivers, and the Runway Incursion Survey Program, in which pilot feedback is shared with CASA and used in pilot education.

Airservices Australia released the *Sydney Visual Flying Guide* with June 2008 charts and amended Richmond airspace to help pilots avoid violations of controlled airspace.

A review of Airservices' ARFF-specific safety key performance indicators (KPIs) was completed in the first quarter of 2007–08.

PROMOTING A SAFETY CULTURE

To integrate threat and error management into training for operational and technical staff, personnel from the three operational groups—ATC, Technology and Asset Services and ARFF—were brought together to identify risks to operational and workplace safety at the Safety Sensitive Staff Forum. The forum allowed us to build networks between the three groups at a workforce level. We now plan to run a series of similar meetings at the business group and organisational levels.

Airservices Australia implemented a program, trialled in 2006–07, of workshops with non-operational business groups. The aim is to ensure that those personnel understand their safety role. Action plans developed at the individual and group levels will strengthen understanding of safety management and values consistent with a safety culture.

To develop safety leadership training for managers, the Safety Services Branch provided training in electronic safety incident reporting to line managers and 'Bow-Tie' training to ARFF, ATC and Technology and Asset Services managers and staff. In addition, two Safety Services staff completed the Australian Transport Safety Bureau's Aviation Human Factors course; five staff completed the Module 6 Investigator course; one staff member trained as a Bow-Tie specialist; three trained to undertake Bow-Tie reviews; and two completed a hazard identification facilitator course.

ELIMINATING POTENTIAL HIGH-RISK EVENTS

Our work to eliminate the potential for high-risk occurrences included preparations to implement Advanced Surface Movement Guidance Control Systems in Melbourne, Sydney and Brisbane. This project will increase safety by reducing runway

incursions and vehicle-related incidents at those airports. The systems provide a real-time picture of aircraft and vehicles on the runway surface and a range of operationally useful safety tools to reduce the risk of runway incursions. By the end of the 2007–08 financial year, train the trainer programs for the implementation had been completed in the three cities. The use of vehicle transponders has been endorsed, and we are working with the airport owners on a program to fit the devices on vehicles entering the movement area.

The deployment of upgraded radar systems is well underway at all major capital city airports and is progressing on schedule, to budget and to specification. The system being deployed comprises both a primary surveillance radar and a Mode S (selective) capable monopulse secondary surveillance radar (MSSR). Detection of violation of controlled airspace intrusions is imperative for the safety of airspace around our busy primary airports. The only commercially available and viable technology to address this requirement for the foreseeable future is primary radar.

The Mode S capable MSSR permits selective interrogation of individual aircraft and reception of requested down-linked aircraft parameter (DAP) data, which will dramatically improve the quantity and quality of data received from each aircraft while reducing the noise-to-signal ratio. More importantly, DAP data will be the enabler for new functionality provided by Eurocat version 13.00.

The TAAATS Eurocat Delivery Program Version 13 (TEDP V13) Project will deliver enhancements to the TAAATS Eurocat system in the areas of surveillance capability, network interfaces, air traffic control safety and efficiency, controller pilot datalink communications, controller workload distribution and balancing, and data preparation efficiency.

Work to develop and implement strategy to assure the design integrity of the airspace system continued, in line with the July 2007–12 Corporate Plan. To better capture the 'design risk' of the system and to improve the presentation and understanding of risk information, the Total Aerodrome and Airspace Modeller system now uses samples of instrument flight rules (IFR) flights based on intended flight plans (that is, before ATC intervention). An Australia-wide traffic sample can be produced and later filtered to focus on flights near particular locations.

To enhance training simulations and improve the success rate of trainees, we have completed the upgrade of the tower simulator. A project to upgrade the en-route simulator has begun.

In June 2008, to ensure the rigorous safety requirements that allow for further transition to user-preferred routes, management approved the business case for implementing a flight plan conflict function. We have established a project management team, drawing on experience gained from the deployment of the flight plan conflict function in Mexico. The software validation phase of the project should be underway by late 2008.

KEY PERFORMANCE INDICATORS: SAFETY

Airservices Australia has a very comprehensive approach to safety management and measurement. Our safety KPIs are structured into three groups: outcomes, profile and initiatives. Headline metrics relate to safety outcomes, and measures are captured for the three major services that we provide: ATC, ARFF, and Technology and Asset Services.

Our safety KPIs are supported by performance measures that aim to place the 'headline' into context by measuring safety profile factors, such as compliance with safety regulations, safety culture metrics and

service restoration times. The underlying rationale is that concentrating solely on negative safety outcomes does not provide a suitable context for improving performance.

We also measure the number of safety initiatives implemented, although no target is assigned. Such measures indicate how much effort has been exerted to improve the safety profile and positively influence safety outcomes.

In March 2008, we released *Airservices Australia Safety Plan 2007–08 — Raising the Safety Threshold*. The plan reflects our commitment to leveraging the strength of our operational safety system in our approach to workplace safety and its management. The plan analyses and reports on incidents and risks, and includes a wide-ranging program of safety audits.

KEY RESULT AREA: ENVIRONMENT

Corporate objective: To foster best practice environmental performance through sustainable business practices.

Corporate Plan July 2007–2012 strategic initiatives:

- Reduce the organisation's environmental footprint by minimising the impact of our operations with respect to greenhouse gas emissions, energy and water usage, heritage, biodiversity, resource usage and waste generation.
- Fully implement the Environmental Management System (EMS) as part of normal business practice by extending the ISO 14001 certification to additional sites and engender employee commitment to environmental responsibilities.
- Actively develop and implement industry-wide initiatives and cooperative arrangements to reduce aircraft fuel burn, aircraft emissions and aircraft noise through leading edge technology, research and air traffic management techniques.

REDUCING OUR ENVIRONMENTAL FOOTPRINT

During 2007–08, Airservices Australia implemented the E-Change program to minimise organisational environmental impacts. A lifecycle analysis of energy, waste and water usage conducted in the first quarter has now been supplemented by further analysis to determine the amount of energy embodied in the organisation's infrastructure.

In addition, we are developing a resource information management system to track greenhouse gas emissions, energy and water consumption and waste generated at each of our sites. Data from 2006–07 and 2007–08 will provide a baseline to benchmark future performance. It is expected that the database will be ready to go live in early July 2008.

We have developed a draft emissions monitoring plan to guide our calculation and reporting of annual emissions to the Department of Climate Change.

These elements all form part of Airservices Australia's proposed Greenhouse Challenge Plus program.

Stage 3 of the ATOMS (Air Traffic Operations Modelling System) project has been finalised. This has extended emissions modelling to include all phases of flight, including surface movement, which will be crucial for the development of a baseline aviation emissions inventory in Stage 4. Stage 3 also extended the model to compute dynamic trajectories for flexible continuous descent approaches, allowing us to quantify potential emissions reductions.

Airservices Australia reviewed environmental risks to improve environmental controls for ARFF training activities. The review led to CASA's approval of an ARFF request to extend foam application used in training exercises from 90 to 180 days. This initiative will minimise the impact of training operations and reduce

the risk of contamination, and will be progressively introduced in 2008–09.

Within Airservices, a rationalisation of printing devices includes the phasing out of inkjet printers across the organisation. A mandatory printer toner cartridge recycling program has begun, and we have implemented Cartridges4PlanetArk's Close the Loop program to recycle used printer, photocopier and fax cartridges. A review of controlled hardcopy delivery is leading to significantly less paper use. Airservices has also moved to the use of 100 per cent recycled paper in office equipment.

EXTENDING OUR ENVIRONMENTAL MANAGEMENT SYSTEM

In line with the Corporate Plan, our work on Airservices Australia's environmental management system (EMS) focused on improving its effectiveness, particularly the effectiveness of legal compliance monitoring. Progress was satisfactory, and compliance monitoring has been improved by upgrading our register of environmental, legal and other requirements.

Audits to assess compliance with the EMS were part of the 2007–08 audit program. The six-monthly external ISO 14001 certification surveillance audit of the EMS (in May 2008 at the Gellibrand Hill radar site) produced a positive result. One area highlighted for improvement is the communication of our environment policy to our staff.

Work to expand ISO 14001 certification to all Airservices ARFF operations continued and is on track for completion by the end of 2009. This will meet the timeframe established in our newly developed Environment Strategy. National property and facilities managers have attended training sessions.

We developed the 'Green Team' voluntary employee participation program during the year, as another part of the Environment Strategy. World Environment Day, which we promoted to staff, included a competition for suggestions on reducing our carbon contribution.

REDUCING FUEL BURN, EMISSIONS AND NOISE

Airservices Australia continued to monitor developments in carbon trading and their potential impact on aviation, including the European Union Emissions Trading Scheme and the proposed Carbon Pollution Reduction Scheme in Australia. Our representation at aviation industry leaders' summits and in the Environment Working Group of CANSO aids our assessment of international developments.

In our region, we participated in the International Air Transport Association's Aviation Leadership Summit held in conjunction with the Singapore Air Show in February 2008. This led to the signing of the ASPIRE agreement by Airservices Australia, the United States FAA and Airways New Zealand, and increased opportunities for information sharing and collaboration to improve environmental performance.

As stated in the environment policy and strategy, Airservices has committed to improve the environmental performance of the aviation industry through advanced air traffic management services. This program is known as *Aerogreen* and incorporates a range of activities and initiatives, including the National Capacity and Demand Forum held in late 2007 as part of our focus on developing improvements in ATM network efficiency and aircraft delay management. The forum consists of airlines and airports, with other aviation stakeholders participating as required.

We have begun to look more closely at operational and design issues in terminal areas. We established a terminal area review forum in December 2007, with the task of reviewing route structures and the design of standard arrivals and instrument departures.

A second meeting, held in April 2008 with key aviation stakeholders, established an action list that we are now considering for implementation. The work is structured into four groups, each with a particular focus on elements of terminal area design.

Included in this work is a fundamental review of how we use the current Central Traffic Management System, which provides pre-tactical air traffic flow management into Sydney Airport. By reviewing the system, we will be able to better utilise the finite runway capacity at the airport, improve on-time performance and minimise airborne delay.

Our collaboration with Naverus and Qantas to implement and refine RNP (required navigation performance) procedures at Australian airports will reduce environmental impacts and have significant noise-reduction benefits. *Brisbane Green*, a March 2008 report on RNP, showed that integration of RNP approaches and departures at Brisbane Airport had reduced the impact of noise on suburbs around the airport and cut carbon dioxide emissions by about 650 tonnes since January 2007.

At Sydney Airport, the ATM Long Range Optimal Flow Tool (ALOFT) used to manage morning demand during the non-daylight saving period made significant savings. Under this system, aircraft absorb delays in cruise flight rather than at lower altitudes. For example, during May, approximately 3,450 minutes of delay was transferred from holding patterns to en route flight to produce significant fuel and emissions savings for customers.

The review of noise abatement procedures has become an integrated and ongoing business objective for Airservices Australia. Design and review processes for flight routes, standard instrument arrival and departure routes, and instrument departure and approach procedures must have noise abatement as a preferred outcome, and comply with operational standards (i.e. CASR Part 173). In addition, consultations with airports and community groups continued to contribute to the identification and prioritisation of route and procedure reviews. Those objectives were also included in revised long-term operating agreements with airports, where appropriate.

KEY PERFORMANCE INDICATORS: ENVIRONMENT

An environmental KPI measures the number of environmental legal non-compliances and significant environmental risks not fully managed. Table 2 shows our performance over the past three financial years.

During 2007–08 Airservices has been undertaking a detailed assessment of soil and groundwater contamination by perfluorooctanate sulphonates (PFOS) and perfluorooctanoic acid (PFOA) at the Brisbane ARFF site and exploratory testing at other locations to determine whether contamination is present elsewhere. PFOS and PFOA are synthetic chemicals

used in manufacturing fluoropolymers, including the aqueous film forming foam that was used by ARFF during the 1980s and early 1990s. PFOS and PFOA are highly persistent man-made compounds and there is a limited body of knowledge of their effects, both environmentally and to human health. These investigations are continuing.

Airservices also monitors performance against the Sydney Airport Long Term Operating Plan. The Long Term Operating Plan is based on a number of noise sharing principles that include aircraft movements operating over water or non-residential areas wherever possible and residents not being exposed to noise from both landings and departures. The plan was developed by Airservices Australia, Sydney Airport and the then Department of Transport and Regional Services, in consultation with the community through the Sydney Airport Community Forum.

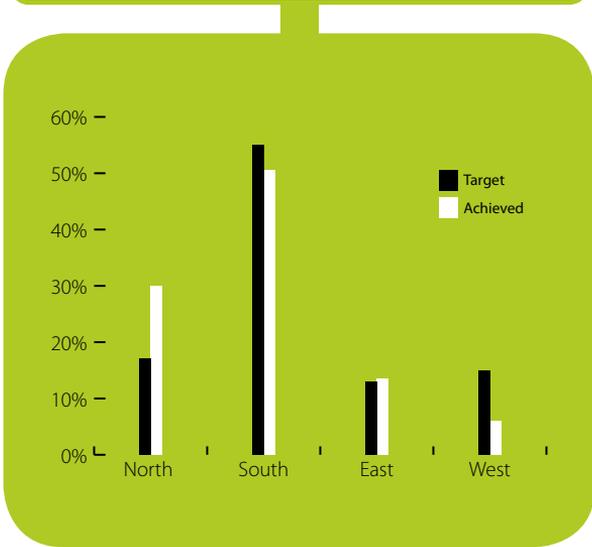
Results in 2007–08, shown in Figure 3, reflect achievements as close to targets as practicable, given traffic management constraints, weather, and forecast and prevailing wind conditions.

Performance in 2007–08, measured as percentages of actual runway end movements, was above plan targets for the north and east and below for the south and west.

TABLE 2 MANAGEMENT OF ENVIRONMENTAL LEGAL NON-COMPLIANCES AND SIGNIFICANT ENVIRONMENTAL RISKS, 2005–06 TO 2007–08

	2005–06		2006–07		2007–08	
	Actual	Target	Actual	Target	Actual	Target
Environmental legal non-compliances	1.0	0.0	0.0	0.0	0.0	0.0
Significant environmental risks not fully managed	0.0	2.0	0.0	2.0	0.0	0.0

FIGURE 3 SYDNEY AIRPORT LONG TERM OPERATING PLAN
RUNWAY END IMPACTS, JULY 2007 TO JUNE 2008



KEY RESULT AREA: OPERATIONAL EXCELLENCE AND INNOVATION

Corporate objective: To achieve sustainable competitive advantage through innovation and customer-focused and efficient processes and systems.

Corporate Plan July 2007–2012 strategic initiatives:

- Implement a national approach to achieve consistent and effective business systems, processes and practices.
- Build relations with ICAO and its standards-setting panels to achieve strategic outcomes compatible with the organisation’s strategic direction.
- Develop services and capabilities with industry that support the transition towards improved traffic flow, trajectory optimisation and autonomous flight.
- Implement improvements to the domestic tower ATM business and its infrastructure, achieving

appropriate standards of service for airports and airlines.

- Implement the ATC reform program to further improve productivity and reduce costs.
- Implement improvements to the regulated ARFF business and infrastructure, achieving appropriate standards of service for a contestable environment and fostering performance-based regulation to encourage innovation.

ACHIEVING CONSISTENT, EFFECTIVE NATIONAL BUSINESS SYSTEMS

Airservices Australia’s focus in 2007–08 was on national consistency and effectiveness in risk management, ATC and ARFF services, information systems and OHS systems.

The 2007–08 internal audit plan provided an independent assessment of the monitoring and management of key organisational risks, including emerging risks. The use of a single risk criteria matrix across the organisation ensures consistent reporting, including for the corporate risk profile document that briefs the Board on all major risks. Training in risk management included online legal compliance and risk management courses, along with face-to-face training in risk management processes, Bow-Tie methodology and the use of the Airservices Risk Management System (ARMS).

The National Operations Centre was established in Canberra in early 2008. The centre centralises Airservices’ national air traffic network management and is designed to improve the predictability and on-time performance of Australia’s aviation industry.

Operating 24 hours a day, seven days a week, the National Operations Centre monitors and analyses information in real time on the status of the air

traffic system, on aviation facilities and (in the longer term) on ARFF operations. The centre provides an early warning, early response capability for potentially critical incidents and improves our business reporting capability and business functions. It also assists air traffic controllers to better manage air traffic network congestion.

In late June 2008, we signed an agreement for a demand and capacity reporting product for testing and use in the National Operations Centre by the end of 2008. Work on this will commence in early July. The National Operations Centre is also working with the Bureau of Meteorology, the Department of Defence and other Australian Government agencies to improve the efficiency of its operations.

Airservices Australia implemented a more nationally consistent approach to most aspects of ATC and ARFF service delivery during the year. The operational effectiveness of ATC support services was reviewed in early 2008, after the centralisation of functions in early 2007. A resulting reform program (focusing on systems) is now in the design phase, for implementation early in 2008–09. We also continued to refine and standardise ARFF service delivery, which has been strengthened by the establishment of 'hub' managers to oversight the operations of regions, and moved ahead with plans to consolidate ARFF training into a national training centre. In November 2007, the Australian Government released a statement on aviation, which announced that ARFF services will not be contracted out.

Airservices Australia will as a consequence be reviewing this key result area.

In line with the Corporate Plan 2007–12, we have begun the development of a governance framework for data management across the organisation, and the rationalisation of airways and information systems management and support.

A major focus in 2007–08 was on renovating our OHS systems and integrating our occupational and operational safety systems, all of which are individually designed applications built on different software, with differing user interfaces. All provide for initial reporting, notification, the addition of data from investigations and some data extraction, all are critical for risk management, and all link to government and other entities for reporting purposes. A project initiated in 2007–08 will fully integrate these systems. Consultants have scoped the project and developed high-level specifications for the development of the new safety application.

BUILDING RELATIONS WITH THE ICAO

As outlined in the Corporate Plan, work with the ICAO to support panels and working groups on global navigation satellite systems (GNSS), ADS-B and communications, and regional improvements in operational safety and efficiency was ongoing.

Our work with the ICAO in 2007–08 included:

- working with the ICAO Bangkok office to introduce RNP 10 in Indonesia and Colombo
- representing at the International Federation of Air Traffic Controllers' Associations on such matters as ADS-B, including at the federation's recent conference in Tanzania
- chairing the meeting of the Aeronautical Information Service Task Force in Singapore in June 2008
- participating in the meeting of the Arabian Sea / Indian Ocean ATS Coordination Group in Dubai (January 2008)
- participating in the meeting of the informal South Pacific ATS Coordination Group in Tahiti (March 2008)

- providing input to the ICAO Universal Safety Oversight Audit Program through the Department of Infrastructure, Transport, Regional Development and Local Government
- contributing to ATM Requirements Performance Panel meetings (September and November 2007 and January 2008)
- participating in and presenting to regional and international ICAO conferences that supported ICAO GNSS, ADS-B and communications panels.

We also participated in the ICAO Separation and Airspace Safety Panel, including by providing significant input on safety assessments for establishing separation minima for ADS-B and multilateration (MLAT) systems. As a result of this work, the panel has finalised requirements for a 5 nautical mile minimum for ADS-B and 3 and 5 nautical mile minima for MLAT. Other work included the development of new separation minima for GNSS-equipped aircraft.

Work continues with overseas agencies and ICAO panels to define requirements, procedures, separation standards and flight trials for autonomous flight consistent with the ICAO Global ATM Operational Concept.

In other joint work, Airservices Australia cooperated with the United States National Aeronautics and Space Administration on conducting simulator trials using ADS-B In and ADS-B Out, and the development of associated ATC separation standards.

IMPROVING TRAFFIC FLOW, TRAJECTORY OPTIMISATION AND AUTONOMOUS FLIGHT

In line with the Corporate Plan July 2007–2012, Airservices Australia implemented the Upper Airspace, Regional and East Coast Service Delivery Environments to provide greater flexibility, facilitate user-preferred routes and match our service delivery more closely to the operating requirements of our customers. Significant airspace, data and console changes were made in November 2007 and June 2008. However, project activities in 2008 were deferred because of refocused priorities as a result of the further development of an ATC reform program.

In work in Australia to modernise ground-to-air and ground-to-ground communications for greater reliability, security, safety and efficiency, Airservices Australia:

- updated ASTRA (the Australian ATM Strategic Plan) for endorsement by the Department of Infrastructure, Transport, Regional Development and Local Government
- integrated the RNP-AR (required navigation performance – authorisation required) trial agreed with industry into existing ATM services in Brisbane, with an expected roll-out at all other sites
- coordinated ADS-B Out projects across the organisation (statistics show that more than 67 per cent of international aircraft are ADS-B equipped and are receiving ADS-B services)
- defined aeronautical information and decision-support programs in the AIM Strategy (C-STRAT0006) for the next five years.

We continue to assist airlines trialling fuel saving options for using the ATM Long-range Optimal Flow Tool (ALOFT) to transfer holding time at low altitudes and close to airports to the en route phase of flights.

IMPROVING DOMESTIC TOWER ATM OPERATIONS

In 2007–08, planned improvements to domestic tower ATM operations and infrastructure included audits of the efficiency, effectiveness and safety compliance of ATC towers and progress on the National Tower Upgrade Program.

The national towers program has three phases; tower rebuild, tower refurbishment and tower technology update. Stage 1 of the towers rebuild for the first four control towers has received Board approval. While the concept development has generated some slippage from the original timeline, the project is now progressing in line with expectations.

Engineering assessments have been completed on all current towers. Seven were identified as replacement towers, and building designs are at preliminary plan stage. There are 12 towers to be refurbished online and the balance are to be refurbished offline. Following construction of new towers, technology upgrades are expected to be progressively rolled out to the remaining towers. The proposed technology update has been to tender and is under operational and technical evaluation. The technology update is expected to enhance operational safety performance and support efficiency improvements.

Thirteen internal audits of ATC-related facilities conducted during the year included four audits of control towers.

REFORMING ATC TO IMPROVE PRODUCTIVITY

Airservices Australia's ATC reform program continued to improve productivity and better align our service delivery to customer needs while enhancing organisational design to support our safety performance.

The restructuring of the ATC group, begun in 2007, was completed with the appointment and training of line managers. The new line management structure provides a closer relationship with the operational ATC workforce, stronger linkages between operational and non-operational work performance, and closer communications. ATC line managers are now rolling out the 'Leaders Leading' program and principles to their staff.

A review of the restructure in March 2008 recommended further changes to eliminate deficiencies in support systems. The focus has been on systems and processes to better deploy our operational ATC resources. The outcome of the review will be a national resource capability using the latest tools and technologies. Examples of this include the adoption of Rostima, a roster tool designed to better match service demand with resource supply. Phase 1 was completed in August 2007.

Work commenced on the development and application of a workforce strategy to support the ATC reform program. The strategy addresses key capability and capacity risks.

IMPROVING ARFF OPERATIONS

To improve ARFF operations, our plans for 2007–08 were to audit ARFF stations and progress the vehicle replacement program.

Ten internal audits of ARFF-related facilities included eight ARFF stations. CASA reviewed ARFF head office, identifying some minor issues for attention, and the ICAO reviewed ARFF's activities. As a result, CASA renewed ARFF's operating certificate until 30 May 2011.

We made satisfactory progress on the ARFF vehicle replacement program. Five of the 20 vehicles ordered during 2006–07 were commissioned, with the balance to be commissioned in 2008–09. Ongoing vehicle replacement over the next five years will reduce the average age of the fleet from 16 to 10 years.

Work also commenced on new fire stations at Maroochydore and Perth and establishing new ARFF services at Broome.

KEY PERFORMANCE INDICATORS: OPERATIONAL EXCELLENCE AND INNOVATION

In 2007–08, Airservices Australia used three main KPIs to measure operational excellence:

- ARFF operational preparedness was measured by the ability to provide required levels of services, as determined by CASA regulations. The target was 98 per cent, and performance was 99.5 per cent.
- The effectiveness of corrective maintenance of airways system equipment was measured as a percentage of restoration times met. Airservices exceeded the 95 per cent target set in 2003–04, achieving 96.4 per cent for 2007–08.
- The numbers of service failure notifications (incidents significant enough to require remedial attention) for ATM indicate system performance in three categories: Category 1 events involve a loss of life (we have always achieved our target of zero); Category 2 events are those that could have led to a loss of life (target zero, exceeded only once); and Category 3 events have other potentially serious operational consequences. All notifications are investigated and appropriate corrective action is taken. In 2007–08, there were 34 Category 3 notifications.

The increase in Category 3 service failures is explained by a change in the internal-reporting categorisation

FIGURE 4 CORRECTIVE MAINTENANCE: RESTORATION TIMES MET (%)

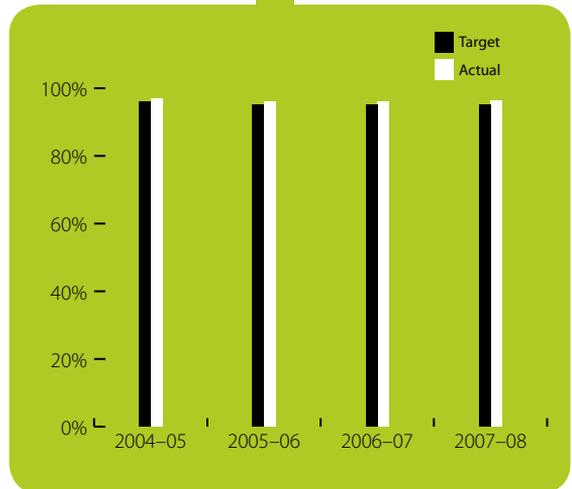
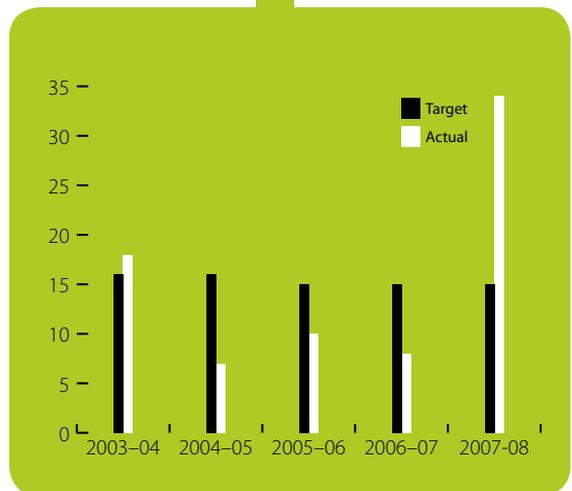


FIGURE 5 SERVICE FAILURE NOTIFICATIONS, CATEGORY 3



of failures attributable to Defence radars, whereby those failures in the first half of 2008 were allocated as serious in place of minor—in accordance with the outcomes of a safety review completed in December 2007.

KEY RESULT AREA: CUSTOMERS AND MARKETS

Corporate objective: To maximise our domestic market share and extend international market reach in our core services by delivering superior customer value.

Corporate Plan July 2007–2012 strategic initiatives:

- Develop and implement a suite of graduated tower services that address both community and aviation industry requirements.
- Expand non-regulated domestic and international operations in core services.
- Strengthen our operational collaboration in the Asia–Pacific region to pave the way for standardised and harmonised airspace management.
- Maintain a strong partnership with the US FAA in the provision of quality contract tower air traffic services.
- Develop and commercialise GNSS products and ADS–B managed services in domestic and international markets.

DEVELOPING GRADUATED TOWER SERVICES

In 2007–08 we undertook Unicom trials at regional aerodromes. Unicom provides general weather reports, basic air traffic information and details about the services and facilities available at an airport to pilots on approach to locations without tower facilities to enhance the safety of regular passenger services into those destinations.

Unicom is fully funded by Airservices and follows an extensive assessment of aircraft operations in uncontrolled Class G airspace to identify options to improve safety for fare-paying passengers.

The trial, which began at Wagga Wagga and Dubbo airports in December 2007, is continuing. The Airservices Board agreed to expand the trial to three additional locations in April 2008. We are awaiting

exemption from CASA for the provision of basic traffic information at the additional locations.

We expect to extend the trials to cover the broader characteristics of regional aerodromes to determine the viability of Unicom as a permanent service. If the initial trials are successful, a graduated or blended service model will be trialled at further regional tower locations.

COLLABORATING IN ASIA AND THE PACIFIC FOR HARMONISED AIRSPACE MANAGEMENT

Planned actions outlined in the Corporate Plan July 2007–12 to strengthen operational collaboration in Asia and the Pacific included participation in the Regional Seamless Airspace Initiative; the continued roll-out of our Neighbourhood Program in Papua New Guinea and Indonesia; and support for the Regional Safety Roadmap and regional ATC workshops.

Our participation in the Regional Seamless Airspace Initiative centred on the Apoda Group (Airservices Australia, plus the air navigation service providers of Indonesia, Papua New Guinea and Timor Leste). Apoda conferences during the year covered operational, technical and safety issues within the region.

We also participated in the Arabian Sea – Indian Ocean ATS Coordination Group’s Dubai and Colombo conferences, and helped in gaining the acceptance of the Bay of Bengal ATS Coordination Group for the introduction of RNP 10 in the Colombo and Indonesian FIRs.

Our Neighbourhood Program activities continued to make headway. Cooperative arrangements are creating solid foundations for safety improvements in the medium term. As part of this work, we helped Indonesia plan its civil aviation transformation program. In February 2008, we signed an interagency agreement with the Department of Infrastructure, Transport, Regional Development and Local Government

to participate in the Indonesian Transport Safety Assistance Package. In conjunction with other Australian transport safety agencies, we will deliver a number of projects over the next three years to improve aviation safety in Indonesia.

We also conducted working meetings with Papua New Guinea on operational and technical improvement projects, and established a new representative office in Singapore. As part of our consolidation and realignment to focus on the Asia-Pacific region, our Gulf and India offices were closed. While no new business in these countries is being actively pursued, existing contractual arrangements will be delivered.

The Australian Airspace Monitoring Agency (which we operate to serve our strategic interests in South-East Asia) began safety monitoring of the Port Moresby FIR and the Jakarta and Ujung Pandang FIRs in Indonesia. The Indonesian work is an expansion of the already significant interaction between the two countries on aviation matters. The agency's responsibility for the neighbouring areas of Papua New Guinea and Indonesia will result in standardised arrangements for safety monitoring, improving safety for those states and for the region as a whole.

Under the Neighbourhood Program, we explored regional cooperative arrangements for safety improvements on a cost-recovery basis. This work will allow the application of new procedures and technologies in the region.

In other international work during the year, Airservices Australia:

- delivered the ATM Bureau (China) ATC English Proficiency Training Contract
- provided initial ATC training to 10 Papua New Guinea Civil Aviation Authority students at the Melbourne ATC College (the first significant ATC training undertaken by that organisation since 1996)

- signed a services agreement with the Civil Aviation Division of Timor Leste for preventive and corrective maintenance and flight inspection services at Dili Airport
- signed a services agreement with Airports Vanuatu Limited and subsequently installed the Comsoft Aeronautical Data Access System
- provided advanced ATC training in four Indonesian courses in Brisbane between June and October 2007
- finalised contract negotiations with the Royal Singapore Air Force to provide flight calibration services in Singapore through a partnership with AeroPearl.

MAINTAINING A STRONG RELATIONSHIP WITH THE UNITED STATES FAA

Airservices Australia, through its wholly owned subsidiary Airservices Pacific Incorporated, continued to provide contract tower services at five towers in Hawaii, Guam and Saipan on behalf of the United States FAA.

An audit of operations at Guam and Saipan towers was conducted during July 2007. Two safety management staff visited the Hawaiian locations in June 2008 to identify 'lessons learned' for potential benefit to Australian tower operations and to report on the safety culture of Airservices Pacific Incorporated.

GNSS AND ADS-B IN DOMESTIC AND INTERNATIONAL MARKETS

Airservices Australia has established a strategic business arrangement with Honeywell, involving the development of Ground-based Augmentation System (GBAS) and Ground-based Regional Augmentation System (GRAS) technology. In March 2008, Airservices and Honeywell reviewed progress on GBAS and GRAS and decided to suspend work on the GRAS component of the GNSS Program because current and emerging

technology changes undermine the viability of GRAS development.

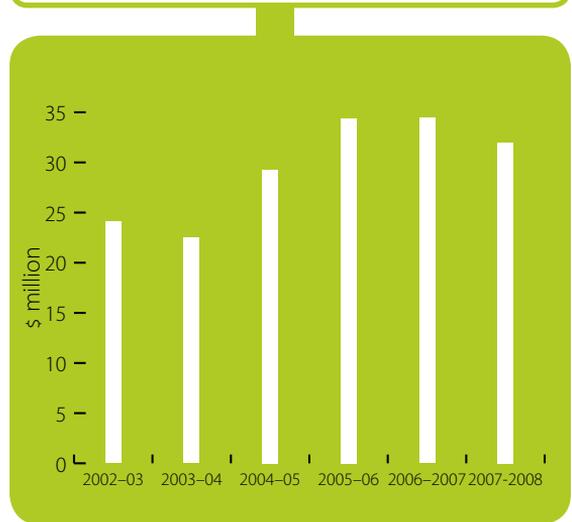
As of 30 June, a review of the GNSS Program had not yet been completed, so a final decision on the way forward had not been made by the Board.

A commercial agreement was established with SITA for the deployment of a managed service model for ADS-B implementation in the Asia-Pacific region. The model continues to be developed and improved as a marketable service to the region. Negotiations are underway with the Indonesian Government on an ADS-B enabled service. We are now focused on developing a proposal to provide an ADS-B managed service in Indonesia, starting in 2009.

KEY PERFORMANCE INDICATORS: CUSTOMERS AND MARKETS

In 2007-08, Airservices Australia's other commercial (non-regulated) revenue was \$31.99 million, which was slightly below the result in 2006-07.

FIGURE 6 COMMERCIAL (NON-REGULATED) REVENUE 2002-03 TO 2007-08



KEY RESULT AREA: OUR PEOPLE

Corporate objective: To achieve a skilled, motivated, flexible and customer-focused workforce committed to continuous improvement, innovation and growth in our business.

Corporate Plan July 2007–2012 strategic initiatives:

- Complete implementation of a national approach to achieve consistent and effective human resource systems, process and practices.
- Implement cultural change and leadership development programs aligned to Airservices Australia's strategic direction.
- Improve long-term organisational workforce planning to support Airservices Australia's strategic direction.
- Improve air traffic controller workforce engagement with the organisation, including career management, job design, employee communication and management skills to support the new service delivery environments and emerging technologies.

IMPLEMENTING A NATIONAL APPROACH TO HUMAN RESOURCE SYSTEMS

Our aim in 2007–08 was to complete our human resources systems renovation project, ensuring alignment with the organisation's leadership model. Airservices Australia's priority is to improve our people management capabilities, which had previously been decentralised and inconsistent and needed significant improvement.

Human resources support functions were centralised under People Services in Canberra in early 2007. A shared services model was designed and launched in early 2008 to further maximise effectiveness, efficiency and consistency. The renovation of existing people systems and design of new systems continued

during 2007–08 with work on fair treatment and executive organisation reviews; career development (Part 1—future potential and capability assessment); work performance; and attendance management.

Education on Airservices' human resources policies and procedures for new employees is being addressed through a comprehensive two-day induction program. The program will also help new employees understand our expectations for their behaviour, as outlined in the Code of Conduct.

Key systems earmarked for development over 2008–09 include career development (Part 2—succession planning and capability development), remuneration, recruitment, organisation design and leaders' communication.

Airservices is working with an external provider to improve human resources reporting. In July 2007, we went live with an online workforce metrics reporting tool. Further enhancements to the online reporting tool will be approved for development insofar as they are in line with the requirements of the business.

IMPLEMENTING CULTURAL CHANGE AND LEADERSHIP DEVELOPMENT PROGRAMS

To achieve our cultural change and leadership development initiative in 2007–08, we planned to deliver leadership training to all ATC managers, use surveys to monitor cultural change, and continue to embed our leadership model and principles.

The Leaders Leading program was designed in 2006 to support cultural change throughout the organisation. The program is based on a model that calls for managers to be held accountable for the output of others, for sustaining a team capable of producing the required outputs, and for providing effective leadership to that team.

By July 2008, leadership training had been delivered to the top four levels of management, including all ATC managers. It is now being rolled out to front-line operational supervisors. Executive and senior management team charters and role statements for all senior managers, which clarify accountabilities and expectations, have been developed to ensure that our senior managers lead by example to ensure the success of the cultural change program.

We also piloted the Management Essentials program, which will now be included in the Airservices Academy curriculum for delivery to all managers in 2008–09.

The senior management team continued to meet monthly, and took part in a quarterly leadership workshop.

The 2008 employee opinion survey was designed and scheduled for action in late July 2008. It was very similar to last year's survey, with slight refinements of the wording. The results from last year's survey are given below, under 'Key performance indicators: Our people'.

IMPROVING LONG-TERM WORKFORCE PLANNING

Airservices undertakes strategic workforce planning every five years, and refreshes the plans each year. Planning involves looking at the organisation's demand for specific skills and capabilities in the future and mapping the supply of those skills and capabilities. The 2006–2010 Workforce Plan highlighted potential skill and capability gaps among engineers, technicians, air traffic controllers and senior managers.

The Corporate Plan July 2007–2012 set out four planned actions to improve Airservices Australia's long-term workforce planning: revise the workforce plan and fill capability gaps; establish an engineering career structure; implement a technical trainee program; and

establish a new induction portal on workplace safety for employees and contractors.

In June 2008, we released *Our Commitment: Our People—a five year commitment from Airservices 2008–2013*, which explains our workforce challenges and strategies to build the workforce we will need over the next five years. This strategy will be developed into a holistic attraction and retention strategy during 2008–09.

The 2008–2013 Workforce Plan, which is nearing completion, will further inform the development of organisational attraction and retention policies to address key capability gaps. The workforce plan is reviewed annually, so the 2009–2014 plan is already being developed.

A remuneration benchmarking exercise for engineering personnel is underway, in support of our initiative to establish an engineering career structure.

We developed and implemented a technical trainee recruitment program during the year, providing the framework for a sustainable workforce for current and emerging technologies.

The infrastructure for a corporate induction portal has been created. Content is being developed to capture Airservices business groups' strategies and overviews for training all new employees and contractors in workplace safety.

IMPROVING ATC WORKFORCE CAREER MANAGEMENT, JOB DESIGN AND MANAGEMENT SKILLS

To improve ATC career management, we have recruited and trained new line managers and reviewed ATC job competencies and trainee selection.

Our ATC line manager role has been designed to ensure we have an appropriate manager-to-employee span of control and better alignment of workplace supervision and managerial accountability.

Our ATC Career Development Initiative has been designed to give air traffic controllers broader opportunities for career progression and development. The initiative articulates career pathways for which management and our employees have mutual accountability.

The initiative will be integrated with the organisation's wider career development system.

We completed a review of ATC job competencies and trainee selection techniques during the year. The results will be used to improve trainee graduation rates.

KEY PERFORMANCE INDICATORS: OUR PEOPLE

Airservices Australia measures and reports on the level of employees' engagement with their work. The employee engagement index is determined from our annual employee opinion survey.

Results for 2006–07 showed a significant increase in employees' engagement with their job and the organisation, from 29 per cent in 2005–06 to 45 per cent in 2006–07. This figure is above the average Australian benchmark of 31 per cent and exceeds the target of 37 per cent set for 2006–07.

KEY RESULT AREA: OWNER

Corporate objective: To meet the government's requirements for financial returns, increasing value in the business and maintaining positive relationships with key industry, regulatory and community groups.

Corporate Plan July 2007–2012 strategic initiatives:

- Achieve the required rate of return.
- Implement pricing reform for the organisation's regulated services.
- Proactively progress regulatory reform in our core services at both ICAO and CASA levels.
- Ensure that the organisation's stakeholder management and communications are effective for a government-owned commercial organisation in a complex environment.
- Complete the transfer of Airservices Australia airspace policy and regulatory functions to the Department of Transport and Regional Services (now the Department of Infrastructure, Transport, Regional Development and Local Government) and CASA.

ACHIEVING THE REQUIRED RATE OF RETURN

Airservices Australia's performance in achieving the required rate of return in 2007–08 is detailed below, under 'Key performance indicator: Owner'. Several initiatives during the year resulted in more commercially efficient internal operations.

A new forecasting system was implemented in the second half of the year to support our 2009 budgeting process. The system provides improved staff cost planning and greater transparency in cost calculations. Compared to the previous system, it has improved administrative efficiency and increased confidence in the calculation of planning values. Development of the second stage of enhancements to the system was

completed in late 2007–08. It is scheduled to be rolled out in July 2008 in time for the 2008–09 reporting cycle.

During 2007–08, Airservices established the Organisational Efficiency and Cost Awareness Program, which resulted in the identification and implementation of a number of minor cost reduction and process efficiencies. However, the major roll-out of the program, which will identify further efficiency initiatives, will take place in the first quarter of the 2008–09 financial year.

IMPLEMENTING PRICING REFORM FOR REGULATED SERVICES

In 2007–08, Airservices Australia aimed to develop a long-term pricing renewal plan for all core service lines. We take a transparent approach to pricing, and consult widely on terminal navigation, en route and ARFF charges with stakeholders.

During the year, we developed a paper examining various pricing options for existing service lines. We will distribute the paper to stakeholders in early 2008–09 and seek their views in consultative forums. The results will underpin the next long-term pricing agreement, which is due to be implemented in 2010.

PROGRESSING REGULATORY REFORM AT ICAO AND CASA LEVELS

In 2007–08, our participation in ICAO standards development included:

- the November 2007 ATM Requirements and Performance Panel Working Group meeting, at which the *Global Performance Manual* was finalised.
- the ATM consortium held in Beijing.

In Australia, we continued our interaction with CASA through its Surveillance Program to address identified issues in Civil Aviation Safety Regulations affecting our operations.

ENSURING EFFECTIVE STAKEHOLDER MANAGEMENT

Airservices regional consultative forums were held in Hobart and Cambridge in Tasmania, Camden and Port Macquarie in NSW, Coolangatta in Queensland, Port Lincoln and Parafield in South Australia, and Bacchus Marsh, Kyneton and Mangalore in Victoria. A special forum was held at the Recreational Aviation Australia annual Natfly event over the Easter weekend at Narromine in NSW.

Waypoint 2007, a highly successful industry consultation forum, brought together keynote speakers from Airservices, CASA, Defence and the Department of Infrastructure, Transport, Regional Development and Local Government to gather stakeholders' views on their roles in shaping the industry's future.

Airservices Australia continued its sponsorship of a range of flight training scholarships. We agreed to again sponsor the annual Wings International competition between Australian and New Zealand flying clubs, to be hosted in 2008 by the Manning River Aero Club at Taree, NSW, and reached agreement with the Aircraft Owners and Pilots Association on the final format of scholarships. We also began discussions with the Australian Women Pilots' Association on a possible expansion of its scholarship to support instructor status.

During the ATC Global conference in Amsterdam in March 2008, Airservices and Honeywell Aerospace hosted a special flight to demonstrate the safety and operational benefits of the GBAS. The flight showed that GBAS is already in use as an operational system and that the necessary onboard avionics are available.

Audits of stakeholder relationship functions conducted in 2007–08 included corporate communications and airport relationship management.

COMPLETING THE TRANSFER OF POLICY AND REGULATORY FUNCTIONS

Our aim in 2007–08 was to complete the transfer of Airservices Australia’s airspace policy and regulatory functions to the Department of Transport and Regional Services (now the Department of Infrastructure, Transport, Regional Development and Local Government) and CASA.

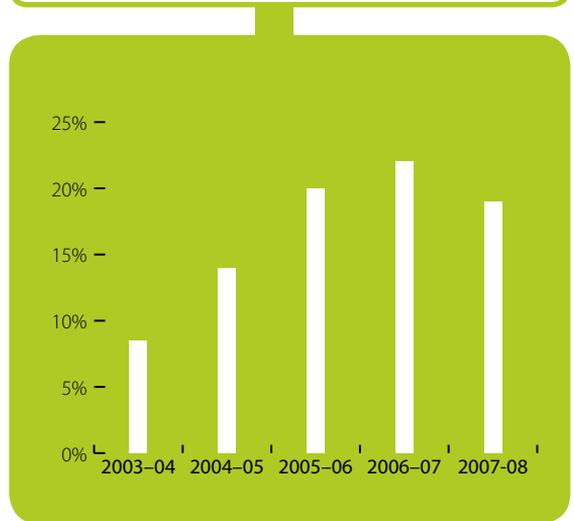
The *Airspace Act 2007* and *Airspace Regulations 2007* came into effect on 1 July 2007. The Airspace and Environment Regulatory Unit was wound up, and its functions were transferred to CASA, along with three staff members.

With the transfer of airspace regulatory functions to CASA’s Office of Airspace Regulation, our role is now limited to functions appropriate to a service provider. However, we continue to provide assistance, advice and data to the office as required.

KEY PERFORMANCE INDICATORS: OWNER

In 2007–08, earnings before interest and tax as a percentage of revenue were 19 per cent, compared to 22 per cent in 2006–07.

FIGURE 7 EARNINGS BEFORE INTEREST AND TAX, 2003–04 TO 2007–08 (% OF REVENUE)



Ministerial directions

During 2007–08, the Minister made no new formal directions to Airservices Australia under section 16 of the *Air Services Act 1997*.

TABLE 3 MINISTERIAL DIRECTIONS STILL CURRENT FROM PREVIOUS FINANCIAL YEARS

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

Stakeholder involvement and consultation

During 2007–08, Airservices Australia consulted widely with stakeholders in Australia and overseas. Consultations took place with governments, airline operators, aerodrome operators, regulators, general aviation operators, Airservices staff and the community.

Financial results

Airservices Australia's 2007–08 after-tax return on average equity was 24.7 per cent, which was 4.0 per cent below the Corporate Plan July 2007–2012 target. Operating profit after tax was \$92.0 million, which was a 13.8 per cent reduction compared to the 2006–07 result. This has resulted in the recommended dividend from 2007–08 profits being \$55.2 million, compared to \$64.0 million relating to the 2006–07 profits.

INCOME

Total income for the year was \$752.7 million, compared to \$728.7 million in the previous year. Airways revenue grew by 4.5 per cent across the year, with net revenue of \$707.3 million after industry rebates of \$26.3 million.

A revaluation of our property, plant and equipment resulted in \$8.7 million being recorded as revenue, as required under applicable accounting standards.

EXPENSES

Overall expenses increased by \$46.3 million compared to 2006–07. Employee costs increased by \$6.5 million, mainly due to pay increases for the year and higher levels of overtime. There was also an increase in our supplier expenses of \$11.2 million, mainly related to provisions for ARFF decontamination (\$7.2 million). There was an overall increase of \$22.7 million in depreciation and impairment of our buildings, plant and equipment following prior year revaluations, commissioning of new assets and assessments for impairment under applicable accounting standards.

Significant changes in the state of affairs during the financial year

CHANGES TO LEGISLATION

The enactment of the *Airspace Act 2007* is significant for the operations of Airservices Australia. Although the Act received royal assent during the previous financial year, it did not come into effect until 1 July 2007. The Act transferred the function of airspace administration and regulation from Airservices Australia to CASA, and requires the Minister to make an Australian Airspace Policy Statement on the administration and regulation of, and policy objectives for, Australian administered airspace.

Part of a suite of amendments to the *Aviation Transport Security Act 2004* and the *Civil Aviation Act 1988* was the introduction of a mandatory drug and alcohol testing regime. As a result, CASA has been establishing a new Part 99 of the Civil Aviation Safety Regulations (CASRs) to cover all personnel undertaking safety-sensitive aviation activities, who will be subject to the drug and alcohol testing program. Airservices Australia will be required to have a drug and alcohol management plan, and CASA will manage a random testing regime for all personnel undertaking safety-sensitive aviation activities.

REGULATORY CHANGES

Under the Airspace Act, CASA now has power to regulate and administer Australian-administered airspace through the Office of Airspace Regulation. As a result of these developments, the Airspace Regulations 2007 have replaced Part 2 of the Air Services Regulations 1995 (which has consequently been repealed). The government felt that this removed a perceived conflict of interest arising from Airservices Australia's dual roles of airspace regulator and air traffic service provider, and would result in better processes and improved transparency in airspace regulation.

Developments since the end of the financial year

There has been one development since the end of the financial year that affects the operations of Airservices Australia.

In July 2008 the National Operations Centre was restructured to no longer operate as a stand-alone business group in order to tighten the executive leadership team. The various teams and programs within the National Operations Centre now report to a number of general managers of existing business groups, including Air Traffic Control, Safety Management and Corporate Affairs.

AIRSERVICES AUSTRALIA



Financial Statements

For the year ended 30 June 2008



INDEPENDENT AUDITOR'S REPORT

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

Scope

I have audited the accompanying financial statements of Airservices Australia Group for the year ended 30 June 2008, which comprise: a Statement by Directors, Chief Executive Officer and Chief Financial Officer; Consolidated Income Statement; Consolidated Balance Sheet; Consolidated Cash Flow Statement; Consolidated Statement of Recognised Income and Expenses; Consolidated Schedule of Commitments; and Notes to the Financial Statements, including a Summary of Significant Accounting Policies. The Airservices Australia Group comprises both Airservices Australia and the entity it controlled during the year, Airservices Pacific Incorporated.

The Responsibility of the Directors for the Financial Statements

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

Auditor's Responsibility

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

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT 2600
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Airservices Australia Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airservices Australia Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Auditor's Opinion

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Airservices Australia Group's financial position as at 30 June 2008 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Alana Foster
Executive Director
Delegate of the Auditor-General

Canberra
11 September 2008

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

For the year ended 30 June 2008

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

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

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



David Forsyth
Chairman



Greg Russell
Chief Executive Officer



Andrew Clark
Chief Financial Officer

Canberra, 9 September 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
CONTINUING OPERATIONS			
INCOME			
<i>Revenue</i>			
Airways revenues	4b	707,261	676,659
Finance income	4a	520	633
Other commercial revenue	4b	31,994	34,442
Miscellaneous income	4b	4,267	4,868
Total Revenue		744,042	716,602
<i>Gains</i>			
Reversal of previous asset write-downs	4b	8,691	12,106
Total Gains		8,691	12,106
TOTAL INCOME		752,733	728,708
EXPENSES			
Employee expenses	4a	402,291	395,776
Suppliers		129,252	118,010
Depreciation	12	47,084	39,850
Amortisation	13	14,895	12,258
Finance costs	4a	11,437	8,914
Write-down and impairment of assets	12	15,441	-
Net loss on disposal of assets	4a	1,295	592
TOTAL EXPENSES		621,695	575,400
PROFIT BEFORE INCOME TAX		131,038	153,308
Income tax expense	5	39,063	46,554
NET PROFIT AFTER INCOME TAX		91,975	106,754

CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Notes	2008 \$'000	2007 \$'000
CURRENT ASSETS			
Cash and cash equivalents	8	10,218	8,874
Trade and other receivables	9	84,469	76,185
Prepayments		9,743	9,195
Inventories		554	360
Assets classified as held for sale	10	496	655
TOTAL CURRENT ASSETS		105,480	95,269
NON-CURRENT ASSETS			
Land and buildings	12	177,604	159,616
Infrastructure, plant and equipment	12	432,267	352,379
Deferred tax assets	11	36,819	9,934
Intangible assets	13	46,926	56,910
Defined benefit fund asset	16	24,772	111,144
TOTAL NON-CURRENT ASSETS		718,388	689,983
TOTAL ASSETS		823,868	785,252
CURRENT LIABILITIES			
Trade and other payables	14a	108,179	91,636
Provisions	14a	151,797	116,049
Borrowings	15	64,768	44,884
TOTAL CURRENT LIABILITIES		324,744	252,569
NON-CURRENT LIABILITIES			
Borrowings	15	99,544	99,409
Provisions	14b	39,670	48,262
TOTAL NON-CURRENT LIABILITIES		139,214	147,671
TOTAL LIABILITIES		463,958	400,240
NET ASSETS		359,910	385,012
SHAREHOLDER'S EQUITY			
Contributed equity		222,190	222,190
Reserves	17a	61,799	49,303
Retained earnings	17b	75,921	113,519
TOTAL EQUITY		359,910	385,012

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		827,830	770,825
Payments to suppliers and employees (inclusive of GST)		(591,944)	(604,132)
Borrowing costs		(10,469)	(7,507)
Income tax paid		(34,455)	(40,802)
Net cash flows from operating activities	28	190,962	118,384
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		3,768	3,688
Purchase of property, plant and equipment		(146,969)	(118,603)
Purchase of intangible assets		(311)	-
Interest received		494	747
Net cash flows used in investing activities		(143,018)	(114,168)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(66,600)	(65,300)
Proceeds from borrowing		20,000	144,084
Repayment of borrowing		-	(100,000)
Net cash flows used in financing activities		(46,600)	(21,216)
Net increase/(decrease) in cash and cash equivalents		1,344	(17,000)
Cash and cash equivalents at beginning of period		8,874	25,874
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8	10,218	8,874

GST = goods and services tax

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES

As at 30 June 2008

	Notes	2008 \$'000	2007 \$'000
NET INCOME RECOGNISED DIRECTLY IN EQUITY (NET OF DEFERRED TAX)			
Current year net revaluation	17a	14,789	12,237
Foreign exchange hedge	17a	562	(2,098)
Exchange difference on translation of foreign operations	17a	(29)	(5)
Actuarial gains/(losses)	17b	(65,799)	15,436
TOTAL NET INCOME RECOGNISED DIRECTLY IN EQUITY		(50,477)	25,570
Profit for the year		91,975	106,754
TOTAL RECOGNISED INCOME & EXPENSES FOR THE YEAR		41,498	132,324

CONSOLIDATED SCHEDULE OF COMMITMENTS

As at 30 June 2008

	2008 \$'000	2007 \$'000
CAPITAL COMMITMENTS		
Infrastructure, plant and equipment	129,499	83,380
OTHER COMMITMENTS		
Operating leases	70,797	72,638
Other commitments	78,818	45,683
	149,615	118,321
COMMITMENTS RECEIVABLE⁽¹⁾	(34,375)	(18,457)
TOTAL NET COMMITMENTS	244,739	183,244
CAPITAL COMMITMENTS BY MATURITY		
Within one year	75,437	48,263
After one year but no more than five years	53,732	27,656
More than five years	330	7,461
TOTAL CAPITAL COMMITMENTS	129,499	83,380
OPERATING LEASES BY MATURITY		
Within one year	14,472	14,796
After one year but not more than five years	21,857	26,142
More than five years	34,468	31,700
TOTAL OPERATING LEASES	70,797	72,638
OTHER COMMITMENTS BY MATURITY		
Within one year	39,201	21,098
After one year but not more than five years	35,229	23,152
More than five years	4,388	1,433
TOTAL OTHER COMMITMENTS	78,818	45,683
COMMITMENTS RECEIVABLE BY MATURITY		
Within one year	(11,487)	(7,846)
After one year but not more than five years	(19,426)	(8,639)
More than five years	(3,462)	(1,972)
TOTAL COMMITMENTS RECEIVABLE	(34,375)	(18,457)

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

NB: Commitments are GST inclusive where relevant.

Operating leases are effectively non-cancellable as detailed in the table below. No contingent rentals exist.

Nature of lease	General description of leasing arrangement
Leases for office accommodation	Airservices Australia Group leases are subject to differing review mechanisms. The initial periods of office accommodation leases are still current and each may be renewed depending on its individual option period.
Leases for computer equipment	A number of operating leases for the provision of computer equipment are in place. A majority of these items have a lease term of 1 to 3 years, with some printers having a lease term of up to 5 years. It is Airservices Australia Group's general practice that, at the completion of the lease term, these items are returned to the lessor.

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Note 1: Summary of significant accounting policies

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

A. BASIS OF PREPARATION

The financial report is required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997* and is a general purpose financial report. The report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and Finance Minister's Orders, being the Commonwealth Authorities and Companies Orders (Financial Statements for periods ending on or after 1 July 2007).

HISTORICAL COST CONVENTION

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and certain classes of property, plant and equipment.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Australian equivalents to International Financial Reporting Standards (AIFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2 and Note 16.

B. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of Airservices Pacific Incorporated (API) which is controlled by Airservices Australia as at 30 June 2008. API's reporting date is 30 June. Airservices Australia and API together are referred to in this financial report as the Airservices Australia Group, the Group, or the consolidated entity.

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

Note 1: Summary of significant accounting policies (continued)

B. PRINCIPLES OF CONSOLIDATION (CONTINUED)

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

For accounting purposes, the Airservices Australia Group also controls (as defined in UIG Interpretation 112) four special purpose entities which are involved in the US cross-border arrangement in relation to equipment associated with The Australian Advanced Air Traffic System (TAAATS) and radar systems. However, as the Airservices Australia Group has no ownership interest in those entities and they are immaterial to the Group, those entities are not consolidated but instead are disclosed in Note 7 and Note 27.

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

The parent entity and consolidated entity's results are not considered materially different for the year ended 30 June 2008; therefore, the parent entity results are not separately disclosed in this financial report.

C. STATEMENT OF COMPLIANCE

COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial report of the Airservices Australia Group complies with International Financial Reporting Standards.

ADOPTION OF NEW AUSTRALIAN ACCOUNTING STANDARD REQUIREMENTS

No accounting standard has been adopted earlier than the application date as stated in the standard. The following new standards are applicable to the current reporting period.

FINANCIAL INSTRUMENT DISCLOSURE

AASB 7 *Financial Instruments: Disclosures* is effective for reporting periods beginning on or after 1 January 2007 (the 2007–08 financial year) and amends the disclosure requirements for financial instruments. In general, AASB 7 requires greater disclosure than that previously required. Associated with the introduction of AASB 7 a number of accounting standards were amended to reference the new standard or remove the present disclosure requirements through AASB 2005–10 Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038). These changes have no financial impact but will affect the disclosure presented in future financial reports.

Note 1: Summary of significant accounting policies (continued)**C. STATEMENT OF COMPLIANCE (CONTINUED)***FINANCIAL INSTRUMENT DISCLOSURE (CONTINUED)*

The following new standards, amendments to standards or interpretations for the current financial year have no material financial impact on Airservices Australia:

- AASB 2007–4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments and Erratum: Proportionate Consolidation
- AASB 2007–7 Amendments to Australian Accounting Standards
- UIG Interpretation 11 AASB 2—Group and Treasury Share Transactions and 2007–1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11.

FUTURE AUSTRALIAN ACCOUNTING STANDARD REQUIREMENTS

The following new standards, amendments to standards or interpretations have been issued by the Australian Accounting Standards Board but are effective for future reporting periods. It is estimated that the impact of adopting these pronouncements when effective will have no material financial impact on future reporting periods:

- AASB Interpretation 12 Service Concession Arrangements and 2007–2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12
- AASB 8 Operating Segments and 2007–3 Amendments to Australian Accounting Standards arising from AASB 8
- AASB 2007–6 Amendments to Australian Accounting Standards arising from AASB 123
- AASB Interpretation 13 Customer Loyalty Programmes

AASB Interpretation 14 AASB 119—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

OTHER

The following standard has been issued but is not applicable to the operations of Airservices:

- AASB 1049 Whole of Government and General Government Sector Financial Reporting

AASB 1049 specifies the reporting requirements for the General Government Sector. The FMOs do not refer to this standard as it contains guidance applicable to the consolidated financial statements of the Australian Government, rather than financial reports of individual agencies or authorities.

Note 1: Summary of significant accounting policies (continued)

D. FOREIGN CURRENCY TRANSLATION

FUNCTIONAL AND PRESENTATION CURRENCY

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

TRANSACTIONS AND BALANCES

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

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

GROUP COMPANIES

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

- Assets and liabilities are translated at the closing rate at the date of that balance sheet.
- Income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- All resulting exchange differences are recognised as a separate component of equity.

Note 1: Summary of significant accounting policies (continued)**E. REVENUE RECOGNITION***RENDERING OF SERVICES*

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

SALE OF GOODS

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

INTEREST INCOME

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

F. PROPERTY, PLANT AND EQUIPMENT*ASSET RECOGNITION THRESHOLD*

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

COST AND VALUATION

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

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

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

Note 1: Summary of significant accounting policies (continued)

F. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

REVALUATIONS

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

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

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

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

DERECOGNITION AND DISPOSAL

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

Note 1: Summary of significant accounting policies (continued)

F. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

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

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

LEASES

Operating lease payments where the lessor effectively retains substantially all of the risks and benefits of ownership of leased assets are included in the determination of the operating profit in equal instalments over the lease term.

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

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

DEPRECIATION

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

	2008	2007
Buildings (including fittings)	10–40 years	10–40 years
Infrastructure, plant and equipment	3–20 years	3–20 years

Note 1: Summary of significant accounting policies (continued)**F. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****SPARES**

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

G. INTANGIBLE ASSETS

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

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

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

H. INVENTORIES

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

I. DIVIDENDS

Provision is made for the amount of any dividend approved by the Minister for Infrastructure, Transport, Regional Development and Local Government but unpaid, prior to the end of the period.

J. CASH AND CASH EQUIVALENTS

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

Note 1: Summary of significant accounting policies (continued)**K. FINANCIAL ASSETS**

Airservices classifies its financial assets in the following categories:

- financial assets as 'at fair value through profit or loss'
- 'held-to-maturity investments'
- 'loans and receivables'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are recognised and derecognised upon 'trade date'.

EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets 'at fair value through profit or loss'.

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 asset:

- has been acquired principally for the purpose of selling in the near future
- is a part of an identified portfolio of financial instruments that the Airservices Australia Group manages together and has a recent actual pattern of short-term profit-taking, or
- is a derivative that is not designated and effective as a hedging instrument.

Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

HELD-TO-MATURITY INVESTMENTS

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group 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.

Note 1: Summary of significant accounting policies (continued)**K. FINANCIAL ASSETS (CONTINUED)***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'. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, in which case they are classified as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Generally, the terms of all invoices are 28 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impairment is used where the original terms of payment with the customer have not been met, and there is objective evidence that the amount due will not be recovered. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Historical information on bad debts and the economic environment under which the customers operate are taken into consideration in determining the impairment allowance. The movement in the allowance for impairment is recognised in the income statement. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against supplier expenses in the income statement.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets are assessed for impairment at each balance date. If there is objective evidence that an impairment loss has been incurred for loans and receivables or held-to-maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the income statement.

Note 1: Summary of significant accounting policies (continued)**L. FINANCIAL LIABILITIES**

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities are recognised and derecognised upon 'trade date'.

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 the income statement. The net gain or loss recognised in the income statement incorporates any interest paid on the financial liability.

OTHER FINANCIAL LIABILITIES

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

SUPPLIER AND OTHER PAYABLES

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).

M. INCOME TAX

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability

Note 1: Summary of significant accounting policies (continued)**M. INCOME TAX (CONTINUED)**

is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

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

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

N. GOODS AND SERVICES TAX (GST)

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

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

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

Commitments and contingencies are disclosed GST inclusive.

O. 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.

Note 1: Summary of significant accounting policies (continued)

O. RECOVERABLE AMOUNT OF NON-CURRENT ASSETS (CONTINUED)

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.

P. 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. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Q. EMPLOYEE BENEFITS

CLASSIFICATION OF EMPLOYEE ENTITLEMENTS

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

WAGES, SALARIES AND ANNUAL LEAVE

Liabilities for wages, salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at pay rates which will be applicable when paid, in respect of employees' services up to that date.

VALUATION

Employee benefit provisions for long service leave, early retirement benefit and superannuation are assessed by qualified actuaries on a half-yearly basis. Various actuarial assumptions are required when determining the Group's obligations, and these are discussed at Note 2 and Note 16.

Note 1: Summary of significant accounting policies (continued)**Q. EMPLOYEE BENEFITS (CONTINUED)***LONG SERVICE LEAVE*

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

EARLY RETIREMENT BENEFIT

A liability for early retirement benefit is recognised within the provision for separations and redundancies in accordance with the Airservices Australia Certified Agreement 2005–2008, and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government-guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

SUPERANNUATION

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

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

A liability or asset in respect of the AvSuper defined benefit superannuation plan is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's

Note 1: Summary of significant accounting policies (continued)**Q. EMPLOYEE BENEFITS (CONTINUED)***SUPERANNUATION (CONTINUED)*

assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated half-yearly by an independent actuary. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

R. SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

S. ASSETS CLASSIFIED AS HELD FOR SALE

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

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

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

T. WORKING CAPITAL

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

Note 2: Significant accounting estimates and assumptions

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

A. AVSUPER DEFINED BENEFIT PLAN

Various actuarial assumptions are required when determining the Group's obligations under the AvSuper defined benefit plan. The assumptions relied on for the year to 30 June 2008 are discussed in Note 16.

B. LONG SERVICE LEAVE AND EARLY RETIREMENT BENEFITS

Various actuarial assumptions are required when determining the Group's obligations for long service leave and the Early Retirement Benefit Scheme. The assumptions relied on for the year to 30 June 2008 include salary increases of 2% immediately and 2% in six months time, and promotional increases are assumed to occur continuously at the rate of 2% per annum. A discount rate of 6.45% per annum has also been applied and represents the 10-year Commonwealth Government bond rate at 30 June 2008.

C. RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

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

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

Note 3: Segment reporting

Airservices Australia operates predominantly in the Australian Aviation Industry.

Note 4: Profit from continuing operations

	2008 \$'000	2007 \$'000
A. PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX IS ARRIVED AT AFTER INCLUDING THE FOLLOWING ITEMS OF REVENUE AND EXPENDITURE:		
Revenue		
Finance income		
- Investments	262	479
- Deposits	56	61
- Other	202	93
Total finance income	<u>520</u>	<u>633</u>
Expenses		
Employee expenses		
- Wages and salaries	266,357	256,584
- Superannuation (defined contribution funds)	23,703	21,477
- Leave and other entitlements	99,001	83,230
- Separation and redundancies	3,499	21,358
Employee expenses (excluding defined benefit superannuation expense)	<u>392,560</u>	<u>382,649</u>
Net defined benefit superannuation expense recognised in employee expenses		
- Current service cost	28,533	32,839
- Interest cost	31,207	29,332
- Expected return on fund assets	(50,009)	(49,044)
Defined benefit superannuation expense	<u>9,731</u>	<u>13,127</u>
Total employee expenses	<u>402,291</u>	<u>395,776</u>
Finance costs		
- Loans	9,919	6,970
- Interest rate swap fair value loss	1,314	1,605
- Other	204	339
Total finance costs	<u>11,437</u>	<u>8,914</u>
Impaired loss on trade and other receivables		
Movement in allowance for impairment (receivables)	1,232	(53)
Bad debts written off	109	145
Total bad and doubtful debt expenses	<u>1,341</u>	<u>92</u>
Operating lease charges	18,261	17,552
Gain/(loss) from sale/(write-off) of non-current assets		
- Proceeds from disposal of assets	3,768	3,688
- Written-down value of disposed assets	(3,263)	(3,824)
Net gain/(loss) from sale of non-current assets	<u>505</u>	<u>(136)</u>
Written down value of scrapped assets	(1,800)	(456)
Net loss from disposal of assets	<u>(1,295)</u>	<u>(592)</u>

Note 4: Profit from continuing operations (continued)
B. SUPPLEMENTARY ANALYSIS OF THE INCOME STATEMENT

2008	Airways activities	Other commercial activities	Profit from continuing activities
	\$'000	\$'000	\$'000
Airways revenue	707,261	-	707,261
Other commercial revenue	-	31,994	31,994
Total sales revenue	707,261	31,994	739,255
Finance income	520	-	520
Miscellaneous income	4,267	-	4,267
Reversal of previous asset write-downs	8,691	-	8,691
Total income	720,739	31,994	752,733
Total expenses	592,117	29,578	621,695
Net profit before tax	128,622	2,416	131,038
Income tax expense	38,343	720	39,063
Net profit after tax	90,279	1,696	91,975

2007	Airways activities	Other commercial activities	Profit from continuing activities
	\$'000	\$'000	\$'000
Airways revenue	676,659	-	676,659
Other commercial revenue	-	34,442	34,442
Total sales revenue	676,659	34,442	711,101
Finance income	633	-	633
Miscellaneous income	4,868	-	4,868
Reversal of previous asset write-downs	12,106	-	12,106
Total income	694,266	34,442	728,708
Total expenses	543,616	31,784	575,400
Net profit before tax	150,650	2,658	153,308
Income tax expense	45,747	807	46,554
Net profit after tax	104,903	1,851	106,754

Note 5: Income tax
A. INCOME TAX EXPENSE

	2008	2007
	\$'000	\$'000
Current tax	42,521	52,727
Deferred tax	(3,458)	(6,173)
Income tax expense attributable to profit from continuing operations	39,063	46,554

B. RECONCILIATION OF INCOME EXPENSE TO PRIMA FACIE TAX PAYABLE

	2008	2007
	\$'000	\$'000
Profit from continuing operations before income tax expense	131,038	153,308
Prima facie income tax expense at 30%	39,311	45,992
Tax effect of amounts which are not deductible/assessable in calculating taxable income:		
- Provision for Tax Law Amendment Act (No. 2)	55	80
- Non-deductible legal costs	-	84
- Non-assessable legal settlement	-	(480)
- Other non-deductible expenditure	138	294
- Depreciation of revalued assets	2,443	4,332
- Revaluation of non-current assets	(2,607)	(3,632)
- Research and development tax incentive	(277)	(116)
Income tax expense	39,063	46,554

Note 6: Dividends

A. DIVIDEND PAID

A final dividend for the year ended 30 June 2007 of \$33.2m (2007: \$34.5m) was paid in February 2008. An interim dividend for the year ending 30 June 2008 of \$33.4m (2007: \$30.8m) was paid in June 2008.

The final dividends recommended after 30 June 2008 will be unfranked.

B. FRANKING CREDITS

Franking credits available for subsequent financial years based on a tax rate of 30% (2007: 30%) are \$177.2m (2007: \$134.2m).

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits that will arise from the payment of the amount of the provision for income tax.

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

The unfranked dividend recommended by the directors since year end, but not recognised as a liability at year end, will have no impact on the franking account balance.

Note 7: Investments in controlled entities

A. AIRSERVICES PACIFIC INCORPORATED

Airservices Australia has owned 100% of Airservices Pacific Incorporated (API), based in Delaware in the United States of America, since December 2004. The investment comprises 1,000 shares at a nominal value of US\$1.00 per share.

Airservices Australia previously made available a loan facility of US\$0.700m to API at normal commercial terms and conditions in December 2004 which was repaid with interest in December 2006. A second facility of US\$0.700m was made available in September 2005. This facility was fully drawn in December 2006 to repay the maturing issue and meet working capital requirements.

The new facility expires in December 2009 but can be repaid with interest at any time prior to maturity. As at 30 June 2008, the principal amount of the loan equates to AUD \$0.727m.

Note 7: Investments in controlled entities (continued)**B. SPECIAL PURPOSE ENTITIES**

In accordance with the indicators of control for accounting purposes detailed in UIG Interpretation 112, the Airservices Australia Group controls four special purpose entities which are involved in the US cross-border arrangement in relation to equipment associated with The Australian Advanced Air Traffic System (TAAATS) and radar systems discussed in Note 27. However the issued capital in these entities, which totals US\$4,000, is not owned by the Airservices Australia Group but is held by two finance companies. These entities are not consolidated due to materiality considerations.

Note 8: Current assets—cash and cash equivalents

	2008	2007
	\$'000	\$'000
Cash at bank and on hand	518	3,774
Deposits at call	9,700	5,100
	10,218	8,874

(a) Cash at bank and on hand

Cash at bank has a floating interest rate of 6.75% (30 June 2007: 5.75%). Cash on hand is non-interest bearing.

(b) Deposits at call

The deposits have a floating interest rate of 7.25% (30 June 2007: 6.25%). These 11am cash at call deposits are rolled over on a daily basis.

Note 9: Current assets—trade and other receivables

	2008	2007
	\$'000	\$'000

Loans and receivables

Trade receivables (a)	78,414	72,563
Allowance for impairment (b)	(1,854)	(622)
	76,560	71,941
Other receivables (c)	517	606
Accrued revenue and interest	7,392	3,638
Total current receivables	84,469	76,185

(a) Ageing analysis of trade receivables

	2008	2007
	\$'000	\$'000
Current	67,561	67,155
Overdue by:		
1 to 30 days	5,876	2,524
31 to 60 days	733	1,954
61 to 90 days	2,143	522
90+ days	2,101	408
Total	78,414	72,563

(b) Reconciliation of the allowance for impairment:

	2008	2007
	\$'000	\$'000
Opening balance	622	675
Increase/(decrease) recognised in net profit	1,232	(53)
Closing balance	1,854	622

The allowance for impairment is aged as follows:

	2008	2007
	\$'000	\$'000
Current	28	93
Overdue by:		
1 to 30 days	171	8
31 to 60 days	57	11
61 to 90 days	71	10
90+ days	1,527	500
	1,854	622

(c) Other receivables

Other receivables are mainly comprised of balances associated with salary sacrifice arrangements.

Note 10: Assets classified as held for sale

A total of nine land assets and one residence have been identified as surplus to the requirements of the Airservices Australia Group and have been classified as assets held for sale. The decision to dispose of the above assets has been endorsed by the Board of Directors and their disposal is expected to be completed within the 2008–09 financial year. The carrying amount of the assets amounted to \$0.496m (30 June 2007: \$0.655m).

Note 11: Non-current assets—deferred tax assets

	2008	2007
	\$'000	\$'000
The balance comprises temporary differences attributed to:		
<i>Amounts recognised in the income statement</i>		
Accelerated depreciation for accounting purposes	2,377	4,922
Allowance for impairment	556	187
Employee benefits	54,315	58,649
Provision for revenue to be returned to customers	7,879	851
Provision for legal costs	362	-
Other provisions	2,159	-
Interest rate swap	652	257
Cross-border transaction provision	452	473
Accruals	1,015	970
	69,767	66,309
<i>Amounts recognised directly in equity</i>		
Foreign exchange hedge reserve	(655)	(891)
Revaluation of land, buildings, plant and equipment	(27,150)	(22,141)
Defined benefit asset	(5,143)	(33,343)
	(32,948)	(56,375)
Net deferred tax assets	36,819	9,934
Movements:		
Opening balance at 1 July	9,934	32,104
Credited/(charged) to the income statement	3,458	(6,173)
Credited/(charged) to equity	23,427	(15,997)
Closing balance at 30 June	36,819	9,934

Note 12: Non-current assets—property, plant and equipment

A. REVALUATION OF LAND, BUILDINGS, PLANT AND EQUIPMENT

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

Airservices Australia Group engaged accredited valuers CB Richard Ellis to value its land and Aon Valuation Services for the valuation of buildings, plant and equipment (these valuers were also used for the previous year). The reversal of prior year revaluation decreases (for the same asset), were recognised by crediting the income statement. In all other cases, the revaluation surplus net of deferred income taxes was credited to the asset revaluation reserve. The effective date of the revaluation was 30 June 2008.

Note 12: Non-current assets—property, plant and equipment (continued)
A. REVALUATION OF LAND, BUILDINGS, PLANT AND EQUIPMENT (CONTINUED)

Item	Land \$'000	Buildings \$'000	Total land and buildings \$'000	Plant and equipment \$'000	Assets under construction \$'000	Total \$'000
Gross value - 1 July 2007	46,895	116,894	163,789	231,865	158,508	554,162
Additions	-	237	237	7,001	134,182	141,420
Commissioned assets under construction	-	8,248	8,248	53,533	(61,781)	-
Assets under construction commissioned as software (refer Note 13)	-	-	-	-	(4,601)	(4,601)
Revaluations	10,163	1,665	11,828	(18,977)	-	(7,149)
Disposals	-	(2,238)	(2,238)	(7,813)	-	(10,051)
Impairment (b)	-	-	-	-	(15,441)	(15,441)
Assets transferred to held for sale	(166)	-	(166)	-	-	(166)
Reclassifications	-	582	582	(581)	-	1
Gross value – 30 June 2008	56,892	125,388	182,280	265,028	210,867	658,175
Accumulated depreciation – 1 July 2007	-	(4,173)	(4,173)	(37,994)	-	(42,167)
Depreciation charged	-	(10,416)	(10,416)	(36,668)	-	(47,084)
Revaluations	-	9,010	9,010	26,646	-	35,656
Disposals	-	819	819	4,472	-	5,291
Reclassifications	-	84	84	(84)	-	-
Accumulated depreciation – 30 June 2008	-	(4,676)	(4,676)	(43,628)	-	(48,304)
Net book value – 30 June 2008	56,892	120,712	177,604	221,400	210,867	609,871
Gross value - 1 July 2006	36,030	105,393	141,423	208,401	128,154	477,978
Additions	-	25	25	4,980	98,507	103,512
Commissioned assets under construction	-	3,317	3,317	50,095	(53,412)	-
Assets under construction commissioned as software (refer Note 13)	-	-	-	-	(14,741)	(14,741)
Revaluations	10,554	8,486	19,040	(19,152)	-	(112)
Disposals	-	(177)	(177)	(12,144)	-	(12,321)
Assets transferred from held for sale	161	-	161	-	-	161
Reclassifications	150	(150)	-	(315)	-	(315)
Gross value – 30 June 2007	46,895	116,894	163,789	231,865	158,508	554,162
Accumulated depreciation – 1 July 2006	-	(3,536)	(3,536)	(35,855)	-	(39,391)
Depreciation charged	-	(8,560)	(8,560)	(31,290)	-	(39,850)
Revaluations	-	7,808	7,808	21,895	-	29,703
Disposals	-	115	115	7,256	-	7,371
Accumulated depreciation – 30 June 2007	-	(4,173)	(4,173)	(37,994)	-	(42,167)
Net book value – 30 June 2007	46,895	112,721	159,616	193,871	158,508	511,995

Note 12: Non-current assets—property, plant and equipment (continued)**B. IMPAIRMENT**

In line with accounting standards, management has performed an impairment review of both existing assets and assets under construction. Principally, the review has focused on future use of existing assets, and changes in technology and business system requirements. As a consequence of this review, a number of software projects have ceased, and the costs associated with this work has been expensed.

C. CARRYING AMOUNTS THAT WOULD HAVE BEEN RECOGNISED IF LAND, BUILDINGS, PLANT AND EQUIPMENT WERE MEASURED USING THE COST MODEL

	2008	2007
	\$'000	\$'000
Land		
At cost	3,836	3,938
Buildings		
At cost	198,687	207,512
Accumulated depreciation	(117,981)	(125,374)
Net carrying amount	80,706	82,138
Plant and equipment		
At cost	617,720	601,323
Accumulated depreciation	(363,666)	(371,964)
Net carrying amount	254,054	229,359

Note 13: Non-current assets—intangible assets (software)

	2008			2007		
	Internally developed software	Other intangible assets	Total intangible assets	Internally developed software	Other intangible assets	Total intangible assets
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross value – 1 July	93,638	26,962	120,600	78,958	26,878	105,836
Reclassified from plant and equipment	(1)	-	(1)	-	-	-
Additions	-	311	311	-	84	84
Transferred from assets under construction	3,294	1,307	4,601	14,741	-	14,741
Disposals	(1,936)	-	(1,936)	(61)	-	(61)
Gross value – 30 June	94,995	28,580	123,575	93,638	26,962	120,600
Accumulated amortisation – 1 July	(51,316)	(12,374)	(63,690)	(42,723)	(8,763)	(51,486)
Amortisation for the year	(11,069)	(3,826)	(14,895)	(8,647)	(3,611)	(12,258)
Disposals	1,936	-	1,936	54	-	54
Accumulated amortisation – 30 June	(60,449)	(16,200)	(76,649)	(51,316)	(12,374)	(63,690)
Net intangibles – 30 June	34,546	12,380	46,926	42,322	14,588	56,910

Note 14: Provisions and payables

A. CURRENT PAYABLES AND PROVISIONS

	2008	2007
	\$'000	\$'000
Current payables		
Suppliers		
- Trade payables	16,477	10,147
Employees		
- Salaries and wages	8,688	6,604
- Superannuation	915	653
- Recreation leave ⁽¹⁾	36,021	31,902
Revenue received in advance	3,483	2,645
Interest payable	936	829
Group tax payable	3,284	3,110
Accrued payroll tax	1,941	1,483
Net goods and services tax payable	10,192	9,376
Other accrued expenses	26,242	24,887
Total current payables	108,179	91,636
Current provisions		
Employee benefits		
- Long service leave ⁽²⁾	99,310	93,969
- Separations and redundancies	3,486	10,491
Workers compensation	485	496
Taxation	13,750	8,156
Revenue to be returned to customers	26,263	2,837
Other provisions	7,196	-
Cross-border transaction	100	100
Litigation and legal costs	1,207	-
Total current provisions	151,797	116,049
Total current provisions and payables	259,976	207,685

⁽¹⁾ Recreation leave expected to be settled within 12 months from the reporting date is \$22.2m, and greater than 12 months is \$13.8m.

⁽²⁾ Long service leave expected to be settled within 12 months from the reporting date is \$9.4m, and greater than 12 months is \$89.9m.

Note 14: Provisions and payables (continued)**B. NON-CURRENT PROVISIONS**

	2008	2007
	\$'000	\$'000
Employee benefits		
- Long service leave	8,287	10,527
- Separations and redundancies	27,625	33,672
Workers compensation	2,351	2,588
Cross-border transaction	1,407	1,475
Total non-current provisions	39,670	48,262

C. DESCRIPTION OF PROVISIONS*EMPLOYEE BENEFITS*

- Workers compensation

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

- Separations and redundancies

This includes \$27.6m (30 June 2007: \$31.7m) in early retirement benefits which have been elected to be taken by employees as a lump sum on retirement. Also, \$3.5m (30 June 2007: \$12.5m) relates to redundancy provisions in relation to the restructuring of the organisation.

REVENUE TO BE RETURNED TO CUSTOMERS

Of the provision above, \$24.5m (30 June 2007: \$Nil) relates to revenue in excess of the risk sharing threshold that was agreed to under the Long Term Pricing Agreement (LTPA). Under the LTPA, revenue in excess of 5% of projected activity is available to be returned to customers subject to consultation. A further \$1.8m (30 June 2007: \$2.8m) will also be returned in relation to aviation rescue and fire fighting (ARFF) regulatory costs anticipated under the LTPA, but have yet to be introduced.

OTHER PROVISIONS

A provision has been provided for contamination that has been identified at various ARFF training sites. This provision represents the lowest cost option in terms of containment of the problem. Although currently unquantifiable, a future provision for remediation and mitigation may be required subsequently to further testing, and this is disclosed as a contingent liability in Note 18.

Note 14: Provisions and payables (continued)

C. DESCRIPTION OF PROVISIONS (CONTINUED)

CROSS-BORDER TRANSACTION

This provision represents compliance and monitoring costs which will be paid over the term of the cross-border financing arrangement discussed in Note 27.

LITIGATION AND LEGAL COSTS

This provision includes the estimated settlement costs to be incurred by the Airservices Australia Group on ongoing matters which commenced prior to 30 June 2008.

D. MOVEMENT IN PROVISIONS (EXCLUDING EMPLOYEE BENEFITS)

	2008	2007
	\$'000	\$'000
(i) Revenue to be returned to customers (Current)		
Carrying amount at start of period	2,837	14,899
Additional provisions recognised	26,263	2,837
Credit notes issued	(2,837)	(14,866)
Unused amount reversed	-	(33)
Carrying amount at end of period	26,263	2,837
(ii) Other (Current)		
Additional provision recognised	7,196	-
Carrying amount at end of period	7,196	-
(iii) Cross-border transaction (Current/Non-current)		
Carrying amount at start of period	1,575	1,604
Payments	(68)	(29)
Carrying amount at end of period	1,507	1,575
(iv) Litigation and legal costs (Current)		
Carrying amount at start of period	-	259
Additional provision recognised	1,207	-
Payments	-	(259)
Carrying amount at end of period	1,207	-

Note 15: Borrowings

	2008	2007
	\$'000	\$'000
Unsecured loans – Bank loans		
- Current ⁽¹⁾	64,768	44,884
- Non-current ⁽²⁾	99,544	99,409
Total Borrowings	164,312	144,293

⁽¹⁾ This amount was issued under the \$300m commercial paper facility on 19 June 2008 and matured on 18 July 2008.

⁽²⁾ This represents a medium term note issued on 15 November 2006 and matures on 15 November 2011.

Note 16: Defined benefit fund asset

A. SUPERANNUATION PLAN

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

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

B. BENEFIT ASSET

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

	2008	2007
	\$'000	\$'000
Present value of the defined benefit obligation	(626,910)	(606,379)
Fair value of defined benefit fund assets	651,682	717,523
Net benefit asset – non-current	24,772	111,144

Note 16: Defined benefit fund asset (continued)**B. BENEFIT ASSET (CONTINUED)**

The decrease in the net benefit asset follows a reduction in the growth rate from the expected rate of return of 7% (net of tax and expenses) and was triggered by falls in the investment markets from the middle of the financial year.

Airservices Australia Group will continue to contribute to the defined benefit section of the plan in line with the actuary's recommendations.

C. CATEGORIES OF PLAN ASSETS

The major categories of plan assets are as follows:

	2008	2007
	\$'000	\$'000
Cash	7,568	22,585
Equity instruments	392,425	462,719
Debt instruments	114,838	98,739
Other assets	136,851	133,480
	651,682	717,523

Note 16: Defined benefit fund asset (continued)
D. RECONCILIATIONS

	2008	2007
	\$'000	\$'000
<i>Reconciliation of the present value of defined benefit obligation:</i>		
Balance at the beginning of the year	606,379	625,327
Current service cost	28,533	32,839
Contribution by members	10,090	10,539
Interest cost	31,207	29,332
Actuarial gains on obligation	(2,520)	(55,855)
Benefits paid	(46,779)	(35,803)
Balance at the end of the year	626,910	606,379

	2008	2007
	\$'000	\$'000
<i>Reconciliation of the fair value of plan assets:</i>		
Balance at the beginning of the year	717,523	703,315
Expected return on the plan assets	50,009	49,044
Actuarial losses	(96,519)	(33,804)
Contributions by Airservices Australia	17,358	24,232
Contributions by members	10,090	10,539
Benefits paid	(46,779)	(35,803)
Balance at the end of the year	651,682	717,523

E. NET AMOUNT RECOGNISED IN INCOME STATEMENT

	2008	2007
	\$'000	\$'000
The amounts recognised in the income statement are as follows:		
Current service cost	28,533	32,839
Interest cost on benefit obligation	31,207	29,332
Expected return on plan assets	(50,009)	(49,044)
Total included in employee benefits expense	9,731	13,127
Actual return on plan assets	(46,510)	15,240

Note 16: Defined benefit fund asset (continued)**F. PRINCIPAL ACTUARIAL ASSUMPTIONS**

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

	2008	2007
Discount rate	5.50%	5.30%
Expected return on plan assets	7.00%	7.00%
Future salary increases ⁽¹⁾	6.00%	6.00%

⁽¹⁾ The assumptions relied on for the year to 30 June 2008 include salary increases of 2% immediately and 2% in six months time. Promotional increases are assumed to occur continuously at the rate of 2% per annum.

The expected return on plan assets is based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected allocation of plan assets to these major categories. This resulted in the selection of an 8% rate of return gross of tax and net of expenses (8% in 2006–07) and a 7% rate of return net of tax and expenses (7% in 2006–07).

G. EMPLOYER CONTRIBUTIONS

Employer contribution rates are reviewed formally with each actuarial investigation of the plan undertaken for the trustee.

An actuarial investigation of the plan is made each year (current practice), and the last such assessment was made as at 30 June 2007.

Employer contributions are currently:

- 12% of gross salary for air traffic controllers
- 9% of gross salary for other employees
- 3% for those employees who remain members of the Commonwealth Superannuation Scheme (CSS).

The objectives in setting the contribution rate are to:

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

Note 16: Defined benefit fund asset (continued)

G. EMPLOYER CONTRIBUTIONS (CONTINUED)

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 members' 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.

The economic assumptions used by the actuary to make the funding arrangements were a long-term investment earning rate of 7% per annum (net of fees and taxes), salary increases of 2% immediately and 2% in six months time, promotional increases to occur continuously at the rate of 2% per annum.

Total employer contributions expected to be paid by Airservices Australia Group for the year ending 30 June 2009 amount to approximately \$17.5m.

H. NET FINANCIAL POSITION OF THE PLAN

In accordance with AAS 25 *Financial Reporting by Superannuation Plans*, the plan's net financial position is determined as the difference between the present value of the accrued benefits and the net market value of plan assets. This has been determined as at the date of the most recent financial report of AvSuper (30 June 2007), and a surplus of \$210.2m was reported.

I. HISTORIC SUMMARY

	2008	2007	2006	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000
Plan assets	651,682	717,523	703,315	650,946	565,266
Defined benefit plan obligation	(626,910)	(606,379)	(625,327)	(646,699)	(577,952)
Surplus	24,772	111,144	77,988	4,247	(12,686)
Experience (gains)/losses adjustments arising on plan liabilities	(47,567)	(34,959)	1,677	584	(6,276)
Experience gains/(losses) adjustments arising on plan assets	(96,519)	(33,804)	31,282	29,460	4,343

Note 17: Reserves and retained earnings

	2008	2007
	\$'000	\$'000
A. RESERVES		
Asset revaluation reserve	63,351	51,388
Foreign exchange hedge reserve	(1,545)	(2,107)
Foreign currency translation reserve	(7)	22
	61,799	49,303
Movements		
<i>Asset revaluation reserve</i>		
Opening balance	51,388	39,615
Net revaluation	14,789	12,237
Revaluation reserve – disposals (net of deferred tax)	(2,826)	(464)
	63,351	51,388
<i>Foreign exchange hedge reserve</i>		
Opening balance	(2,107)	(9)
Net revaluation	562	(2,098)
	(1,545)	(2,107)
<i>Foreign currency translation reserve</i>		
Opening balance	22	27
Net revaluation	(29)	(5)
	(7)	22
B. RETAINED EARNINGS		
Opening balance	113,519	56,165
Net profit after tax for the year	91,975	106,754
Dividend paid	(66,600)	(65,300)
Defined benefit fund movements direct to equity (net of deferred tax)	(65,799)	15,436
Revaluation reserve – disposals (net of deferred tax)	2,826	464
	75,921	113,519

Note 18: Contingencies

Following extensive environmental testing at aviation rescue and fire fighting (ARFF) sites around the country, it has been identified that some sites have been contaminated with a product used for fire fighting purposes. The product was widely used internationally and by Airservices Australia from 1998 at various training sites, and was subsequently phased out by 2003. The identified contaminant does not break down naturally, and there is currently no known means to remediate the affected sites.

Further testing will take place over the coming year to evaluate the extent of the problem, and to determine the relevant course of action.

A sum of \$7.2m has been provided for relating to costs associated with containing the contaminants and to avoid any possible further spreading (refer to Note 14). Work is currently underway to identify potential methods to remediate the sites as a long-term solution. These remediation costs are not currently possible to quantify.

Note 19: Standby arrangements and unused credit facilities

	2008	2007
	\$'000	\$'000
Bank overdraft	5,000	5,000
Total credit facilities	5,000	5,000
Amount utilised	-	-
Unused credit facility	5,000	5,000
Loan facilities		
- Commercial paper (only expires if cancelled)	300,000	300,000
- Domestic bond (matures 15 November 2011)	100,000	100,000
- Standby Facilities	100,000	100,000
- Cash Advance Facility	30,000	-
- 11am Borrowing	-	20,000
Total loan facilities	530,000	520,000
Amount utilised	(165,927)	(144,293)
Unused loan facility	364,073	375,707

Note 20: Remuneration of auditors

	2008	2007
	\$	\$
Auditing services provided by the Australian National Audit Office	299,200	308,000

Audit services for the Airservices Australia Group are provided by the Australian National Audit Office and are subcontracted to PricewaterhouseCoopers. Also included in the amount above is \$30,200 (2007: \$28,000) relating to the audit of API's financial statements.

Taxation services provided by PriceWaterhouseCoopers during the year totalled \$16,353 (2007: \$75,908).

Note 21: Remuneration of directors

	2008	2007
	\$	\$
Amounts received, or due and receivable, by directors	450,918	456,079

The remuneration of the Chief Executive Officer (who was an Executive Director during the year) is disclosed with the remuneration of executives in Note 22 and is not included in directors' remuneration. A number of directors served for only part of the 2008 year, as detailed in Note 23.

The \$450,918 for 2008 consists of short-term employee benefits (\$413,781) and post-employment benefits (\$37,137).

Note 22: Remuneration of executives

	2008	2007
	\$	\$
Amounts received, or due and receivable, by executives	<u>4,836,713</u>	4,458,912

Executive remuneration payments include base salary, termination payments and pay at risk. Remuneration received by the executive managers, whose remuneration was at least \$130,000, totalled \$4,836,713 (2007: \$4,458,912). Executive managers are those who are concerned with, or take part in, the management of the Airservices Australia Group and include the Chief Executive Officer.

The \$4,836,713 for 2008 consists of short-term employee benefits (\$4,044,035); long-term benefits (\$108,685); post-employee benefits (\$386,778); and termination benefits (\$297,215). A number of executives served for only part of the 2008 year, as detailed in Note 23.

Note 23: Related party transactions

A. DIRECTORS

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

Chairman	Status	Commenced	Finished
David Forsyth		3-Jun-08	Current
Nick Burton Taylor AM	Resigned at end of term	28-Jan 05	28-Mar-08
Deputy Chairman			
Christine Goode		Ongoing	Current
Directors			
David Forsyth		28-Jan-05	28-Mar-08
Robert Maher		Ongoing	Current
Roxley McLennan		Ongoing	Current
Gerard McGowan		23-Aug-07	31-May-08
Henk Meertens		28-Jan-05	28-Mar-08
Henk Meertens		3-Jun-08	Current
Warren Mundy		3-Jun-08	Current
Alice Williams		28-Jan-05	28-Mar-08
Alice Williams		3-Jun-08	Current
Chief Executive Officer			
Greg Russell ¹		Ongoing	Current
Andrew Clark	Acting	1-Jul-07	7-Jul-07
		23-Jan-08	25-Jan-08
		2-Feb-08	8-Feb-08
		7-Mar-08	18-Mar-08
		20-Apr-08	24-Apr-08
		7-Jun-08	19-Jun-08
Neal O'Callaghan	Acting	30-Sep-07	10-Oct-07
Alastair Hodgson	Acting	17-Feb-08	20-Feb-08
Jason Harfield	Acting	21-May-08	23-May-08

¹ Mr Russell is also the ongoing Chairman of the Board of Airservices Australia's wholly owned subsidiary, Airservices Pacific Incorporated.

Note 23: Related party transactions (continued)
B. EXECUTIVES

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

Executives	Title	Commenced	Finished
Andrew Clark (formerly GM Corporate Finance)	Chief Financial Officer	Ongoing	Current
Jason Harfield	GM Safety Management	Ongoing	20-Jan-08
	GM Air Traffic Control	21-Jan-08	Current
Neal O'Callaghan	GM Business Services	Ongoing	Current
Richard Dudley	GM Corporate Affairs	Ongoing	Current
Wayne Emery	GM Business Development	Ongoing	Current
Stephen Angus	GM ATC Reform	Ongoing	20-Jan-08
	GM National Operations Centre	21-Jan-08	06-Jul-08
	GM Safety Management	07-Jul-08	Current
Alan Barber	GM Aviation Rescue and Fire Fighting	Ongoing	Current
Alastair Hodgson	GM Technology and Asset Services	Ongoing	Current
Kenneth McLean	GM Air Traffic Control	Ongoing	20-Jan-08
	GM Safety Management	21-Jan-08	04-Jul-08
Brian Prendergast	GM Future Direction	Ongoing	10-Aug-07
Caroline Fleming	GM People and Change	Ongoing	Current
Michelle Bennetts	GM Audit and Assurance	Ongoing	Current

C. TRANSACTIONS WITH RELATED PARTIES

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

Certain director-related entities have transactions with the Airservices Australia Group that occur within normal customer or supplier relationships on terms and conditions no more favourable than those which it is reasonable to expect the Airservices Australia Group would have adopted if dealing with the director-related entity at arm's length in similar circumstances. These transactions include the following entities and have been described below where the transactions are considered likely to be of interest to users of these financial statements:

- Employer superannuation contributions were made to AvSuper Pty Ltd, a superannuation fund, of which Mr Neal O'Callaghan is a trustee director. Airservices Australia Group is reimbursed by AvSuper Pty Ltd for administrative costs incurred on behalf of the superannuation fund's management.

Note 23: Related party transactions (continued)

C. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

To the extent permitted by law, the Airservices Australia Group provides indemnities to its directors and officers to complement the insurance arrangements that it has in place.

Airservices Pacific Incorporated (the wholly owned subsidiary of Airservices Australia) received consulting services from Mr Roger Ray (Director of API) amounting to US\$12,000.

Note 24: Financial instruments

Airservices Australia Group is exposed to financial risks arising from movements in interest rates and foreign exchange rates. Airservices Australia uses derivative financial instruments to minimise the impact of adverse movement in rates within the framework of a comprehensive set of risk management policies approved by the directors. Financial risk is managed centrally and speculative trading is strictly prohibited.

A. FAIR VALUE OF FINANCIAL INSTRUMENTS

	Carrying amount 2008	Fair value 2008	Carrying amount 2007	Fair value 2007
	\$'000	\$'000	\$'000	\$'000
FINANCIAL ASSETS				
Forward exchange contracts	-	(2,175)	-	(2,971)
Cash and cash equivalents	10,218	10,218	8,874	8,874
Receivables	84,469	84,469	76,185	76,185
Interest rate swaps	-	(2,172)	-	(858)
Total	94,687	90,340	85,059	81,230
FINANCIAL LIABILITIES				
Long-term debt	99,544	95,585	99,409	98,151
Trade and other payables ⁽¹⁾	72,158	72,158	59,734	59,734
Commercial notes	64,768	64,603	44,884	44,884
Total	236,470	232,346	204,027	202,769

⁽¹⁾ This item excludes amounts for staff recreation leave liabilities

Note 24: Financial instruments (continued)

A. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following methods and assumptions were used to estimate the net fair value of each class of financial instrument.

LONG-TERM DEBT

The net fair value of long-term debt is determined by reference to current market rates.

FORWARD FOREIGN EXCHANGE CONTRACTS

The net fair value of forward foreign exchange contracts is determined by reference to current forward rates for contracts with similar maturity.

INTEREST RATE SWAP AGREEMENTS

The net fair value of interest rate swap contracts is determined as the difference in present value, discounted using current market rates, of the future interest cash flows.

B. FINANCIAL RISK

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

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

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

C. CREDIT RISK

Credit risk represents the risk that one party to a transaction will fail to discharge an obligation and cause the other party to suffer a financial loss. Airservices Australia Group invests money and enters into financial derivative contracts with authorised counterparties whose long-term credit rating is at, or above, A- (Standard and Poor's) or A₃ (Moody's). The maximum credit limit for each approved counterparty is currently \$70 million. Counterparty credit exposure is assessed using the principles of the Australian Prudential Regulatory Authority 'Current Exposure Method'.

Note 24: Financial instruments (continued)**C. CREDIT RISK (CONTINUED)**

The Group is exposed to credit risk arising from potential default of debtors. This is equal to the total amount of trade and other receivables (2008: \$84.469m and 2007: \$76.185m). Airservices Australia Group has assessed the risk of the default on payment and has allocated \$1.854m in 2008 (2007: \$0.622m) as an allowance for impairment.

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

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

	Not past due nor impaired 2008	Not Past Due Nor Impaired 2007	Past due or impaired 2008	Past due or impaired 2007
	\$'000	\$'000	\$'000	\$'000
Loans and receivables	67,561	67,155	10,853	5,408
Total	67,561	67,155	10,853	5,408

D. LIQUIDITY RISK

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

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

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

Note 24: Financial instruments (continued)
D. LIQUIDITY RISK (CONTINUED)

The following table summarises the interest rate risk exposures of the Airservices Australia Group, together with effective interest rates and maturity at balance date.

2008	Notes	Average interest rate	Floating interest rate	Fixed interest maturing in:			Non-interest bearing	Total
				1 year or less	1 to 5 years	More than 5 years		
			\$'000	\$'000	\$'000	\$'000	\$'000	
Financial liabilities								
Trade and other payables ⁽¹⁾	14	-	-	-	-	-	72,158	72,158
Bank loans – bonds	15	6.41%	-	-	99,544	-	-	99,544
Interest rate swaps ⁽²⁾		-	100,000	-	(100,000)	-	-	-
Interest rate swaps ⁽²⁾		-	(70,000)	21,000	49,000	-	-	-
Commercial paper	15	7.73%	64,768	-	-	-	-	64,768
Net financial liabilities			94,768	21,000	48,544	-	72,158	236,470

2007	Notes	Average interest rate	Floating interest rate	Fixed interest maturing in:			Non-interest bearing	Total
				1 year or less	1 to 5 years	More than 5 years		
			\$'000	\$'000	\$'000	\$'000	\$'000	
Financial liabilities								
Trade and other payables ⁽¹⁾	14	-	-	-	-	-	59,734	59,734
Bank loans – bonds	15	6.41%	-	-	99,409	-	-	99,409
Interest rate swaps ⁽²⁾		-	100,000	-	(100,000)	-	-	-
Interest rate swaps ⁽²⁾		-	(70,000)	21,000	49,000	-	-	-
Commercial paper	15	6.33%	44,884	-	-	-	-	44,884
Net financial liabilities			74,884	21,000	48,409	-	59,734	204,027

⁽¹⁾ This item excludes amounts for staff recreation leave liabilities

⁽²⁾ Notional principal amounts

Note 24: Financial instruments (continued)**E. MARKET RISK**

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

Interest rate sensitivity analysis is calculated on a 'reasonably possible' basis with reference to the key drivers of interest rates, market expectations and historical data. In analysing interest rate sensitivities the Group has adopted to vary actual interest rates by +/- 1%.

Airservices Australia Group has adopted a simplified approach to calculate market risk sensitivities for foreign exchange contracts. A standard sensitivity variable of 10% has been applied to all currencies. The Group acknowledges that it is necessary to monitor annual movements in currencies to ensure the relevance of using a single constant rate.

Note 24: Financial instruments (continued)
E. MARKET RISK (CONTINUED)

The following table is a sensitivity analysis of the risk that the Airservices Australia Group is exposed to:

2008			Effect of positive movement		Effect of negative movement	
	Carrying amount	Change in risk variable 2008	Profit and loss 2008	Equity 2008	Profit and loss 2008	Equity 2008
	\$'000	+/- %	\$'000	\$'000	\$'000	\$'000
Currency risk						
Buy EUROS	9,114	10	-	785	-	(967)
Buy US dollars	13,154	10	-	981	-	(1,207)
Interest rate risk						
Cash and cash equivalents	10,218	1	102	-	(102)	-
Bank loans – bonds	99,544	-	-	-	-	-
Interest rate swaps	170,000	1	1,417	-	(1,383)	-
Commercial paper	64,768	1	650	-	(650)	-
2007						
	Carrying amount	Change in risk variable 2007	Profit and loss 2007	Equity 2007	Profit and loss 2007	Equity 2007
	\$'000	+/- %	\$'000	\$'000	\$'000	\$'000
Currency risk						
Buy EUROS	13,172	10	-	(1,027)	-	1,281
Buy US dollars	17,884	10	-	(1,368)	-	1,685
Interest rate risk						
Cash and cash equivalents	8,874	1	89	-	(89)	-
Bank loans – bonds	99,409	1	-	-	-	-
Interest rate swaps	170,000	1	(2,102)	-	2,229	-
Commercial paper	44,884	1	(450)	-	450	-

Note 24: Financial instruments (continued)
F. FORWARD EXCHANGE CONTRACTS

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

The effectiveness test is on an 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 income statement.

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

Buy EUROS	Sell Australian dollars		Average exchange rate	
	2008	2007	2008	2007
	\$'000	\$'000	EURO/\$1	EURO/\$1
Maturity				
3 months or less	1,582	-	0.5728	-
Greater than 3 months but less than 1 year	7,532	6,134	0.5964	0.5802
Greater than 1 year	-	6,866	-	0.5845

Buy US dollars	Sell Australian dollars		Average exchange rate	
	2008	2007	2008	2007
	\$'000	\$'000	\$US/\$1	\$US/\$1
Maturity				
3 months or less	6,536	7,373	0.7586	0.7370
Greater than 3 months but less than 1 year	6,618	10,510	0.8546	0.7316
Greater than 1 year	-	-	-	-

Note 24: Financial instruments (continued)

G. CAPITAL MANAGEMENT

Airservices Australia has as its sole shareholder the Minister for Infrastructure, Transport, Regional Development and Local Government. The Minister holds this share on behalf of the government.

Airservices is a price regulated government provider of air navigation services. Some of the prices set are negotiated with customers, and are reviewed by the Australian Competition and Consumer Commission (ACCC). Airservices Australia Group's target was to achieve a return on equity after tax for 2008 of 28.7%; during the year ended 30 June 2008, the return was 16.0% (30 June 2007: 30.4%).

In line with government's recommended policy, 60% of net profit after tax is paid to the Minister as a dividend in two instalments.

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

Note 25: Monies held on behalf of third parties

Airservices Australia Group has been contracted by the Solomon Islands Civil Aviation Authority and the Republic of Nauru to provide airspace management and accounts receivable services. The contracts require the Airservices Australia Group to retain cash received and to remit funds at a later date to the Solomon Islands and Nauru Governments as required under the respective agreements. At balance date, the money held on behalf of third parties totalled \$0.331m (2007: \$1.926m) for the Solomon Islands and \$0.060m (2007: \$0.008m) for Nauru.

Note 26: Economic dependency

Airservices Australia Group is dependent on airline activity in the Australian aviation industry, of which the Qantas Group is the dominant operator. Of the airways revenue earned during the year, 37% (2007: 38%) related to the Qantas Group excluding Jetstar and 8% (2007: 7%) related to Jetstar.

Note 27: Cross-border financing arrangement

During the 2003 and 2004 years, the Airservices Australia Group completed a cross-border financing arrangement in relation to equipment associated with The Australian Advanced Air Traffic System (TAAATS) and radar systems. The arrangements are for likely minimum periods of 15.25 years and 16.25 years. The last such minimum period expires in January 2020.

Airservices Australia Group has provided certain guarantees and indemnities to various participants in the transaction. If certain events occur, the Airservices Australia Group could be liable to make substantial payments under the lease guarantees and indemnities. The future underlying exposure against which these guarantees and indemnities have been provided are up to a maximum of US\$728m (30 June 2007: US\$743m). Expert external advisers consider that unless exceptional, extreme and highly unlikely circumstances arise, the Airservices Australia Group would not be required to make a significant payment under these guarantees and indemnities. Management regularly monitors the factors affecting this transaction on an ongoing basis.

Note 28: Notes to the statement of cash flows

	2008	2007
	\$'000	\$'000
Reconciliation of cash and cash equivalents		
For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 30 June:		
Cash, advances and cash on call	10,218	8,874
Total cash and cash equivalents	10,218	8,874
Reconciliation of net profit after income tax to net cash flows from operations		
Net profit after income tax	91,975	106,754
Adjustments for:		
Depreciation	47,084	39,850
Amortisation	14,895	12,258
Impairment	15,441	-
Interest received	(520)	(747)
Reversal of previous asset write-downs	(8,691)	(12,106)
Net loss on sale/write-off of non-current assets	1,295	592
Fair value adjustments to derivatives	861	1,366
Excess AvSuper defined benefit contributions (after tax)	(5,339)	(7,774)
Changes in assets		
(Increase)/decrease in gross receivables	(9,490)	(2,066)
(Increase)/decrease in inventories	(194)	(295)
(Increase)/decrease in prepayments	(380)	351
(Increase)/decrease in deferred tax assets	(3,458)	6,173
Changes in liabilities		
Increase/(decrease) in employee benefits	(3,734)	(880)
Increase/(decrease) in allowance for impairment	1,232	(53)
Increase/(decrease) in legal provisions	1,207	(259)
Increase/(decrease) in income tax payable	5,594	(5,221)
Increase/(decrease) in cross-border transaction provision	(68)	(29)
Increase/(decrease) in other provisions	7,196	-
Increase/(decrease) in creditors and accruals	12,630	(7,468)
Increase/(decrease) in revenue to be returned to customers provision	23,426	(12,062)
Net cash flow from operating activities	190,962	118,384

AIRSERVICES AUSTRALIA



Appendices

APPENDIX 1: BOARD MEMBERSHIP, MEETINGS AND COMMITTEES

MEMBERS OF THE BOARD AND THEIR TERMS OF APPOINTMENT

Board members for the period from 1 July 2007 to 30 June 2008 were as follows.

CURRENT MEMBERS

DAVID FORSYTH BE (AERO), GRADDIP, FRAES (CHAIRMAN)

Mr Forsyth was appointed to the Board from 28 January 2005 to 28 March 2008 and appointed as Chair on 3 June 2008. His current term expires on 2 June 2010. Mr Forsyth was previously Chairman of the Board Safety and Environment Committee until his appointment as Chairman of the Board.

Mr Forsyth is an aeronautical engineer with over 30 years experience in airline operations and aviation engineering. He is a former Qantas Airways Executive General Manager responsible for flight operations, engineering and maintenance and previously General Manager, Qantas Regional Airlines, covering four wholly owned subsidiaries to 47 destinations Australia-wide.

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

CHRISTINE GOODE PSM (DEPUTY CHAIR)

Ms Goode was appointed to the Board on 28 January 2005, and her current term expires on 30 April 2009. She is a member of the Board's Audit Committee, Safety and Environment Committee and Remuneration Committee.

Ms Goode has extensive public sector experience in transport, communications and executive

management, working at Australian Government department Deputy Secretary and Chief Executive Officer levels.

Ms Goode is currently a member of the ACT Public Trustee Investment Advisory Board and a visiting lecturer at the National Graduate School of Management, Australian National University.

ROBERT MAHER AM, BA (ANU)

Mr Maher was appointed to the Board on 8 August 2006, and his current term expires on 7 August 2009. He is a member of the Board Audit Committee

Mr Maher is a graduate of the Royal Military College, Duntroon, and the Australian National University. He served with the Australian Army in Singapore, Malaysia and Vietnam. For the past decade, Mr Maher provided consulting advice to investment banks and to the commercial defence sector. He has wide experience in both the public and private sectors and has extensive knowledge of Australia's economic, business, political and legislative structure.

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

HENK MEERTENS AM, BARCH

Mr Meertens was appointed to the Board from 28 January 2005 to 28 March 2008. He was reappointed on 3 June 2008. His current term expires on 2 June 2010. Mr Meertens is Chairman of the Board Safety and Environment Committee.

An architect, Mr Meertens has been actively involved in recreational and sport aviation for 25 years and has logged over 3000 hours flying time in gliders. He was President of the Australian Sport Aviation Confederation from 1996 to 2004, and has represented the Australian sport and recreational aviation industry at international level and on a number of national forums and committees, including CASA regulatory reviews.

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

ROXLEY MCLENNAN AO, AVM (RTD)

Air Vice-Marshal Roxley McLennan (Rtd) was appointed to the Board on 1 May 2006, and his current term expires on 30 April 2009. He is a member of the Board Safety and Environment Committee.

AVM McLennan retired from the Royal Australian Air Force in March 2006, after a distinguished military career that culminated in him serving as Deputy Chief of Air Force. He has over 6,000 flying hours, the majority being on C130 Hercules aircraft in operational, check and training roles. He is committed to the vision of a single, national air traffic management system for Australia.

AVM McLennan is Senior Military Adviser to the South Australian Government, National President of the Royal Australian Air Force Association, an officer of the RAAF Active Reserve and Managing Director of Roxolid Enterprises Pty Ltd, providing consulting services to defence industry.



DAVID FORSYTH
BE (Aero), GradDip, FRAeS (Chairman)



CHRISTINE GOODE
PSM, BA Hons (Adelaide), (Deputy Chair)



ROBERT MAHER
AM, BA (ANU)



HENK MEERTENS
AM, BArch



**AIR VICE-MARSHAL
ROXLEY MCLENNAN AO (RTD)**
BSc MSc FRAeS FAICD



WARREN MUNDY

BSc (Hons, UNSW) DipEc (Syd)
PhD (Cantab) GradCertAppFin (Macq)
MCIT GAICD

**WARREN MUNDY, BSC (HONS, UNSW) DIPEC (SYD) PHD
(CANTAB) GRADCERTAPFFIN (MACQ) MCIT GAICD**

Dr Mundy was appointed to the Board on 3 June 2008, and his current term expires on 2 June 2011.

Dr Mundy has recently returned to Australia after a year as Group General Manager Corporate Strategy with Infratil Airports Europe (IAEL) with a range of responsibilities across major strategic issues, including airport planning and regulatory policy.

Dr Mundy has been a director of Bluestone Consulting, providing advice on a wide range of infrastructure services, the principal regulatory and economic adviser to the Australian Council for Infrastructure Development, and head of Strategy and Planning at Melbourne Airport. He has also worked for McKinsey and Company, the Reserve Bank of Australia and the Western Australian Treasury Corporation, and as a senior economic and political adviser. For a time, he was head of the Economic Secretariat of the British Labour Party.

He is a business adviser to the board of Sports Medicine Australia, and has been director of Vicforests, the Airport Operators Association of the United Kingdom, and James Watt College of Higher and Further Education in Scotland.

ALICE WILLIAMS BCOMM, CFA, FAICD, FCPA

Ms Williams was appointed to the Board from 28 January 2005 to 28 March 2008. She was reappointed on 3 June 2008, and her current term expires on 2 June 2010. She is Chair of the Board Audit Committee.

Ms Williams has over 20 years of senior management and board-level experience in the corporate and government sectors and investment banking, specialising in strategy and policy development, corporate advisory and funds management,



ALICE WILLIAMS

BComm, CFA, FAICD, FCPA



GREG RUSSELL

Chief Executive Officer

competition policy and regulation. She has also been a consultant to domestic and international airlines.

Ms Williams is a Director of Strategic Analytics (Australia) Pty Ltd, Victorian Funds Management Corporation, Guild Insurance & Financial Services Holding Limited, Telstra Sale Company Limited and Equity Trustees Limited, and is a Commissioner of the Victorian Competition and Efficiency Commission.

GREG RUSSELL—CHIEF EXECUTIVE OFFICER

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

Mr Russell was Chief Operating Officer at Athens International Airport until June 2005 and from 1999 to 2003 was Director, Aviation for Sydney Airport Corporation. Prior to that he was an executive with

regional operator Hazelton Airlines for six years, becoming General Manager of the company. He has also held a range of management positions in private companies and government organisations.

Mr Russell is Chairman of Airservices Australia's wholly owned subsidiary, Airservices Pacific Incorporated.

PREVIOUS MEMBERS

Nick Burton Taylor AM, BEc, FCA, FFIN, FAICD, ASIA—Chairman from 28 January 2005 to 28 March 2008

Gerard McGowan—from 23 August 2007 to 31 May 2008

CORPORATE SECRETARY

Airservices Australia's Corporate Secretary is Ditta Zizi, who was appointed to the position on 14 June 2007.

MEETINGS OF THE BOARD AND BOARD COMMITTEES, AND MEMBERS' ATTENDANCE

	BOARD COMMITTEES				
	Board	Audit	Safety and Environment	Remuneration	Security
Number of meetings convened	9	4	7	3	2
Members	Number of meetings attended				
Nick Burton Taylor ^{ab}	7	0	0	3	2
Christine Goode	9	4	7	3	
David Forsyth ^{acd}	9		7		
Robert Maher	9	4			
Gerard McGowan ^e	5	2			
Roxley McLennan	9		7		2
Henk Meertens ^f	9		7		
Warren Mundy ^g	2				
Alice Williams ^h	8	4			
Greg Russell ⁱ	8		7	3	2

Note: All meetings were held in Canberra.

a Ex officio member of all Board committees. Chairman of Remuneration and Security committees.

b Resigned at end of term on 28 March 2008

c Chairman of Safety and Environment Committee to 4 June 2008

d Appointed Chairman of Board on 3 June 2008

e Appointed on 23 August 2007 and resigned on 31 May 2008

f Appointed Chairman of Safety and Environment Committee 4 June 2008

g Appointed on 3 June 2008

h Chair of Audit Committee

i The CEO is not a member of the Audit Committee

BENEFITS AND INTERESTS IN CONTRACTS WITH AIRSERVICES AUSTRALIA

Details of directors' benefits and interests in contracts with Airservices Australia are set out in Note 21 and Note 23 of the financial statements.

DIRECTORS' AND OFFICERS' INDEMNITIES AND INSURANCE

In 2007–08, Airservices Australia held a directors and officers liability insurance policy. It is a condition of this policy that the nature of the liability indemnified, the limits of liability and the premium payable not be disclosed to third parties except to the extent that:

- Airservices Australia is required to do so by law, or
- the insurer consents in writing to such disclosure.

APPENDIX 2: STATUTORY AND ADMINISTRATIVE INFORMATION

OCCUPATIONAL HEALTH AND SAFETY

In accordance with sections 68 and 74 of the *Occupational Health and Safety Act 1991* (the OHS Act), this report provides information on OHS matters for Airservices Australia in 2007–08.

LEGISLATIVE CHANGES TO OCCUPATIONAL HEALTH AND SAFETY

There were no changes to OHS legislation that affected Airservices in 2007–08. We have been working to implement the review of health and safety management arrangements, required under the Safety Arrangements Regulations amendments of 2006.

CONSULTATION AND HEALTH AND SAFETY COMMITTEES

The OHS subcommittee of the National Consultative Council, composed of Airservices management and union representatives, has now been reformed as the National Health and Safety Committee. Its key task is to advise and review development of Airservices' health and safety management arrangements (as defined in the OHS Act). The membership has been expanded to include options for direct employee representation, consistent with the amendments to the OHS Regulations.

The National Health and Safety Committee functions as the top consultative forum to monitor concerns about workplace health and safety, and met twice in 2007–08. One local health and safety consultative committee reports annually to the national committee.

Other group-based consultative networks function to discuss solutions for workplace health and safety issues across the organisation. The revised health and safety management arrangements address the consultative networks for the organisation.

OCCUPATIONAL HEALTH AND SAFETY INCIDENTS

No deaths, 6 incapacities, 31 dangerous occurrences and 13 serious personal injuries were reported to Comcare during 2007–08. (In 2006–07, the figures were 1, 12, 16 and 9, respectively)

WORKPLACE HEALTH AND SAFETY INITIATIVES

The first stage of integration of workplace health and safety into the Safety Management System was completed in 2007–08. This aligned our expectations for workplace health and safety performance with the *Safety Plan—Raising the Safety Threshold 2007–08*.

Following a system review, the OHS Renovation Program was introduced in early 2007 and reviewed in early 2008. Key outputs to prioritise actions for the year included:

- development of a risk baseline for high-hazard work aligned to existing corporate risk management systems
- *Inspect Today*, an organisation-wide inspection program conducted by managers and employees that generated management action to improve our work environment safety standards (now an annual program)
- improved OHS performance measurement and reporting capability, including more meaningful performance data and fit-for-purpose OHS reporting to the Board Safety and Environment Committee and senior managers
- redefinition of our consultative networks and communication programs to support, train and involve Airservices employees and their representatives in OHS programs

- the incorporation of OHS objectives and requirements into key policy and governance documentation in the Safety Management System
- the development of a long-term plan to integrate OHS topics into our internal training and business mechanisms.

Our extensive program of systematic review continues as a key business strategy for the health and safety of employees, contractors and visitors to Airservices workplaces.

WORKERS COMPENSATION

Airservices Australia's workers compensation premium for 2007–08 was set at 0.40 per cent of total salary and wages costs (0.31 per cent in 2006–07). The average premium paid to Comcare by agencies in 2007–08 was 1.55 per cent (1.77 per cent in 2006–07).

COMCARE INVESTIGATIONS

Comcare investigated one incident in 2007–08 (two investigations in 2006–07): the potential exposure of technology staff in New South Wales to hazardous radiation in excess of industry standards.

No provisional improvement notices were issued during 2007–08.

COMMONWEALTH DISABILITY STRATEGY

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

As a provider, Airservices Australia deals with the aviation industry and with aviation customers, including individual members of the Australian community. During the year, we ensured that corporate information was available in a variety of formats for people with disabilities.

In its role as an employer, Airservices Australia aims to eliminate disability discrimination in the workplace

through the provision of fair and equitable workplace practices and policies supported by a formal equity and diversity program.

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

EQUITY AND DIVERSITY

As a Commonwealth authority employer, Airservices has a requirement under the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* to develop an Equity and Diversity Program and provide annual progress reports on the employment of women and people in designated groups—that is, people with a disability, Indigenous Australians and people from non-English speaking backgrounds.

During 2007–08 Airservices developed a new National Equity and Diversity Program for the period from 2007–2010 this was the fifth such program we have developed to date.

The 2007–08 progress report is due to be submitted to the Minister for Infrastructure, Transport, Regional Development and Local Government in the first quarter of 2008–09.

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

- respect, dignity and honesty are our key values
- we value the appropriate differences of individuals in our workforce
- judgements and decisions are based on fairness and merit
- artificial, unfair or inappropriate barriers to workplace participation are eliminated

- we acknowledge and use the contribution of individuals to deliver our business outcomes
- workplace harassment and discrimination are eliminated
- conflict is resolved by an unbiased decision-maker.

During 2007–08, Airservices Australia focused on embedding these principles of fairness and equity into all organisational policies and practices.

A suite of new people systems, including Work Performance, Career Development, Attendance Management, Fair Treatment Review, Executive Organisation Review and Rewards and Recognition, were developed and implemented throughout the organisation. These systems were designed to support improved leadership practices and enhanced communications between employees and their managers via the provision of a framework which will be used consistently to ensure that all employees are treated fairly and equitably.

Strategies to support employees in balancing their work and life commitments were designed and implemented during this reporting period. A work-based child care centre at Melbourne Airport was opened in November 2007, and comparable offerings for employees at our other major centres are under investigation. Phased retirement plans to support mature aged workers are being employed across the operational areas of the business.

AVIATION SECURITY

Airservices Australia maintains a Transport Security Program, as required by the *Aviation Transport Security Act 2004* and the *Aviation Transport Security Regulations 2005*. The program describes the security measures and procedures that the organisation uses to minimise the risk of unlawful interference with aviation

and major security threats against critical air traffic, aeronautical navigation, telecommunications, and surveillance and emergency facilities.

FRAUD CONTROL

Airservices Australia has fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet its needs and, where required, those of the *Commonwealth Fraud Control Guidelines*.

PRIVACY

The *Privacy Act 1988* requires Airservices Australia to maintain a record of personal information in accordance with clause 3 of Information Privacy Principle 5, including the following details:

- the purpose for which the records are kept
- the class of individuals to which the records apply
- the period for which the records are kept
- details of how individuals can get access to records about themselves.

Airservices Australia's Personal Information Digest record is available on the website of the Office of the Federal Privacy Commissioner at <http://www.privacy.gov.au>.

During 2007–08, the Privacy Commissioner did not undertake any investigations under section 40 of the *Privacy Act* in relation to Airservices Australia.

FREEDOM OF INFORMATION

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

POWERS AND FUNCTIONS

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

FOI PROCEDURES AND INITIAL POINT OF CONTACT

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

A request for access to documents must be in writing, enclosing the required \$30 application fee, and state an address in Australia to which notices can be sent. In certain circumstances the fee may not be required or may be remitted. To enable a prompt response and to help the organisation meet its obligations under the FOI Act, you should provide as much information as possible about the documents you are seeking. It is also advisable to include a telephone number or an email address to allow the coordinator to contact you in case clarification is needed. Applicants may be liable to pay administrative charges for the processing of a request, at rates prescribed by the Freedom of Information (Fees and Charges) Regulations.

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

The contact details and address for lodging requests are:

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

CONSULTATIVE ARRANGEMENTS

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

Airservices Australia is a member of various Australian and international aviation bodies, including the Regional Core Planning Group of the ICAO; the ICAO's Air Transport, Air Navigation Commission and Legal panels and technical committees; regional planning groups; the National Association of Testing Authorities; the Air Coordinating Committee; Sydney Airport and Basin development committees; the International Air Transport Association; CANSO; joint Airservices Australia / Defence working parties and committees; the Sydney Airport Community Forum; the Sydney Long Term Operating Plan Implementation and Monitoring Committee; the Central Traffic Management System Steering Group; the Airport Development Committee; the Regional Airspace Users Advisory Committee; the Aviation Policy Group, the Aviation Implementation Group, the Standards Consultative Committee and the Australian Firefighters Council.

FOI ACTIVITY IN 2007–08

Table 3 shows Airservices Australia's FOI activity for 2007–08.

TABLE 3 FREEDOM OF INFORMATION STATISTICS

Activity in 2007–08	Numbers
Requests:	
• On hand at 1 July 2007	1
• New requests received	33
• Total requests handled	34
• Total requests completed at 30 June 2008	32
• Outstanding at 30 June 2008	2
Action on requests:	
• Access in full	17
• Access in part	9
• Access refused	4
• Access transferred in full	0
• Request withdrawn	2
Response times (excluding withdrawn):	
• 0–30 days	23
• 31–60 days	6
• 61–90 days	1
• 90+ days	0
Internal review:	
• Requests received	2
• Decision affirmed	0
• Decision amended	1
• Request withdrawn	0
Review by Administrative Appeals Tribunal:	
• Applications received	1

OMBUDSMAN ACTIVITY IN 2007–08

During 2007–08, there were no formal requests for information from the Office of the Commonwealth Ombudsman (2006–07: no requests).

CATEGORIES OF DOCUMENTS HELD BY AIRSERVICES AUSTRALIA

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

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

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

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

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

Internal procedures: financial and resource management records, internal operating procedures, policy and procedures manuals and instructions; procurement guidelines; budget reports, general ledger records, procedures and manuals; project financial data, approvals, briefs, plans, designs and commissioning reports; project management policy, manuals, processes and procedures; project records, including schedules, contracts and financial records; project documentation, working party and committee reports; statistical information; information technology policy, procedures, specifications, instructions, manuals, standards, reports, maintenance and asset

records; back-up tapes; quality management records, procedures and manuals.

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

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

Environment: standards and procedures; records of assessment under Air Navigation (Aircraft Noise) Regulations; Australian noise exposure forecasts, exposure concepts and indices and related documents; Noise and Flight Path Monitoring System reports; reports on environmental assessments; records of telephone enquiries and aircraft noise complaints.

Airspace: airspace change proposals and associated data; change assessment guidelines, procedures, standards and manuals; records in support of decisions; audit, monitoring and review procedures, plans and findings; consultation material; website subscription and stakeholder records.

Air traffic control: ATC and separation policy, guidelines, standards, instructions and manuals; training records, standards, curriculum, syllabus and examination records; procedure development records; ATC and

flight service daily logs and journals, audio tapes and personnel operational records; navigational maps and charts; aircraft movement data; operational documents and aeronautical charts for pilot navigation and flight planning; pilot education material; aeronautical information publications and operational charts, including en-route information and world aeronautical charts.

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

Aviation rescue and fire fighting: ARFF operational, engineering, quality assurance and safety management procedures and instructions; documents and procedures on recruitment, occupational health and safety, environment, hazardous materials and fire safety; aviation fire fighting manual; Australian Public Safety Training Package and associated training manuals, including module descriptors, assessment manuals and associated records; ARFF systems training/instruction manuals, incident and investigation records.

CATEGORIES OF DOCUMENTS AVAILABLE FOR PURCHASE

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

- Airservices Australia and Civil Aviation Safety Authority regulatory and operational documents
- logbooks—aircraft, pilot, operational notes, syllabus
- training manuals and practice exams for pilots licences
- engineering, aerodrome, helicopter, human performance factor, meteorology, Global Positioning System and general reference books

- navigation products, videos and chart packages.

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

Locked Bag 8500
Canberra ACT 2601

Telephone: 1300 306 630 (local call cost)

Fax: (02) 6268 5111

Website:

<http://www.airservicesaustralia.com/publications>

SUPERANNUATION

Airservices Australia's employer superannuation arrangements complied with the requirements of the *Superannuation Benefits (Supervisory Mechanisms) Act 1990* as prescribed by the Minister for Finance in Determination No. 1 of 1994 made under that Act.

Airservices Australia's employment arrangements are generally exempt from the choice of funds regime, except for a small number of employees engaged on common law contracts. Employees are generally defined benefit and/or defined contribution members of the AvSuper fund. AvSuper's trustee, AvSuper Pty Ltd, holds a public offer Registrable Superannuation Entity (RSE) licence (L0000147). The AvSuper defined benefit scheme was closed to new members in 2002.

Airservices Australia is a Commonwealth Superannuation Scheme (CSS) approved authority under the Superannuation (CSS) Approved Authority Declaration (1995). Approximately 400 employees are defined benefit members of the CSS, which is administered by the Australian Reward Investment Alliance (RSE licence L0001397). The CSS has been closed to new members since 1 July 1990.

JUDICIAL DECISIONS AND REVIEWS BY OUTSIDE BODIES

No judicial decisions or decisions of administrative tribunals during 2007–08 had, or may have, a significant impact on the operations of Airservices Australia.

ENVIRONMENTAL PROTECTION AND ECOLOGICALLY SUSTAINABLE DEVELOPMENT

In 2007–08, Airservices Australia reduced greenhouse gas emissions and protected the environment through such air traffic management initiatives as:

- pre-departure tactical management
- use of the Long-range Optimal Flow Tool
- continuous descent approaches
- RNP procedures, as demonstrated in the *Brisbane Green Stage 1* report
- flextracks.

See 'Key result area: Environment' in the Review of Operations for full details of these initiatives.

In internal operations, we protected the environment by:

- continuing to reduce water use by progressively installing waterless urinals, flow-restricting taps on sinks and basins, and water-saving shower roses
- planting drought-tolerant plants around buildings
- meeting the Level 4 water restriction target at our Brisbane Centre, reducing water use by 25 per cent over three years from 25.2 megalitres in 2004–05 to 18.7 megalitres in 2006–07 and 14.5 megalitres in 2007–08 (the 2007–08 result is a 42 per cent reduction on 2004–05 use)

- developing and implementing a water efficiency management plan for our Brisbane Centre
- installing a rainwater tank off the Brisbane control tower complex to store water and supplement cooling towers
- installing rainwater tanks with greywater connections at our Facility Management Services site at Adelaide (the collected water is used for the gardens at the site)
- conducting training for Airservices staff on environmental issues, our environmental management system, risk management and staff accountabilities
- promoting environmental awareness and initiatives, including World Environment Day, through internal communications
- participating in Earth Hour and encouraging staff participation through promotion and a competition asking staff what they did during Earth Hour
- seconding a staff member to CANSO as a full-time coordinator of the Environment Working Group, and contributing a technical specialist to the working group
- joining the Greenhouse Challenge Plus program
- seeking advice from the Minister for the Environment, Heritage and the Arts on ATC infrastructure at Lord Howe Island (an environmental impact assessment was conducted)
- updating our environment management plan for our property holdings at Llandilo / Shane's Park in western Sydney and assessing the potential Commonwealth heritage values for the transmitter site at that location

- undertaking heritage assessments of control towers and a history study of navigational aids to inform our heritage assessment of those sites
- undertaking assessments in accordance with *Environment Protection and Biodiversity Conservation Act 1999* requirements in support of new and changing internal business processes for projects, property and operational procedures
- implementing a policy of using 100 per cent recycled paper
- ensuring that the impacts of our executive fleet and ARFF vehicle operations are offset by membership of Greenfleet (trees are planted as carbon offsets)
- achieving ISO 14001 (the international standard for environmental management systems) certification for our operations at Coolangatta Airport
- installing new chemical dousing equipment for cooling tower water treatment at the Brisbane Air Traffic Services Centre (potentially reducing water consumption by 15 per cent)
- converting an aircraft noise monitoring unit in Brisbane to solar power
- supporting the preservation of Australia's aviation history through the Civil Aviation Museum.

APPENDIX 3: STATEMENT OF EXPECTATIONS

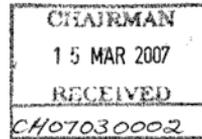


The Hon Mark Vaile MP
Deputy Prime Minister
Minister for Transport and Regional Services
Leader of The Nationals

Reference: 02267-2007

12 MAR 2007

Mr Nick Burton Taylor AM
Chairman
Airservices Australia
GPO Box 367
CANBERRA ACT 2601



Dear Mr Burton Taylor

I am pleased to provide you with this Statement of Expectations. The Statement replaces the letter of 25 October 1999 to the then Airservices Australia (Airservices) Chairman from the former Deputy Prime Minister and Minister for Transport and Regional Services, the Hon John Anderson MP.

The Government acknowledges Airservices' independence as a Commonwealth Authority with statutory functions and responsibilities for the commercial provision of aviation services and facilities.

You have informed me that Airservices is undergoing significant reform and rebuilding. I encourage the continuation of this process, knowing that you will have regard to the full range of statutory responsibilities and Government priorities relevant to Airservices' role. I ask that the Board treat the following as strategic guidance to implement Australian Government policy.

Airservices' public interest role

Airservices is operating in an increasingly complex and regulated environment. Air traffic in the Asia-Pacific region is forecast to grow strongly in the next twenty years. The likelihood of continuing instability in fuel prices and ongoing community concerns about aircraft noise and aviation's impact on climate and air quality will provide the context of that operating environment. Security issues associated with aviation will also continue to be a central issue for industry and governments.

Airservices carries a unique responsibility as the sole commercial provider in Australia of civil air navigation and related services. Its primary function will remain the provision of services and facilities to ensure safe, secure and efficient civil aviation in

Australia and for the purpose of giving effect to Australia's obligations under the Chicago Convention.

I acknowledge the challenge of reconciling these public responsibilities with investing for future aviation growth and earning a commercial rate of return on assets and in doing so in a way that retains the support of industry. I expect that Airservices will, as a Commonwealth Authority, balance these commercial objectives with its obligations to the Government, aviation industry and the community.

Airservices is required by legislation to ensure that as far as practicable the environment is protected from the effects of the operation and use of aircraft. The Australian Government places considerable store in these functions and I ask that Airservices devotes sufficient resources to data collection, monitoring, reporting and advice on environmental issues. I expect Airservices to continue to provide noise monitoring, operate a noise enquiry unit for Australian airports and work with the industry to reduce aircraft emissions.

The Sydney Airport Long Term Operating Plan (LTOP) will remain an important element of Airservices public responsibilities. I ask for Airservices' commitment and cooperation in ensuring the continued effectiveness of the Australian Government's noise management policies and initiatives in Sydney, including continued close cooperation with the Department of Transport and Regional Services (the Department). I ask that you work with the Department to provide an effective monitoring and reporting regime for implementing the LTOP.

The information that Airservices provides to enable monitoring and enforcement of the Sydney Airport curfew, in accordance with the *Sydney Airport Curfew Act 1995*, and fuel spillage incidents, and the timely production of the Annual Noise Exposure Index are important elements of Airservices' public responsibilities. I ask you to work closely with the Department in meeting these responsibilities.

Airservices also has a key role in the administration and regulation of compliance under the *Sydney Airport Demand Management Act 1997*. In particular, it is essential that Airservices maintains robust and reliable data and information for the operation of the Scheme. This will require ongoing cooperative work with the Slot Manager and the Department to ensure that data collection, reporting and decision making meet the requirements and the Scheme in full.

Airservices plays a key role in assisting the Department administer the *Airports Act 1996*. In accordance with the Act the Department will seek Airservices' input and views on Master Plans and Major Development Plans at the leased Federal airports and in relation to airspace protection around those airports. Consistent with the Government's expectations, the airports will seek Airservices' views early in the development of their plans. The Department will also seek Airservices' views following lodgement of a plan with me.

I value Airservices' input on the safety and operational efficiency implications of airport plans. As the relevant legislation prescribes tight timeframes, it is important that Airservices' advice in these areas is timely. I also expect Airservices to have an ongoing role in providing advice on the assessment and implementation of airport plans.

I ask that Airservices continue to progress its Genesis initiative and other steps to work more closely with the Department of Defence to integrate air traffic management and

more efficiently manage Australian airspace. I would like to receive written quarterly reporting on the progress of this work program through 2007.

Airservices has demonstrated initiative in its strategy of assisting neighbouring states to meet their aviation safety obligations. I support the implementation of this 'neighbourhood strategy' as a matter of public policy importance and acknowledge that Airservices provides a key component of the Australian Government's assistance and strategic support to our region. To ensure a coordinated approach to Australia's relations with regional states, I ask Airservices to ensure that I, the Department and other appropriate government agencies are kept fully informed in a timely manner on such activities. I note that these issues are also addressed in the revised non-regulated business guidelines.

Finally, I request that Airservices remain conscious of my responsibilities as Minister for Regional Services and keep me informed in a timely manner of any proposed operational or other changes that could impact on rural and regional Australia.

Airspace regulation

The Australian Government has introduced legislation to implement a range of changes to management and regulation of airspace. As part of these changes the airspace regulation function is to transfer to the Civil Aviation Safety Authority (CASA) on 1 July 2007. I seek Airservices' continuing cooperation in ensuring the smooth transfer of this function and in implementing the Government Ministerial Statement of 14 September 2006 regarding the assessment of remaining National Airspace System characteristics. I also envisage Airservices working closely with the Department in the development of the Airspace Policy Statement. I ask that Airservices devote sufficient resources to the airspace regulatory function, including continuing assessment of airspace reforms, until such time as the transfer is completed.

I also ask that Airservices further develop and increase the capacity and capability of its programme of monitoring the safety of aviation activity at Australian airports, ensuring that the level of air traffic services is appropriate.

While regulatory decisions will appropriately be the responsibility of CASA from July 2007, Airservices has a responsibility to ensure that the safety regulator is kept fully informed of developments that could affect safety. I would like to see an ongoing monitoring programme and, as required, the undertaking of aeronautical studies of key risk environments.

Non regulated business

Airservices' primary focus must be the provision of its core services to customers in Australia. As noted, the Australian Government considers Airservices' 'neighbourhood strategy' as a potentially important contribution to the national interest.

Section 16 of the *Commonwealth Authorities and Companies Act 1997* provides a statutory requirement for the Board to keep the Minister for Finance and Administration and I fully informed of Airservices' operations. This is coupled with the requirement under section 15 of the aforementioned Act for the Board to give me written particulars of any significant business event such as a proposal to participate in a joint venture or the formation of any subsidiary entities. I would ask that Airservices seek my advice before taking up new business and to consider and ensure:

- in the case of a joint venture, that the party concerned is not likely to bring the Commonwealth into disrepute or expose the organisation and its owner to a loss of public confidence; and
- the commercial or strategic improvements to Airservices do not bring with them liabilities or exposures out of proportion to that benefit.

The revised non-regulated business guidelines provide further detail and reflect the Australian Government's expectations on these issues.

Commercial issues

The Australian Government supports the Board's efforts to consult with and maintain the support of industry. The transparency and level of accountability Airservices demonstrates with its pricing and service decisions will be integral to retaining customer and stakeholder support.

The Government expects the Board to ensure that Airservices operates efficiently, and adds shareholder value to its business. In doing so, it should adopt efficient and sustainable prices for its services that reflect the full cost of resources, including capital employed in delivering the services. The Corporate Planning process will be the principal basis through which the Government agrees the financial targets and the associated business strategies for Airservices. This process will set appropriate financial targets, including dividend forecasts and payout and gearing ratios. The targets and strategies should reflect the Government's desired capital structures and agreed business strategies. I ask Airservices to keep the Australian Government fully informed about any changes to actual or projected results that might be material to future plans and performance.

In accordance with past practice, the Australian Government expects that Airservices will continue to target dividends in the range of 60 per cent of net profit after tax.

It is important that I be kept informed of the Board's strategic view on key aspects of the business and any major challenges, including in areas such as capital replacement and workplace planning.

I am aware that Airservices will shortly be commencing discussions with industry with a view to negotiating new pricing arrangements for aviation rescue and fire fighting services (ARFFS). In this context, I expect Airservices to continue to take account of the interests and capacity of regional Australia and the general aviation sector, and to keep me informed of material developments as discussions proceed.

In carrying out its functions, I expect that Airservices will maintain strong relationships with industry and consult with Australian and international airlines, Australian airports, Defence, the regional and general aviation communities, other international air navigation service providers, and international bodies such as the International Civil Aviation Organization.

I also expect Airservices Australia to consult and work cooperatively with the Department and other portfolio agencies.

Technological developments

Technological developments are having an impact on aviation operations and air traffic management. Careful assessment of the operational, technical and commercial viability of individual options and applications is an important task for Airservices. Emerging technologies will require close attention and thorough consultation with industry, governments and other stakeholders. Airservices will have an important role in identifying the scope for introducing new technology applications and directions for inclusion in the proposed Airspace Policy Statement.

The Australian Government encourages Airservices to ensure that new technologies are safe and add value by improving efficiency, especially for navigation, surveillance and separation capabilities and our airspace management. Consistent with expectations expressed elsewhere in this letter, the Australian Government also requires early notice of any policy or whole-of-government implications of proposed initiatives.

Automatic Dependent Surveillance – Broadcast technology is recognised as having considerable potential as a civilian surveillance and separation tool. Airservices will need to continue to work closely with industry, CASA and the Department of Defence to refine the business case and develop the proposed strategy for Government consideration, so that the best outcome can be achieved for the aviation community and the Australian public.

Aviation security and safety

Airservices has a key role in ensuring the security of Australia's transport sector. The Australian Government expects the organisation to continue to contribute to the development and implementation of security initiatives for the aviation industry. In addition to the adequate protection of Airservices' critical infrastructure, appropriate response mechanisms for dealing with airspace incursions and rogue aircraft will need to be developed and maintained with the Department, CASA, the Department of Defence and other relevant agencies.

Reporting

I expect that the Board will:

- keep me and the Minister for Finance and Administration informed of Airservices Australia's activities and alert us to any significant events, including identifying risks and your risk management strategies, relating to the Airservices Australia's business in a timely manner, including through providing detailed quarterly reports against the Corporate Plan;
- provide information and documentation to the Department to enable me to be kept informed of issues and developments, and work cooperatively to bring forward integrated advice on matters which involve broader portfolio, policy or accountability issues;
- respond to requests from my office and the Department in a timely manner; and
- comply with all relevant corporate governance requirements, including those contained in the *Air Services Act 1995* and the *Commonwealth Authorities and Companies Act 1997*.

To assist you in meeting these expectations, I have attached guidelines to provide further information on significant matters on which I expect to be notified, and the

manner in which I expect this notification to occur, particularly in relation to any commercial opportunities that Airservices may wish to pursue.

I also expect that Airservices, through the Chairman, will provide me with specialist advice on air traffic management issues, ensuring that communication arrangements are in place to provide the relevant information also to the Secretary of the Department in parallel.

As an Australian Government-owned authority, Airservices has an ongoing responsibility to provide advice to the Parliament and the public on its operations. I underline the importance of Airservices providing timely and accurate advice in response to requests for input to ministerial representations, Parliamentary Questions and other information and briefing. I ask that Airservices work cooperatively with the Department so that integrated advice is provided to me on these issues.

Conclusion

I recognise the significant achievements by Airservices and its place as a world leader in air traffic management services. I am confident that the directions set out here will strengthen Airservices and allow it to continue to develop as a business, while ensuring the safety, security and efficiency of Australia's air transport system.

Yours sincerely



MARK VAILE

APPENDIX 4: STAFFING STATISTICS

TABLE 4 NUMBER OF PERMANENT STAFF, BY CLASSIFICATION AND STATE, AT 30 JUNE 2008

Job type	State or territory								Total
	ACT	NSW	NT	Qld	SA	Tas.	Vic.	WA	
Air Traffic Controller	13	134	4	383	54	13	311	59	971
Air Traffic Control Trainee	0	0	0	5	1	0	42	1	49
Air Traffic Services Support Specialist	14	4	0	25	0	0	31	0	74
Clerical/Administration	199	15	0	49	3	0	38	5	309
Executive Manager	12	0	0	0	0	0	0	0	12
Fire Fighter	17	60	45	175	25	29	71	61	483
Fire Officer	7	12	17	47	11	10	19	11	134
Flight Data Co-ordinator	0	0	0	12	0	0	11	0	23
Flight Information Service Officer	0	0	0	66	0	0	0	0	66
Flight Service Officer	0	0	0	1	0	0	0	0	1
Manager	12	1	0	2	0	0	0	0	15
Professional	10	2	0	11	0	0	5	2	30
Senior Manager	135	6	0	42	2	0	26	1	212
Senior Technical Officer	0	1	0	3	0	0	5	1	10
Simulator Support Officer	0	6	0	32	0	0	46	1	85
Team Leader	10	4	2	17	2	1	7	2	45
Technical Manager	0	0	1	1	0	0	0	0	2
Technical Officer	11	42	10	116	21	5	76	22	303
Technology Professional	74	6	0	36	0	0	39	1	156
Trades	3	11	1	11	5	0	9	5	45
Other	0	1	1	2	0	1	2	1	8
Total	517	305	81	1,036	124	59	738	173	3,033

GLOSSARY

ADS-B

Automatic Dependent Surveillance–Broadcast

Air Services Act

Air Services Act 1995

ALOFT

ATM Long Range Optimal Flow Tool

ARFF

aviation rescue and fire fighting

ARMS

Airservices Risk Management System

ASPIRE

Asia & South Pacific Initiative to Reduce Emissions

ATC

air traffic control

ATM

air traffic management

ATOMS

Air Traffic Operations Modelling System

ATS

air traffic services

CAC Act

Commonwealth Authorities and Companies Act 1997

CANSO

Civil Air Navigation Services Organisation

CASA

Civil Aviation Safety Authority

CASRs

Civil Aviation Safety Regulations

CEO

Chief Executive Officer

DAP

down-linked aircraft parameter

EMS

environmental management system

FAA

Federal Aviation Administration (United States)

FIR

flight information region

FOI Act

Freedom of Information Act 1982

GBAS

Ground-based Augmentation System

government, the

the Australian Government

GNSS

global navigation satellite system

GRAS

Ground-based Regional Augmentation System

ICAO

International Civil Aviation Organization

IFR

instrument flight rules

ISO

International Organization for Standardization

KPI

key performance indicator

MLAT

multilateration

MP

Member of Parliament

MSSR

monopulse secondary surveillance radar

OHS

occupational health and safety

RNP

required navigation performance

RNP-AR

required navigation performance
(authorisation required)

RPT

regular public transport

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