

Annual Report **2008–09**





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Letter of transmittal

29 September 2009

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 2008–09, including the review of operations and financial statements for the year ending 30 June 2009.

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 29 September 2009 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

Aviation is an industry of cycles and ongoing challenges. This was particularly evident in the 2008–09 year. The global financial crisis created conditions for an unprecedented fall in passenger demand, with IATA airlines reporting falls of more than 7 per cent in passengers and up to 16 per cent in air cargo when compared to the previous year. In Australia, the impact, while less severe, has brought further changes to the industry and increasing demands from our customers for efficiencies in the way in which Airservices delivers its services

Our financial result for the year, a profit after tax of \$85 million, was accomplished through a continuing program of cost reductions, asset revaluations and some growth in revenue. This result was achieved in the context of an ongoing major capital program and tightening financial market.

As our capital program is debt funded, the Board believed it prudent to recommend to the Government (and the Government has agreed) that the organisation provide for an increased level of liquidity and, as a result, a final dividend for the 2007–08 year and an interim dividend for 2008–09 were not paid.

Airservices' extensive program of reform continued throughout the year with an ongoing focus of rebuilding and modernising our core operations. This strategy is summarised by three words: people, assets and services. Significant progress has been made, as outlined in the CEO's introduction and throughout this report.

One of the major challenges of the past year was the completion of three industrial agreements with our staff and unions. Given the conditions in the industry and the commitment to our reform program, it was very important that the outcome reflected not only a fair wage increase but also the productivity improvements that allow greater efficiencies in the way we deliver our services. This process was not without difficulties, particularly in the air traffic agreement; however, the Board was pleased that agreements which reflected opportunities for further efficiency improvements were eventually reached.

This report has been prepared at a time when the Government is considering the final stages of an Aviation White Paper. Airservices has a keen interest in the outcome, as it is expected to provide the framework for future technology decisions, skills and training, the relationship between civilian and military air traffic control, as well as our relationships within the neighbouring region. This is therefore an important opportunity to set a clear policy framework for the next 20 to 30 years.

The sizable work program in which the organisation is currently engaged cannot be undertaken without the commitment of a determined Board and management team. Airservices is particularly well served by both. I would like to acknowledge the contribution of Christine Goode, whose term expired as Deputy Chair of the Board in April 2009 after four years, significant contribution to the organisation. I wish her well for

the future. In May 2009 the Minister announced the appointment of two new directors – Liza Carver and David Burden – and I am confident both will make a major contribution to the Board. I also acknowledge the appointment in June 2009 of Warren Mundy to the position of Deputy Chair.

While we have further difficult times ahead of us, I am confident that the organisation is increasingly better placed to deal with future challenges.

David Forsyth



Chief Executive Officer's report

At first glance Airservices looks to be a straightforward organisation. Throughout Australia we provide air traffic control, fire and rescue services and the communications, navigation and surveillance facilities which are essential to these activities.

A first glance view of this organisation is, however, far from reality. Airservices is a long-term infrastructure organisation that provides a safe service to Australia's aviation industry 24 hours a day, every day.

During the year we continued our strong emphasis on capital investment and our people.

We completed a comprehensive assessment of the state of our asset base, and this in turn has formed the basis of an extensive capital expenditure program which totals around \$800 million over the next five years. Much of this program involves replacement of assets which are at their end of life.

During the year we also made further progress rebuilding our project management skills. Our capital program comprises over 80 projects of varying sizes and complexity, ranging from a program of replacing some of our control towers and refurbishing others, replacement of our primary and secondary radars at Australia's major capital city airports, to a long running project to replace and upgrade our telecommunications systems right throughout Australia. We are upgrading our fire service capabilities with a steady flow of new trucks and equipment and a program of building and refurbishing our fire stations.

These are significant projects which are essential to our ability to provide the type of service which the aviation industry and the Australian public expect.

The year has also seen a major focus on our people. A large part of this involved protracted negotiations over the three collective agreements with our staff and unions. It was important that, while these agreements needed to be fair to our people, they also provided the basis for our program of ongoing productivity improvement and reform. I am satisfied that these objectives were eventually achieved.

Our people remain a most important focus for the organisation. Many of them are shift workers helping to keep Australia's skies and major airports safe; a large number work in remote areas of this country ensuring that our infrastructure is up to date and reliable. In recent years we have introduced programs to lift the capability of our management and staff, like 'leaders leading', which emphasises role clarity, accountability and teamwork.

Our five year workforce planning process is now well advanced and a further iteration of this plan was prepared during the year. Like many other organisations in Australia, Airservices has a sizeable demographic issue which has required a major emphasis on recruitment and training in terms of technical trainees, fire fighters and air traffic controllers.

Our Learning Academy in Melbourne has continued to develop to meet this training challenge and now

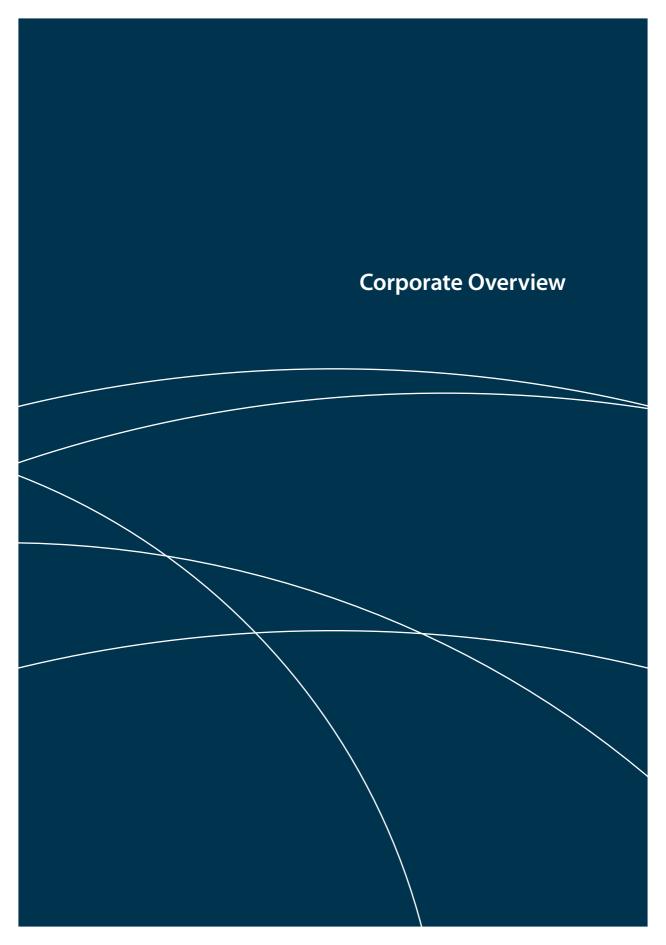
coordinates the provision of all our training activities. At 30 June fully 7 per cent of our total workforce were involved in full-time training and this number will continue at these levels for the foreseeable future

With the conclusion of the collective agreement negotiations, I have made it a priority for the executive and senior management to regularly meet with our people at locations throughout Australia. This face to face program is an essential part of communicating to our staff (and listening to them) about the direction of the organisation and the need for continuous improvement. I am pleased with the response to this program.

Change in a government-owned provider of monopoly services is a difficult management challenge and, to be effective and sustainable, it takes years. A long-term program of reform and change in this organisation could not be undertaken without a committed and dedicated Board, executive and senior management team. I thank them all for their contribution. I thank our staff for the professional manner in which they go about their jobs every day in many parts of this country.

Greg Russell
Chief Executive Officer

Jay Russel



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 (ATSB) in investigations of aircraft accidents and incidents
- acting to protect the environment from the effects of or effects associated with the operation of Commonwealth jurisdiction aircraft or other aircraft, inside or outside Australia
- performing functions prescribed by the regulations in relation to the effects of and effects associated with the operation of Commonwealth jurisdiction aircraft
- performing any functions conferred under the Air Navigation Act 1920 or the Aviation Transport Security Act 2004 or by regulation
- providing consultancy and management services relating to any of the above matters
- providing other services and facilities to use spare corporate capacity or to maintain or improve the skills of the organisation's employees.

In the day-to-day performance of Airservices' functions, the organisation is subject to and empowered by a range of other legislation (a full list is available on our website at 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 challenges

Our vision

To be an efficient provider of air traffic management and aviation rescue and fire fighting services with an international reputation for excellence in safety, innovation and environmental performance.

Our challenges

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

During 2008–09, Airservices Australia operated in accordance with its Corporate Plan, which covers the period from 1 July 2008 to 30 June 2013. The plan outlines the broad strategic direction for Airservices, the organisation's business strategies and key supporting actions and programs.



Principal activities

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

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

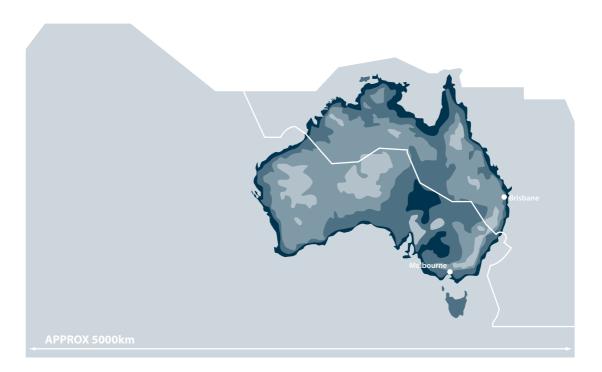
Airservices provides communication, navigation and surveillance, and air navigation services over 11 per cent of the world's surface. This includes the Australian FIR (see Figure 1) and international airspace over the Pacific and Indian oceans.

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 21 busiest international and domestic regular public transport airports
- environmental services
- management of the Australian national air navigation infrastructure.

Airservices manages more than 1.5 million flights each year, and maintains a \$780 million fixed asset base at more than 600 sites around Australia.

FIGURE 1 The Australian Flight Information Region



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

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

Airservices works closely with other Australian 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, the Civil Aviation Safety Authority (CASA), the ATSB and the Australian Maritime Safety Authority.

Airservices has taken a leading role in reducing the impact of aviation on the environment, implementing a number of 'green' initiatives and contributing to the creation of international partnerships that aim to reduce aircraft fuel burn and greenhouse gas emissions. The organisation also works closely with airlines to continue making contributions in this area.

Further information about Airservices Australia can be found on our website at www.airservicesaustralia.com.



Corporate structure

As part of a continuous improvement process, Airservices Australia undertook a further small functional restructuring of its business groups during 2008–09, in order to streamline processes, rebuild the core businesses and better prepare the organisation for current and future challenges.

In July 2008, the National Operations Centre was transitioned from its position as a stand-alone group into the Air Traffic Control group to reflect its fully operational status. As a result of changed priorities, the Business Development and Business Services groups were dissolved and the functions reallocated.

Airservices Australia now operates through the following business groups:

- Air Traffic Control
- Audit and Assurance
- · Aviation Rescue and Fire Fighting
- · Corporate and International Affairs
- Corporate Finance
- People and Change
- Safety and Environment
- 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.

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

At 30 June 2009, Airservices employed 3,237 permanent staff across Australia. This number has grown largely due to the introduction of new aviation rescue and fire fighting (ARFF) services and our continued emphasis on training, leading to a significant increase in new trainees. 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 5 includes staffing statistics.



FIGURE 2 Airservices Australia business structure at 30 June 2009



TABLE 1 Members of the Executive Committee at 30 June 2009

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 Andrew Rushbrook	General Manager Aviation Rescue and Fire Fighting
Mr Richard Dudley	General Manager Corporate and International Affairs
Ms Caroline Fleming	General Manager People and Change
Mr Stephen Angus	General Manager Safety and Environment
Mr Alastair Hodgson	General Manager Technology and Asset Services

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

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

The **Audit Committee** assists the Board in monitoring the maintenance of an effective system of risk management and internal controls, including an extensive audit program, assures the objectivity and reliability of financial reports, and helps to 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 Chairman is an ex officio member of the Committee. Any member of the Board is entitled to attend Committee meetings.

The **Safety and Environment Committee** assists the Board in ensuring 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 Chairman 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 Commonwealth Remuneration Tribunal and reviews the CEO's performance and CEO succession. Membership consists of the Board Chairman as Committee Chairman, 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 which govern the behaviour expected of our employees and the handling of issues like conflict of interest.

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

Risk management

Airservices 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.

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

The CEO reports regularly to the Board on significant risks to Airservices' objectives and the management of those risks. The General Managers, Safety and Environment and Audit and Assurance report to the Board Safety and Environment and Board Audit Committees respectively 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 Air Services Act and the CAC Act. The plan analyses the organisation's operating environment, outlines corporate and financial strategies, specifies the targets to be achieved, and sets out the benchmarks and key performance indicators used to measure performance. Airservices' Corporate Plan for the period from July 2009 to June 2014 was submitted to the Minister for review in June 2009.

The corporate plan is available on the Airservices website (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. The current contract is due to expire on 31 January 2010 and Airservices has informed the Federal Aviation Administration that the organisation will not rebid for this contract.

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 Jason Harfield
- Mr Andrew Clark.

In addition, the Board is supported by a Chief Financial Officer and a company secretary.

Adverse effect of non-commercial commitments

Airservices Australia is required to meet various non-commercial commitments, mainly involving community consultations, and to report on the adverse effect of doing so. Meeting non-commercial commitments in 2008–09 had no adverse affect on the organisation.

Review of Operations

Operational results

This section reports 2008–09 operational results against Airservices Australia's 2008–2013 Corporate Plan for three core service lines: Air Navigation Services, Aviation Rescue and Fire Fighting Services (ARFF) and Corporate Management.

Each service line aims to meet three strategic challenges for the short, medium and long term:

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

The 2008–2013 Corporate Plan outlined strategic objectives and performance measures for each challenge, along with initiatives and programs to achieve the objectives.

The organisation's strategic objectives support the Australian Air Traffic Management Strategic Plan and the Global ATM Target Operational Concept of ICAO.



Delivering excellent core performance

In 2008–09, Airservices Australia's strategic work to maintain core performance included initiatives to strengthen safety in the aviation industry and for our people, to minimise the organisation's environmental footprint and to build capacity to enable business continuity during contingency situations.

Delivering world class safety performance

Airservices Australia is an international leader in the continuous improvement of safety performance. Airservices has had a Safety Management System (SMS) in place for over ten years and it is the central pillar of the organisation's overall safety program. A crucial element of the SMS is that Airservices maintains a 'Just Culture', ensuring all employees willingly contribute to the improvement of safety through open reporting of incidents and the participation in the implementation of safety improvements. The organisation consistently seeks to improve its safety systems, reporting, investigations and compliance through training and education of our staff.

A key element of Airservices' safety programs is to improve safety in the aviation industry through strong stakeholder relationships where information and data can be shared to improve aviation safety for the whole Australian community.

International comparisons of safety performance puts Airservices in the category of world leading Air Navigation Service Providers (ANSPs). Recent cooperation between global ANSPs will also enable Airservices to provide a report against global safety metrics in future Corporate Plans. Airservices is regularly involved in international safety management systems forums, providing guidance and support to other countries as they implement and improve their safety systems.

Airservices has initiated a much more strategic focus on safety, both in our operations and workplace, in 2008–09. The Board and Executive are now in the final stages of approving a ten year safety plan, which is underpinned by a theme of 'safety by design'. This plan will ensure that operational and workplace safety are key considerations in the way Airservices delivers projects, acquires new technology and infrastructure, refurbishes existing systems and buildings and, most importantly, enhances the safety of our people by utilising good workplace design practices.

The organisation continues to strengthen its governance through senior management and Board safety oversight. The Executive and CEO review all safety and operational issues on a daily basis. This essential oversight process ensures key issues are recognised and are managed in a timely and effective manner.

An important part of the governance process is the role of the independent safety adviser to the Board. This position is currently held by an international safety expert. This 'arm's length' process provides the Board with an independent view of the safety of Airservices operations.

Airservices also actively engaged with the safety regulator CASA on airspace safety. A quarterly meeting between the two organisations is an important mechanism to track safety trends and prioritise safety analysis of Australian airspace. Airservices has an active airspace improvement program, which includes an internal Aerodrome Risk Assessment process that tracks and analyses traffic and passenger movements at over 3,000 of Australia's aerodromes and other landing sites. This data is shared with CASA on a quarterly basis.

Airservices continues to strengthen a range of important international relationships. The international sharing of safety lessons learnt and data is regarded as another important element of the organisation's overall safety improvement strategy. Airservices is an active member of the CANSO Safety

Sub-committee and through this relationship has established important safety relationships with leading air navigation service providers globally.

Airservices continues to strengthen safety relationships with our customers and stakeholders. Twice each year Airservices hosts a safety forum which has become an important opportunity to stimulate the sharing of safety lessons and to provide airline customers with tailored safety data to assist their continued safety improvement. This is now a long standing forum which is enthusiastically supported by industry and the Airservices Board.

Airservices' program to consolidate key safety systems continued during the year. When complete, the project will integrate a number of separate safety and incident reporting systems into a single application for reporting, tracking and managing safety-related information.

Achieving a safe and healthy work environment

The Board and Executive have endorsed an initial five year workplace safety strategy which is focused on mandatory occupational health and safety (OHS) accountability training for all senior managers and enhancements to Airservices Australia's OHS reporting system. The strategy aims to minimise incidents and injuries associated with working at heights, working with electricity, muscular skeletal strength and long distance driving.

A key OHS change implemented in 2008–09 was the Drug and Alcohol Management Plan (DAMP). CASA determined that a significant safety improvement would be achieved if the aviation industry, including Airservices, had systems in place which ensured critical services are being provided in a drug and alcohol free workplace.

Minimising our environmental footprint

Airservices Australia's E-Change program is based on industry and internal environmental improvement initiatives.

The industry-focused component of the program aims to reduce the impact on the environment of aviation emissions by reducing aircraft fuel burn through new service delivery enhancements and greater efficiency in air traffic management.

Airservices continued to deliver the Aerogreen Program, which aims to reduce our airline customers' in-flight fuel burn and consequent greenhouse gas emissions. The program includes modelling environmental impacts and developing emissions metrics for assessing changes in ATC procedures. As part of that work, Airservices contracted the University of New South Wales (UNSW) at the Australian Defence Force Academy (ADFA) to quantify carbon dioxide emissions from Australian commercial aviation. ADFA has completed the work and analysis of flight trajectories collected by radar surveillance and operational data for the six months to March 2009.

The organisation continued to participate in the Asia and South Pacific Initiative to Reduce Emissions (ASPIRE), which ensures that environmental initiatives are identified and measured. ASPIRE, which won the 2009 Jane's Global ATC Award for Service Provision, completed its planned demonstration flights and delivered an initial baseline model and historical data on Pacific emissions savings. Emissions measures will be established across the Pacific in 2009–10.

Airservices will chair ASPIRE over its next term. The Japanese Civil Aviation Bureau and the Civil Aviation Authority of Singapore have been accepted as additional ASPIRE partners, and will formally join in October 2009 and February 2010, respectively.

The second component of the environmental program is an internal corporate awareness and

responsibility program that includes carbon and water monitoring, energy-efficiency improvements and carbon dioxide offset arrangements.

Airservices has embarked on a three-year program of electricity and water conservation initiatives to reduce the organisation's environmental footprint. The program's investment of around \$4 million covers a range of substitutions and retrofits.

The Environmental, Legal and Other Requirements Register, which is part of Airservices' environmental management system, was completed during the year. A program of compliance monitoring is being developed.

The 2008–2013 Corporate Plan included an initiative to progressively implement ISO 14001 environmental compliance certification at all ARFF locations. The sites currently certified (Coolangatta and Gellibrand Hill radar) passed their assessments by external auditors during the year.

Airservices continued to manage potential contamination from perfluorooctyl sulfonate and perfluorooctanoic acid, which were ingredients in fire fighting foam predominantly used in the 1980s and 1990s. In May 2009, these ingredients were added to the international Persistent Organic Pollutant register of the Stockholm Convention, to which Australia is a signatory. Australian authorities are yet to list them on the Australian pollutant registers, but the organisation has made a provision of \$11 million to identify and assess any impact on affected sites.

Reducing aircraft fuel burn, noise and emission footprint

Airservices Australia continued to collaborate with the aviation industry, CASA and community groups to reduce aircraft noise, fuel burn and emissions. Environmental assessments during the year ensured that ATC procedural changes reduced environmental impacts wherever possible. For example, Airservices developed mitigation strategies for runway end safety area works at Sydney Airport that essentially closed the 07/25 runway for nine months, contributed to an Essendon Airport working group, and provided ongoing support for the Sydney Airport Community Forum, the Implementation Monitoring Committee and airport noise abatement committees.

The WebTrak service, launched in December 2008, now gives the public access to information about aircraft operations and noise around eight of Australia's busiest airports. The service is part of a \$20 million five year investment to upgrade noise and flight path monitoring systems.

Airservices continued as an active member of the CANSO Environment Working Group, which supports air navigation service providers by developing coordinated positions on environmental regulation and legislation.

Meeting owner expectations and delivering a reasonable return on investment

The Minister's Statement of Expectations, for the period 1 November 2008 to 30 June 2010, provides Airservices Australia with a clear understanding of the Government's requirements. Airservices Statement of Intent and Corporate Plan responds to the Government's expectations by identifying the organisation's key strategic priorities and key deliverables.

The prices for Airservices' core services are subject to the price notification provisions of the *Trade Practices Act 1975*, with any increases in price subject to Australian Competition and Consumer Commission (ACCC) notification and review.

Airservices' current Long Term Pricing Agreement expires in December 2009 and, in order to develop a new agreement, the organisation released a discussion paper on options for a new pricing structure in August 2008. The paper identified various methods for recovering terminal navigation, en route and ARFF service costs. Airservices held consultation forums across the country and in Singapore and the Gulf with discussions focused on greater transparency and better alignment of prices with services. The industry's feedback is helping Airservices to determine the future price structure and to develop a services charter to measure and monitor the organisation's performance.

The task of establishing long-term pricing has been complicated by current volatility in aviation markets. The Airservices Board has sought to minimise further burdens on a struggling industry by deciding to hold prices at current levels until June 2011. As prices last changed in July 2008, this action equates to an expected price reduction of 7 per cent to 8 per cent in real terms over three years.

While this price freeze is in place, discussions will continue on pricing models and options, including consideration of reform in charging the general aviation community. These discussions will provide the basis for determining a preferred price structure that could be implemented from July 2011.

Airservices and the Department of Defence established a new executive-level civil—military advisory committee to integrate civilian and military ATM. The committee will set up working groups in such areas as a common ATM platform and system acquisition; training; infrastructure; and regulations. The Department of Finance and Deregulation will be invited to participate in developing a common financial policy, budget and procurement process.

After an internal review of ARFF's legal and regulatory position, Airservices approached the Department of Infrastructure to review the current legislative and regulatory environment. A working group, chaired by the department and including Airservices and CASA, began a review of ARFF's legal responsibilities and the development of a preferred approach for consideration by government. A concurrent

review of arrangements with other emergency services and state and territory brigades has commenced, with the aim of clarifying and improving operational responses to building emergencies.

Building a high-achieving organisation

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

Meeting customer expectations for service delivery and cost effectiveness

Airservices Australia further developed the National Operations Centre's ability to monitor and cooperatively manage demand and capacity on a system-wide basis. Integrated Flow Manager software, developed by Metron Aviation, Inc. of the United States, was installed and acceptance tested.

The Unicom trial in regional locations, including Dubbo, Wagga Wagga since December 2007 and Port Macquarie, Olympic Dam and Hervey Bay since September/October 2008, concluded in March 2009. Unicom provides general weather reports, basic air traffic information and details about airport services and facilities to pilots on approach to locations without tower facilities. The objective of the trials was to be able to provide more graduated and cost effective risk mitigation at regional aerodromes. A report on the trial has been presented to CASA, for its consideration.

Airservices continued to deliver the National Tower Replacement and Improvement Program, which is a major component of the organisation's capital expenditure program in the next few years. At the time of this report, detailed designs for Melbourne and Adelaide control towers were being finalised for a forecast release to a select market in August 2009. The design brief for Rockhampton control

tower was also finalised against a licensed regional tower design from Airways Corporation of New Zealand for release to the open market in July 2009.

A contract to upgrade ATC tower equipment was awarded to a consortium of Sensis Corporation (United States) and NAV CANADA which combines flight and operational data, surveillance and voice communications into a single integrated, tower-specific layout. Design development of tower technology is synchronised with the forecast delivery of new towers.

Airservices' Telecommunications Infrastructure
Network Replacement (TINR) project is a complex,
Australia-wide program to modernise the
organisation's communications backbone and provide
greater capability for air-ground-air, surveillance and
communications services. The project will impact some
24 regional hubs, 156 remote sites, 18 radar sites, 28
ADS-B sites, 23 control towers and 12 defence sites. The
project presents a significant logistical and technical
challenge to the organisation, involving the migration
of a legacy analogue communications platform to a
digital communications platform. Completion of this
significant upgrade program is forecast for the first half
of 2010, including the commissioning of 28 ADS-B sites.

Phase 3 of the Fire Vehicle Replacement Program, completed in June 2009, delivered 20 state-of-the-art Mark 8 Rosenbauer fire trucks. A further 33 vehicles are on order for delivery over the next five years.

Construction of two new fire stations at Perth and Maroochydore has begun and both facilities are scheduled for completion in mid-2010.

A contract to replace ARFF personal protection equipment was signed late in 2008–09 and will be completed in October 2009.

The Fire Control Centre Facilities Upgrade Program, to provide ARFF stations with modern despatch and alarm monitoring systems, commenced in

November 2008. The first site acceptance testing is scheduled for Coolangatta in October 2009.

Other developments in our ARFF service during the year included the following:

- Category 10 resources were commissioned at Melbourne (October 2008) to coincide with the first Airbus A380 regular passenger transport movements.
- The first Morita aerial vehicle was commissioned at Melbourne ARFF in December 2008 in preparation for A380 operations. A further two have been ordered for delivery to Sydney and Brisbane in November 2009. A schedule for deployment at Perth is yet to be developed.
- Airservices took over the provision of an ARFF Category 6 service at Broome International Airport in July 2008 after a request from airport management.
- A new ARFF service was introduced in Karratha (Category 5) in June 2009. By December 2009, Karratha will be a CASA-certified Category 7 service.
- Coolangatta ARFF was upgraded to Category 8 in September 2008.
- A domestic response capability, using a refurbished fire vehicle, was introduced in Perth in February 2009.

Airservices' Business Systems Improvement Program continued in 2008–09. This program of systems upgrades, replacements and reporting improvements is scheduled for completion over the coming four years. The program will update and enhance safety, rostering, financial, billing, information management, records management and executive reporting capabilities.

During the year Airservices also consolidated resources assigned to property management within the organisation.

Profitably growing unregulated domestic and international core business

Airservices Australia has focused on rebuilding its core and has significantly reduced its commercial activities in overseas markets

The organisation is focused on supporting the Australian Government's aviation safety agenda in the Asia–Pacific region, especially in Indonesia and Papua New Guinea.

Consistent with this approach, the Board decided not to re-bid for a contract to provide ATC services at five towers in the Pacific under contract to the United States Federal Aviation Administration (FAA). The current contract will expire in January 2010.

The organisation is actively involved in safety programs to assist our immediate neighbours through a 'whole of government' initiative known as the Indonesian Transport Safety Assistance Package (ITSAP). A key element of this involvement is the provision of safety management training in Indonesia. In addition the organisation has also provided tailored safety training to its colleagues in Papua New-Guinea.

Airservices and partner Honeywell Aerospace have used trials of the Ground-based Augmentation System (GBAS) in Sydney and selected sites around the world to aid system development and certification of the product in the United States. GBAS is a replacement technology for the Instrument Landing Systems and offers the potential for major improvements in airport safety, efficiency and capacity. GBAS is a key feature of Australia's future satellite-based air navigation system. Certification by the FAA is expected shortly.

The FAA is planning for the deployment of GBAS to the top 35 US airports in the next five years, and recently one of the busiest airports in the north east of the United States, Newark Liberty International Airport, committed to the installation of a Honeywell GBAS system.

REVIEW OF OPERATIONS

Airservices intends to replace the current GBAS system in Sydney with the FAA-certified production model as a prelude (once certified by CASA) to a roll-out to selected airports in Australia.

Developing a culture of continuous improvement and performance

Airservices Australia's focus on rebuilding core business in three key areas – people, assets and service delivery – continued through a wideranging reform program across the organisation to improve efficiency, provide value for money and improve services to customers.

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

A thorough ground-up review of the way in which the organisation delivers ATC has resulted in a restructure and reform program which is now well underway in the ATC group. This program covers ATC licensing and endorsements, rostering and process standardisation. The program also includes work to develop an ATC career model, training and job profiling. This is an ongoing program that will take some years to complete and is designed to more closely align the way in which the organisation delivers ATC in a changing aviation environment.

The business improvement phase of the Technology and Asset Services reform program continued to deliver business efficiencies and enhanced service delivery. Of the 11 projects established, seven have now been completed and the remainder are in the final



stages of delivery. As a result of the program, there has been a substantial improvement in project planning, delivery, control and compliance within Airservices' standard project management methodology.

As part of a broader program to address an ageing workforce, the first intake of 18 trainees began a two-year Diploma of Electrical Engineering at TAFE NSW's Riverina Institute in February 2009. The new course, based at the Wagga Wagga campus, is designed to give trainees the skills they need to maintain Australia's ATC equipment. The course was designed by specialist Riverina Institute trainers and is supported by a trade-specific curriculum and training facility.

The Technical Operations Centre, launched in Airservices' Brisbane facility in June 2009, now provides greater fault-management capability by coordinating, monitoring and managing the resolution of faults in equipment used to deliver the hundreds of sites across Australia that provide the national airways system.

Airservices maintains a Transport Security Program approved by the Secretary of the Department of Infrastructure, as required by the Aviation Transport Security Act 2004. The program describes the security measures and procedures that the organisation uses to minimise identified security risks, including risks of unlawful interference to aviation and threats against critical aeronautical navigation, telecommunications, surveillance and emergency facilities.

A five year comprehensive information management program has been developed which will integrate and consolidate the number of business systems by approximately 50 per cent, resulting in reduced support costs and enhanced business processes.

The organisation also began to develop a strategy to further consolidate systems and improve our disaster recovery capability. In a separate but related activity, Airservices commenced a review of data centres to ensure the organisation has the capacity to meet future requirements. Other foundation projects progressed well, including projects to upgrade and consolidate the organisation's electronic document and records management systems and renew SAP platforms and software.

Airservices commenced an extensive records management improvement program to enhance the integrity, efficiency and performance of the organisation's records management system. A new Business Classification Scheme has been developed and implemented, and approval of the supporting Records Authority by National Archives Australia is anticipated early in 2009–10. This enhanced system functionality will improve future records archival and destruction activities and enhance file retrieval performance.

Developing highly effective team leadership

Delivery of the Leaders Leading Program to all Airservices managers continued throughout the year. The program aims to reinforce Airservices leadership principles – that all managers are accountable for the continuous improvement of their teams over time – and create the conditions and environments for their staff to be successful. Many managers have undertaken 'train the trainer' courses to enable the delivery of the program within their teams. Refresher training is ongoing.

Delivering the future

Airservices Australia's work to deliver future capacity included measures to recruit and manage core talent, foster safety, harmonise and integrate ATM in the Asia–Pacific region and implement next-generation ATM services and technologies in collaboration with our customers and other stakeholders

Effectively managing recruitment and development of core talent

During the year Airservices Australia undertook the challenging process of negotiating three new collective agreements with our unions and employees in the corporate and technology and asset services, air traffic control and aviation rescue and fire fighting groups.

Airservices' aim was to deliver agreements that provided for a fair and reasonable outcome in wages and conditions, with salary increases being offered on the basis of productivity improvements. As Airservices earns revenue from the aviation industry, the current and emerging cost pressures on the industry were key considerations in the negotiations.

This was a difficult period for the organisation and, despite some complications during negotiations for the air traffic control agreement, Airservices has reached an outcome that allows for further efficiencies in the delivery of air traffic control services to our customers.

A new collective agreement for the ATC Group was approved and implemented on 28 May 2009. The agreement enables more effective absence management, supports flexible rostering and redeployments, and includes changes to sick leave entitlements and hours of work. It also allows the introduction of appropriate retention strategies.

A new collective agreement for the ARFF Group was approved and implemented on 8 May 2009. The agreement removed automatic salary increases based on the acquisition of regulatory prescribed qualifications and decoupled career and pay progression from the regulatory framework. It supports flexible and effective rostering, particularly at Sydney and other future A380 locations, and links pay differentiation with the complexity of work at a specific location. The agreement also includes a new sick leave system.

A major project to prepare the organisation for the future has been the further consolidation of training into a centralised Learning Academy based in the Airservices Melbourne facility. The academy is designed to establish robust internal and external learning partnerships and expand training curriculum to improve capability across the organisation. The academy increased its classroom and operational training capacities in 2008–09. Following a restructure, a new management team is responsible for the core areas of training delivery, simulation, planning and forecasting, commercial business, curriculum design and continuous improvement.

Airservices' investments in new learning technologies included the recently commissioned tower visual simulator, preparation for the delivery of a \$28 million Eurocat simulator, which will upgrade the training capabilities of Airservices Melbourne and Brisbane centres, and a trial of a virtual classroom by the Learning Academy.

The training curriculum for next-generation ATM services and technologies was reviewed during the year to ensure alignment with Airservices' requirements. Airservices is now designing an air traffic controller career model to align with the wider organisational Career Development System implemented in July 2008.

Following the development of a comprehensive workforce plan, the organisation devised a recruitment and training plan to accommodate increased numbers of air traffic controller trainees and of ARFF recruits and TAS trainees.

A key feature of the organisation's workforce planning is the development of a retention strategy. The pending retirement of many of our employees will inevitably result in a significant change in Airservices' workforce demographic as retirees are replaced with employees from Generations X and Y. The increasingly global market in which Airservices operates will add further complexity as the organisation works

more closely with people from different cultures and backgrounds. Understanding and meeting the needs of people from different generations and cultures is integral to the organisation's ability to attract and retain our future workforce.

Fostering safety, harmonisation and integration of ATM in the Asia–Pacific region

Airservices Australia's Neighbourhood Program continued in 2008–09. The aim of the program is to improve regional planning, operations and safety across adjoining northern flight information regions (FIRs).

The focus is mainly on safety-related operational improvements supported through the Australian Government's ITSAP and through a similar program in Papua New Guinea.

Neighbourhood Program achievements in 2008–09 included training procedures designers, initiating a peer-to-peer relationship between Soekarno–Hatta and Sydney tower controllers, and supporting Makassar operations through the secondment of senior air traffic controllers from Brisbane.

At the Auslando forum, Airservices and Indonesia's ANSP's Angkasa Pura 1 and Angkasa Pura 2 hold regular technical and operational discussions. These meetings have been reinstated, with the first meeting planned for August 2009.

Indonesia and Australia have agreed in principle to share real-time surveillance data based on ADS-B inputs covering the airspace near the Australian—Indonesian FIR boundary to help improve safety. Data sharing is expected to begin by early 2010.

Air traffic controllers from Papua New Guinea Air Services Limited completed training at the Airservices Melbourne-based Learning Academy on the operational and technical aspects of the ATC simulator. Airservices also championed the establishment of the South West Pacific Safety Forum, which met in February 2009, consisting of representatives from the air navigation services providers of Solomon Islands, Nauru, Fiji and Australia. The forum will advise on aviation safety issues affecting operations in the region.

The organisation promotes and supports the joint development of an integrated 'Neighbourhood' ATM Strategic Plan with neighbouring air navigation service providers, the IATA and airlines. The organisation is making steady progress through greater collaboration between the regional South-East Asian and Pacific states to implement seamless air traffic services across the region.

CANSO has agreed on a strategy to become more involved in the region and is actively encouraging key regional states to join it, so that the implementation of new aviation technologies and better aviation services can occur. CANSO presented a cost benefit study on the initial phase of ADS–B implementation over the South China Sea. The ADS–B project underlines the importance of cooperation among ANSPs in achieving greater safety, airspace capacity and flight efficiency.

During 2008–09, Airservices continued to work on the Regional Seamless Airspace Initiative, which was originally a 2007 CANSO initiative. More work is needed before current standards can be transitioned into a performance-based navigation format. To that end, Airservices hosted an informal South Pacific ATC Coordination Group meeting in Brisbane in October 2008. Airservices also attended a meeting in January 2009, which discussed required navigation performance (RNP) in the Indian Ocean to increase capacity on international routes.

Achieving timely implementation of next generation ATM services and technologies

Air traffic management is on the cusp of major change, with the widespread development and implementation of new systems and technologies

REVIEW OF OPERATIONS

designed to improve the efficiency and performance of the global air traffic network and support the expansion of capability and demand for services. Increasing industry collaboration is also becoming a key focus in ensuring air traffic management harmonisation and continuous safety performance enhancements.

Airservices Australia is an active participant in a number of ICAO forums, such as the Separation and Airspace Safety Panel and the ATM Requirements and Performance Panel, which is the main concept development panel of the organisation. This assists in understanding the likely future industry environment and implications for global standards. Work in 2008–09 included further development of separation standards, which will help us finalise such initiatives as ADS-B and multilateration-based minima.

Elements of ICAO's Global ATM Strategic Plan, under development, in trials, or in regular use in Australia and the Asia–Pacific region, include RNP approaches and departures independent of terrestrial navigation aids, integrated with continuous descent approaches, optimisation of vertical navigation performance, user-preferred routes, and reduced approach minima using global navigation satellite landing systems.

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

Work continued with CASA to implement performance-based navigation and approach with vertical guidance. Australia's methodology for the implementation of performance-based navigation is to provide area navigation specifications as the primary means of navigation and RNP as an alternative means of navigation for oceanic and remote continental, continental en-route and terminal operations.

Airservices supported CASA's development of a

CASR Part 175 to provide a regulatory framework and oversight for aeronautical information, and also supported other CASA work by providing technical expertise, data and other assistance. A significant outcome in 2008–09 was mandating of ADS-B for aircraft requiring access to flight levels at and above 29,000 feet by December 2013.

Airservices participated in a number of projects and initiatives that are contributing to the development of the United States NextGen and European SESAR (Single European Sky ATM Research) programs. This included work with the FAA and European authorities to develop performance standards for ADS-B applications and with the FAA and NASA on the use of ADS-B for new climb and descent procedures for oceanic airspace. Work is also underway with the FAA on the development of certification standards and procedures for the GBAS satellite landing system and with Boeing Research and Technology Europe on a EUROCONTROL project that is developing air-ground data link requirements to support four dimensional trajectories (the flight trajectory of an aircraft is defined by three dimensional waypoints – latitude, longitude, altitude – with time as the fourth dimension over these waypoints). Airservices also worked with airlines and industry bodies on trials of tailored arrivals procedures to improve the environmental performance of future air traffic management systems. The organisation has established a formal partnership with the FAA's NextGen Aeronautical Information Management team to harmonise concepts, architecture, policy and systems development.

In addition to Airservices involvement in ICAO technical panels considering concepts that will form the foundation of the next-generation system, the organisation also participated with American and European members in the CANSO Seamless Airspace Working Group.

Airservices' work on these activities will harmonise our own development planning with United States and European developments, allowing Australia to use new and advanced technologies, systems and procedures to best advantage.

Other initiatives during the year to build the framework for next-generation services in Australia included the following:

- Wide area multilateration (WAM) at Sydney Airport. The antenna equipment is being installed at a number of sites in the Sydney basin, and the system is in the final stages of testing. When commissioned, Sydney WAM will provide enhanced surveillance and display capabilities, overcome impacts from development in the area, and eventually replace the existing precision runway monitor which laterally separates aircraft on an approach and departure to the parallel runways.
- WAM in Tasmania. Flight testing and data analysis
 of a wide area multilateration system, which will
 provide Tasmania with enhanced surveillance, are
 being finalised and, subject to sign off by CASA,
 commissioning is expected in the first quarter
 of 2009–10
- Advanced Surface Movement Guidance and Control System (A-SMGCS) at Sydney and Melbourne. Final testing of the Sydney A-SMGCS was substantially complete at the end of the financial year; the Melbourne system was in place and preparations for commissioning were underway. The commissioning of A-SMGCS in Brisbane and Perth are expected to occur in the first half of 2010. A-SMGCS will improve airport operations and significantly reduce the risk of runway incursions, particularly during reduced visibility conditions, at night, and where distance from control towers makes visual contact difficult.
- Air Traffic Flow Management Enhancement Program. This program provides a network view of demand and capacity and balances flight schedules based on this data. This program was completed in late 2008. Ongoing consultation with industry will ensure industry alignment.

- RNP arrivals at trial sites. RNP utilises modern aircraft navigational capabilities to provide safer and more efficient arrivals and departures. Trials in Brisbane and Adelaide were ongoing at the end of 2008–09. A draft project plan was developed for RNP arrivals procedures at specified aerodromes.
- Flight Planning Conflict Function software.
 Factory testing of the software was completed, site testing has been programmed and training development for our controllers is underway in preparation for operational validation and subsequent deployment. This software will automate aircraft conflict detection within the Upper Airspace Service Delivery Environment and is a key enabler for user-preferred routes.
- User-preferred route trials. These allow aircraft to track defined flight paths providing fuel, cost and time efficiencies. Finalisation is contingent on the outcomes of the Flight Plan Conflict Function project (outlined above).



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TABLE 2 Air Navigation Services key performance indicators

Performance measure	Purpose and definition	3-year average per annum to 2007–08	2008–09 target	2008–09 result
ATS attributed en route breakdown of separation rate	ATS attributed number of en route breakdowns of separation per 100,000 flight hours (12-month moving average)	1.5	< 1.25	1.31ª
ATS attributed terminal area breakdown of separation rate	ATS attributed number of terminal area breakdowns of separation per 100,000 movements (12-month moving average)	2	< 1.5	0.92
ATS attributed tower breakdown of separation rate	ATS attributed number of tower breakdowns of separation per 100,000 movements (12-month moving average) excluding GAAP towers	4	< 2.5	0.91
CASA Safety Alerts	Measure of operational effectiveness: Number of CASA Safety Alerts that have very high safety implications and must be addressed immediately	0	0	0
Number of ANS requests for corrective action late for completion	Measure of operational efficiency: Number of CASA requests for corrective action that have not been completed by the agreed date	1	0	0
Air Navigation Services availability	Measure of operational effectiveness: Hours of service availability as a percentage of total hours of coverage	New KPI	> 99%	99.3%
% Runway capacity delivered during periods of high demand	Measure of operational effectiveness: Percentage of time Airservices delivered close to full capacity (95%) during periods of very high demand (demand greater than mode capacity)	96%	> 95%	92% ^b
% Restoration times met	Measure of operational efficiency: Percentage of systems/equipment faults and failures fixed within agreed timeframes	97%	> 95%	96.1%
ANS lost time injury frequency	Measure of operational effectiveness: Unplanned absence of one or more days resulting from a compensable injury or disease (number of occurrences of lost time/actual hours worked by 1 million hours)	5.7	4.0	2.2
% Earnings before interest and tax / Revenues	Measure of financial efficiency: Earnings before interest and income tax as a percentage of total revenues	26.7%	19.5%	19.8%
% Return on fixed assets	Measure of financial efficiency: Earnings after interest and tax as a percentage of total average fixed assets	31.7%	20.2%	21.9%

a Over this period in our en route sectors, aircraft flew for 1.36 million hours. None of the incidents was categorised as an uncontrolled event. Airservices is progressing programs to improve the technological and human resilience within the ATC system. These programs include the introduction of Flight Plan Conflict Function (an en route mid-term conflict alerting system), improved surveillance through the introduction of Automatic Dependent Surveillance – Broadcast and the Advanced Surface Movement Guidance and Control System (ASMGCS).

b Runway capacity performance results have been affected by a number of external factors, including poor weather conditions. Airservices is reviewing the input factors of this performance measure to ensure that external factors are considered in the final results.

TABLE 3 Aviation Rescue and Fire Fighting key performance indicators

Performance measure	Purpose and definition	3-year average per annum to 2007–08	2008–09 target	2008–09 result
% ARFF operational preparedness	Measure of operational effectiveness: Percentage of time ARFF resources were available to meet required capability	99%	> 98%	99.8%
Number of ARFF requests for corrective action late for completion	Measure of operational efficiency: Number of CASA requests for corrective action that have not been completed by the agreed date	0	0	0
ARFF lost time injury frequency	Measure of operational effectiveness: Unplanned absence of one or more days resulting from a compensable injury or disease (number of occurrences of lost time / actual hours worked by 1 million hours)	5.7	4.0	2.1
% Earnings before interest and tax / Revenues	Measure of financial efficiency: Earnings before interest and income tax as a percentage of total revenues	7.8%	2.7%	4.3%
% Return on fixed assets	Measure of financial efficiency: Earnings after interest and tax as a percentage of total average fixed assets	9.7%	4.2%	6.0%



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TABLE 4 Corporate Management key performance indicators

Performance measure	Purpose and definition	3-year average per annum to 2007–08	2008–09 target	2008-09 result
Employee Engagement Index	Measure of operational effectiveness: Proportion of employees who indicate high performance across all categories of satisfaction, motivation, commitment and advocacy	29%	> 35%	53%ª
Safety Culture Index	Measure of operational effectiveness: Annual assessment of safety climate as a factor out of 5	3.45	3.6	3.3 ^b
Number of significant environmental risks without approved treatment plans	Measure of operational effectiveness: Number of actual significant environmental risks that have been identified and for which there is no approved risk treatment plan or the risk treatment is not being implemented in accordance with the approved risk treatment plan	0	0	0
Stakeholder satisfaction	Measure of operational effectiveness: Percentage of key stakeholders across international and domestic airlines, airports, government agencies and key industry bodies that are satisfied to very satisfied with their relationship with Airservices and Airservices' service delivery	New KPI	> 75%	86%ª
% Earnings before interest and tax / Revenues	Measure of financial efficiency: Earnings before interest and income tax as a percentage of total revenues	22.1%	17.1%	16.9% ^c
% Return on fixed assets	Measure of financial efficiency: Earnings after interest and tax as a percentage of total average fixed assets	13.5%	12.1%	11.9% ^c

a Actual figure is for 2007–08 financial year, as the survey used to determine the score is completed after 30 June.

c Earnings results were slightly below the targets set out in the 2008–13 Corporate Plan, mainly due to the impact of additional staff costs being incurred during the year. This reflected higher costs associated with superannuation, overtime and long service provision. However, this was partially offset by lower depreciation and amortisation costs incurred compared to the Corporate Plan.



b The lowest rating items were associated with training and communication. Safety improvement programs, such as new systems that provide information on incident trends and redeveloped training, including drug and alcohol management and induction training, are now in place. Following a review, this performance measure will now be calculated biannually. A two-year cycle is believed to be the most appropriate time interval for safety culture improvements to be measured.

Ministerial directions

During 2008–09, the Minister made no new formal directions to Airservices Australia under section 16 of the *Air Services Act 1995*. Current directions from previous years are shown in Table 5.

Stakeholder involvement and consultation

During 2008–09, Airservices Australia consulted widely with stakeholders in Australia and overseas. Consultations took place with governments, the Defence Force, airline operators, aerodrome operators, regulators, general aviation operators, other air navigation service providers, Airservices staff and the community.

Financial results

Airservices Australia's 2008–09 after-tax return on average equity was 24.4 per cent, which was 2.1 per cent above the Corporate Plan 2008–2013 target. Operating profit after tax was \$85.5 million, which was a 7.0 per cent reduction compared to the 2007–08 result. No dividend was paid during the 2008–09 financial year, compared to \$66.6 million in 2007–08.

Income

Total income for the year was \$784.9 million, compared to \$752.7 million in the previous year. Gross airways revenue grew by 2.4 per cent across the year, and net airways revenue was \$731.6 million after industry rebates of \$19.9 million. A revaluation of our property, plant and equipment resulted in \$13.2 million being recorded as revenue, as required under applicable accounting standards.

Expenses

Overall expenses increased by \$40.5 million compared to 2007–08. Employee costs increased by \$42.8 million, mainly due to increased staffing levels and higher costs associated with superannuation, overtime and our long service leave provision. There was also an increase in supplier expenses partly related to provisions for ARFF decontamination. There was an overall decrease of \$13.8 million in depreciation, amortisation and impairment of buildings, plant and equipment following prior year revaluations, commissioning of new assets and assessments for impairment under applicable accounting standards.

TABLE 5 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

Significant changes in the state of affairs during the financial year

Changes to legislation

No legislative changes during 2008–09 had an effect on the operations of Airservices Australia.

Regulatory changes

No regulatory changes during the year affected Airservices Australia's operations.

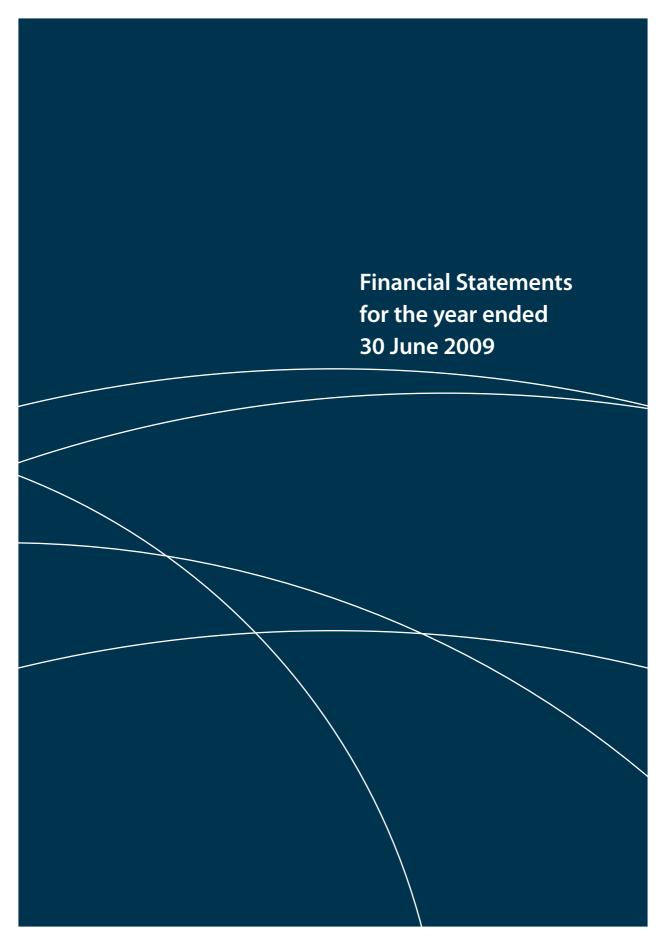
Developments since the end of the financial year

There has been two developments since the end of the financial year that affects the operations of Airservices Australia. In September 2009 the Federal Aviation Administration of the United States granted system design approval to the Airservices and Honeywell SmartPath™ SLS4000 GBAS. This is the first GBAS system in the world to receive this approval.

Airservices will shortly begin implementing GBAS into the National Airways System. Installation in Sydney is expected to be completed by the end of 2009. Airservices is also working with CASA to achieve the GBAS Category 1 (CAT 1) service approval in 2010. GBAS will eventually support precision approach and landing to Category III (Cat III) standards.

Airservices' Corporate Plan for the period July 2009 to June 2014 was approved by the Minister in September 2009.









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 2009, which comprise: a Statement by the Directors; Consolidated Income Statement; Consolidated Balance Sheet; Consolidated Statement of Recognised Income and Expenses; Consolidated Cash Flow Statement; Consolidated Schedule of Commitments; and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies. The Airservices Group comprises both Airservices Australia and the entity it controlled during the year, Airservices Pacific Incorporated.

The Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my

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

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

GPO Box 707 CANBERRA ACT 2601 19 National Circuit BARTON ACT 2600 Phone (02) 6203 7300 Fax (02) 6203 7777 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 I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

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

Auditor's Opinion

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the Commonwealth Authorities and Companies Act 1997, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Airservices Australia Group's financial position as at 30 June 2009 and its financial performance and cash flows for the year then ended.

Australian National Audit Office

Alana Joste

Alana Foster

Executive Director

Delegate of the Auditor-General

Canberra

27 August 2009

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

For the year ended 30 June 2009

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 And ew Clark Chief Financial Officer

Melbourne, 25 August 2009

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Consolidated Income Statement

For the year ended 30 June 2009

		Notes	2009	2008
			\$'000	\$'000
CONTINUIN	G OPERATIONS			
INCOME				
	Revenue			
	Airways revenues	4b	731,555	707,261
	Finance income	4a	6,385	520
	Other commercial revenue	4b	31,231	31,994
	Miscellaneous income	4b	2,571	4,267
	Total Revenue	_	771,742	744,042
	Gains			
	Reversal of previous asset write-downs	4b	13,185	8,691
	Total Gains		13,185	8,691
TOTAL INCO	DME	_	784,927	752,733
EXPENSES				
	Employee expenses	4a	445,087	402,291
	Suppliers		140,379	129,252
	Depreciation	12	45,914	47,084
	Amortisation	13	15,560	14,895
	Finance costs	4a	12,785	11,437
	Write-down and impairment of assets	12	2,168	15,441
	Net loss on disposal of assets	4a	287	1,295
TOTAL EXPE	NSES	_	662,180	621,695
PROFIT BEF	ORE INCOME TAX		122,747	131,038
	Income tax expense	5	37,252	39,063
NET PROFIT	AFTER INCOME TAX	_	85,495	91,975

Consolidated Balance Sheet

As at 30 June 2009

		Notes	2009	2008
			\$'000	\$'000
CURRENT ASSETS	5			
(Cash and cash equivalents	8	110,589	10,218
1	rade and other receivables	9	86,063	84,469
F	Prepayments		4,148	9,743
I	nventories		873	554
,	Assets classified as held for sale	10	875	496
TOTAL CURRENT	ASSETS	_	202,548	105,480
NON-CURRENT A	SSETS			
l	and and buildings	12	176,491	177,604
I	nfrastructure, plant and equipment	12	561,251	432,267
[Deferred tax assets	11	73,018	36,819
I	ntangible assets	13	41,945	46,926
[Defined benefit fund asset	16		24,772
TOTAL NON-CUR	RENT ASSETS	_	852,705	718,388
TOTAL ASSETS			1,055,253	823,868
CURRENT LIABILI	TIES			
1	rade and other payables	14a	123,577	108,179
F	Provisions	14a	145,034	151,797
E	Borrowings	15	44,604	64,768
TOTAL CURRENT	LIABILITIES	_	313,215	324,744
NON-CURRENT L	IABILITIES			
E	Borrowings	15	248,358	99,544
	Provisions	14b	39,464	39,670
[Defined benefit fund liability	16	112,311	=
TOTAL NON-CUR	RENT LIABILITIES	_	400,133	139,214
TOTAL LIABILITIE	S		713,348	463,958
NET ASSETS		_	341,905	359,910
SHAREHOLDER'S	EOUITY			
	Contributed equity		222,190	222,190
	Reserves	17a	68,621	61,799
F	Retained earnings	17b	51,094	75,921
TOTAL EQUITY	3		341,905	359,910

Consolidated Cash Flow Statement

For the year ended 30 June 2009

	Notes	2009	2008
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		833,046	827,830
Payments to suppliers and employees (inclusive of GST)		(666,298)	(591,944)
Borrowing costs		(12,085)	(10,469)
Income tax paid		(44,820)	(34,455)
Net cash flows from operating activities	28	109,843	190,962
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		3,028	3,768
Purchase of property, plant and equipment		(142,845)	(146,969)
Purchase of intangible assets		(272)	(311)
Interest received		1,967	494
Net cash flows used in investing activities	_	(138,122)	(143,018)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		-	(66,600)
Proceeds from borrowing		128,650	20,000
Net cash flows from/(used in) financing activities	_	128,650	(46,600)
Net increase in cash and cash equivalents		100,371	1,344
Cash and cash equivalents at beginning of period		10,218	8,874
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8	110,589	10,218

GST = Goods and Services Tax

Consolidated Statement of Recognised Income & Expenses

For the year ended 30 June 2009

	Notes	2009	2008
		\$′000	\$′000
NET INCOME RECOGNISED DIRECTLY IN EQUITY (NET OF DEFERRED TAX)			
Current year net revaluation	17a	9,565	14,789
Foreign exchange hedge	17a	(1,559)	562
Exchange difference on translation of foreign operations	17a	12	(29)
Actuarial losses	17b	(111,518)	(65,799)
TOTAL NET INCOME RECOGNISED DIRECTLY IN EQUITY		(103,500)	(50,477)
Profit for the year	_	85,495	91,975
TOTAL RECOGNISED INCOME & EXPENSES FOR THE YEAR		(18,005)	41,498

Consolidated Schedule of Commitments

As at 30 June 2009

	2009	2008
	\$'000	\$'000
COMMITMENTS		
CAPITAL COMMITMENTS		
Infrastructure, plant and equipment	113,422	129,499
	113,422	129,499
OTHER COMMITMENTS		
Operating leases	138,096	70,797
Other commitments	68,440	78,818
	206,536	149,615
COMMITMENTS RECEIVABLE (1)	(28,691)	(34,375)
TOTAL NET COMMITMENTS	291,267	244,739
CAPITAL COMMITMENTS BY MATURITY	76,812	75 427
Within one year	· · · · · · · · · · · · · · · · · · ·	75,437
After one year but no more than five years More than five years	36,610	53,732
TOTAL CAPITAL COMMITMENTS	113,422	129,499
TOTAL CALITIZE COMMITMENTS	113,422	120,700
OPERATING LEASES BY MATURITY		
Within one year	16,756	14,472
After one year but not more than five years	39,712	21,857
More than five years	81,628	34,468
TOTAL OPERATING LEASES	138,096	70,797
OTHER COMMITMENTS BY MATURITY		
Within one year	33,059	39,201
After one year but not more than five years	34,991	35,229
More than five years	390	4,388
TOTAL OTHER COMMITMENTS	68,440	78,818
COMMITMENTS RECEIVABLE BY MATURITY		.,
Within one year	(11,088)	(11,487)
After one year but not more than five years	(15,822)	(19,426)
More than five years	(1,781)	(3,462)
TOTAL COMMITMENTS RECEIVABLE	(28,691)	(34,375)

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

Operating leases are effectively non-cancellable and comprise:

Nature of lease	General description of leasing arrangement
Leases for office accommodation	Airservices Australia Group leases are subject to differing review mechanisms which can include fixed increases every two years. The initial periods of office accommodation leases are still current and each may be renewed depending on their individual option periods.
Leases for computer equipment	A number of operating leases for the provision of computer equipment are in place. A majority of these items have a lease term of 2 to 3 years, with some printers having a lease term 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.

No contingent rentals exist.

NB: Commitments are GST inclusive where relevant.

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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 2008).

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 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 2009. 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.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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,

b. Principles of consolidation (continued)

as the Airservices Australia Group has no ownership interest in these entities and they are immaterial to the Group, these entities are not consolidated but instead are disclosed in note 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 2009 and therefore the parent entity results are not separately disclosed in this financial report.

c. Statement of compliance

Compliance with International Financial Reporting Standards (IFRS)

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

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. There are no new Australian Accounting standards, revised standards, interpretations and amending standards that were issued and applicable to the current reporting year that will impact on the Group.

Future Australian Accounting Standard requirements

The following new standards, revised standards, interpretations and amending standards were issued by the Australian Accounting Standards Board and are expected to have a financial impact on the Group for future reporting periods.

AASB 123 Borrowing Costs

The revised AASB 123 has removed the option to expense all borrowing costs and, when adopted, will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

AASB 2009-6 Amendments to Australian Accounting Standards
AASB 2009-7 Amendments to Australian Accounting Standards

The Standards make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.

It is expected that there will be no material impact on the financial report of the Group in adopting the revised standards and amendments to standards.

c. Statement of compliance (continued)

Future Australian Accounting Standard requirements (continued)

The following new standards, revised standards, interpretations and amending standards which were issued and are applicable to the future reporting period are not expected to have a financial impact on the Group.

AASB 1	First-time Adoption of Australian Equivalents to International Financial Reporting Standards (May 2009)
AASB 3	Business Combinations (Mar 2008)
AASB8	Operating Segments
AASB 101	Presentation of Financial Statements (Sep 2007)
AASB 123	Borrowing Costs
AASB 127	Consolidated and Separate Financial Statements (Mar 2008)
AASB 1039	Concise Financial Reports
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]
AASB 2007-8	Amendments to Australian Accounting Standards arising from AASB 101
AASB 2007-10	Further Amendments to Australian Accounting Standards arising from AASB 101
AASB 2008-1	Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations [AASB 2]
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation [AASB 7, AASB 101, AASB 132, AASB 139 & Interpretation 2]
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038]
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & AASB 5]
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136]
AASB 2008-8	Amendments to Australian Accounting Standards - Eligible Hedged Items [AASB 139]
AASB 2008-9	Amendments to AASB 1049 for Consistency with AASB 101

c. Statement of compliance (continued)

Future Australian Accounting Standard requirements (continued)

AASB 2008-11	Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities [AASB 3]
AASB 2008-13	Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110]
AASB 2009-1	Amendments to Australian Accounting Standards – Borrowing Costs of Not-for- Profit Public Sector Entities [AASB 1, AASB 111 & AASB 123]
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]
AASB 2009-6	Amendments to Australian Accounting Standards
AASB 2009-7	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]
Interp 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
Interp 12	Service Concession Arrangements (June 2007)
Interp 15	Agreements for the Construction of Real Estate
Interp 16	Hedges of a Net Investment in a Foreign Operation
Interp 17	Distributions of Non-cash Assets to Owners
Interp 18	Transfers of Assets from Customers

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.

d. Foreign currency translation (continued)

Transactions and balances (continued)

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), and
- all resulting exchange differences are recognised as a separate component of equity.

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 & Safety Authority (CASA) regulations which have not yet been introduced, have been set aside in a provision against airways revenue and subsequently rebated to customers through issued credit notes.

Sale of aoods

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.

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).

f. Property, plant and equipment

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.

Revaluations

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

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the 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 de-recognition, calculated as the difference between net disposal proceeds and carrying value, is included in the income statement in the year the asset is derecognised.

f. Property, plant and equipment (continued)

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 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:

	2009	2008
Buildings (including fittings)	10-40 years	10-40 years
Infrastructure, plant and equipment	3-20 years	3-20 years

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.

k. Financial assets

Airservices classifies its financial assets in the following categories:

- financial assets '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.

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 uncollectable 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 in 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 uncollectable 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.

I. 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.

I. Financial liabilities (continued)

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

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

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

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

m. Income tax (continued)

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 receivable 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.

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 marketdetermined 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.

p. Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. 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.

Long service leave

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

Early retirement benefit

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

q. Employee benefits (continued)

Superannuation

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

Contributions to all funds except the AvSuper defined benefit fund are recognised as an expense as they become payable. With respect to the AvSuper defined benefit fund, the net of current service costs, interest costs and the expected return on fund assets is recognised in the 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 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. Assets classified as held for sale

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

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

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

s. Working capital

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

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:

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 2009 are discussed in Note 16.

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 2009 are based on new collective agreements that were introduced throughout the year. On average, these included six monthly salary increases of around 2%. A discount rate of 5.52% per annum has also been applied and represents the 10 year Commonwealth Government Bond rate at 30 June 2009.

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.

Other provisions

Estimates have been used to establish the provision for the assessment and remediation of contaminated Aviation Rescue and Fire Fighting (ARFF) training sites as discussed in note 14 (c).

Note 3: Segment reporting

Airservices Australia operates predominantly in the Australian Aviation Industry.

Note 4: Profit from continuing operations

a. Profit from Continuing Operations before income tax is arrived at after including the following items of revenue and expenditure:

	2009	2008
	\$'000	\$'000
Revenue		
Finance income		
- Investments	1,261	262
- Deposits	88	56
- Interest rate swap fair value gain	4,214	-
- Other	822	202
Total finance income	6,385	520
Expenses		
Employee expenses		
- Wages and salaries	285,841	266,357
- Superannuation (defined contribution funds)	25,903	23,703
- Leave and other entitlements	106,934	99,001
- Separation and redundancies	10,402	3,499
Employee expenses (excluding defined benefit superannuation expense)	429,080	392,560
Net defined benefit superannuation expense recognised in employee expenses		
- Current service cost	27,983	28,533
- Interest cost	34,219	31,207
- Expected return on fund assets	(46,195)	(50,009)
Defined benefit superannuation expense	16,007	9,731
Total employee expenses	445,087	402,291
Finance costs		
- Loans	12,295	9,919
- Interest rate swap fair value loss	-	1,314
- Other	490	204
Total finance costs	12,785	11,437
Impaired loss on trade and other receivables		
Movement in allowance for impairment (receivables)	(1,041)	1,232
Bad debts written off	1,278	109
Total bad and doubtful debt expenses	237	1,341
Operating lease charges	17,758	18,261
Gain/(loss) from sale/(write-off) of non-current assets		
- Proceeds from disposal of assets	3,028	3,768
- Written-down value of disposed assets	(3,005)	(3,263)
Net gain from sale of non-current assets	23	505
Written down value of scrapped assets	(310)	(1,800)
Net loss from disposal of assets	(287)	(1,295)

Note 4: Profit from continuing operations (continued)

b. Supplementary Analysis of the Income Statement.

2009	Airways Activities	Other Commercial Activities	Profit from Continuing Activities
	\$'000	\$'000	\$′000
Airways revenue	731,555	-	731,555
Other commercial revenue	<u> </u>	31,231	31,231
Total sales revenue	731,555	31,231	762,786
Finance income	6,385	-	6,385
Miscellaneous income	2,571	-	2,571
Reversal of previous asset write-downs	13,185	-	13,185
Total income	753,696	31,231	784,927
Total expenses	629,923	32,257	662,180
Net profit before tax	123,773	(1,026)	122,747
Income tax expense	37,563	(311)	37,252
Net profit after tax	86,210	(715)	85,495

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

Note 5: Income tax

a. Income Tax Expense

	2009	2008
	\$'000	\$'000
Current tax	29,925	42,521
Deferred tax	7,327	(3,458)
Income tax expense attributable to profit from continuing operations	37,252	39,063

b. Reconciliation of income tax expense to prima facie tax payable

	2009	2008
	\$'000	\$'000
Profit from continuing operations before income tax expense	122,747	131,038
Prima facie income tax expense at 30%	36,824	39,311
Tax effect of amounts which are not deductible/assessable in calculating taxable income:		
- Provision for Tax Law Amendment Act (No. 2)	-	55
- Non-deductible legal costs	53	=
- Other non-deductible expenditure	127	138
- Depreciation of revalued assets	-	2,443
- Revaluation of non-current assets	-	(2,607)
- Research and development tax incentive	-	(277)
- Prior year under provision of tax	248	-
Income tax expense	37,252	39,063

Note 6: Dividends

a. Dividend Paid

A final dividend was not paid for the year ended 30 June 2008 (2008: final dividend for the year ended 30 June 2007 was \$33.2m). An interim dividend was not paid for the year ending 30 June 2009 (2008: interim dividend for the year ended 30 June 2008 was \$33.4m).

b. Franking Credits

Franking credits available for subsequent financial years based on a tax rate of 30% (30 June 2008: 30%) are \$208.3m (30 June 2008: \$177.2m).

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

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

Note 7: Investments in controlled entities

a. Airservices Pacific Incorporated (API)

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

Airservices Australia made available a loan facility of US \$0.700m to API at normal commercial terms and conditions in September 2005. This facility was fully drawn in December 2006 and expires in December 2009 but can be repaid with interest at any time prior to maturity. As at 30 June 2009, the principal amount of the loan equates to AUD \$0.863m.

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

	2009	2008
	\$'000	\$'000
Cash at bank and on hand	2,289	518
Deposits at call	48,300	9,700
Term deposits	60,000	-
	110,589	10,218

a. Cash at bank and on hand

Cash at bank has a floating interest rate of 2.50% (30 June 2008: 6.75%). Cash on hand is non-interest bearing.

b. Deposits at call

The deposits at call have a floating interest rate of 3.00% (30 June 2008: 7.25%). These 11am cash at call deposits are rolled over on a daily basis.

c. Term deposits

The term deposits have a floating interest rate of 3.62%. These term deposits mature on a monthly basis.

Note 9: Current Assets - Trade and other receivables

	2009	2008
	\$'000	\$'000
Loans and receivables		
Trade receivables (a)	78,924	78,414
Allowance for impairment (b)	(813)	(1,854)
	78,111	76,560
Other receivables (c)	2,004	517
Accrued revenue and interest	3,407	7,392
Income tax receivable	2,541	=
Total current receivables	86,063	84,469

(a) Ageing analysis of trade receivables

	2009	2008
	\$'000	\$'000
Current	72,247	67,561
Overdue by:		
1 to 30 days	3,500	5,876
31 to 60 days	1,048	733
61 to 90 days	400	2,143
90+ days	1,729	2,101
Total	78,924	78,414

(b) Reconciliation of the allowance for impairment:

	2009	2008
	\$'000	\$'000
Opening balance	1,854	622
Increase/(decrease) recognised in net profit	(1,041)	1,232
Closing balance	813	1,854

The allowance for impairment is aged as follows:

	2009 \$'000	2008 \$′000
Current	331	28
Overdue by:		
1 to 30 days	129	171
31 to 60 days	67	57
61 to 90 days	18	71
90+ days	268	1,527
	813	1,854

(c) Other receivables

Other receivables is mainly comprised of balances associated with interest rate swaps.

Note 10: Assets classified as held for sale

A total of four land assets have been identified as surplus to the requirements of the Airservices Australia Group and have been classified as assets held for sale. The decision to dispose of the above assets has been endorsed by the Board of Directors and their disposal is expected to be completed within the 2009-10 financial year. The carrying amount of the assets amounted to \$0.875m (30 June 2008: \$0.496m).

Note 11: Non-Current Assets – Deferred tax assets

	2009 \$′000	2008 \$′000
The balance comprises temporary differences attributed to:	7 000	+ 000
Amounts recognised in the income statement		
Depreciation for accounting purposes	(1,890)	2,377
Allowance for impairment	244	556
Employee benefits	52,032	54,315
Provision for revenue to be returned to customers	5,973	7,879
Provision for legal costs	362	362
Other provisions	2,991	2,159
Interest rate swap	-	652
Cross-border transaction provision	-	452
Accruals	2,728	1,015
	62,440	69,767
Amounts recognised directly in equity		
Foreign exchange hedge reserve	(1,321)	(655)
Revaluation of land, buildings, plant and equipment	(30,752)	(27,150)
Defined benefit asset / (liability)	42,651	(5,143)
	10,578	(32,948)
Net deferred tax assets	73,018	36,819
Movements:		
Opening balance at 1 July	36,819	9,934
Credited/(charged) to the income statement	(7,327)	3,458
Credited/(charged) to equity	43,526	23,427
Closing balance at 30 June	73,018	36,819

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 2009.

Note 12: Non-Current Assets – Property, plant and equipment (continued)

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

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, the majority of the remaining costs associated with a software project that ceased during the 2007-08 financial year have been expensed following further assessment during the 2008-09 financial year.

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

	2009 \$'000	2008 \$′000
Land		
At cost	3,680	3,836
Buildings		
At cost	204,427	198,687
Accumulated depreciation	(123,983)	(117,981)
Net carrying amount	80,444	80,706
Plant and equipment		
At cost	708,518	617,720
Accumulated deprecation	(387,772)	(363,666)
Net carrying amount	320,746	254,054

Note 13: Non-Current Assets – Intangible assets (software)

		2009			2008	
	Internally developed software \$'000	Other intangible assets \$'000	Total intangible assets \$'000	Internally developed software \$'000	Other intangible assets \$'000	Total intangible assets \$'000
Gross value – 1 July	94,995	28,580	123,575	93,638	26,962	120,600
Reclassified from plant and equipment	4,471	-	4,471	(1)	-	(1)
Additions	-	272	272	-	311	311
Transferred from assets under construction	3,510	2,387	5,897	3,294	1,307	4,601
Disposals	(1,529)	-	(1,529)	(1,936)	=	(1,936)
Gross value – 30 June	101,447	31,239	132,686	94,995	28,580	123,575
Accumulated amortisation – 1 July	(60,449)	(16,200)	(76,649)	(51,316)	(12,374)	(63,690)
Reclassified from plant and equipment	(60)	-	(60)	=	=	-
Amortisation for the year	(11,505)	(4,055)	(15,560)	(11,069)	(3,826)	(14,895)
Disposals	1,528	-	1,528	1,936	=	1,936
Accumulated amortisation – 30 June	(70,486)	(20,255)	(90,741)	(60,449)	(16,200)	(76,649)
Net intangibles – 30 June	30,961	10,984	41,945	34,546	12,380	46,926

Note 14: Provisions and payables

a. Current payables and provisions

	2009	2008
	\$′000	\$′000
Current payables		
Suppliers		
- Trade payables	15,372	16,477
Employees		
- Salaries and wages	10,127	8,688
- Superannuation	1,466	915
- Recreation leave (1)	39,021	36,021
Revenue received in advance	4,338	3,483
Interest payable	1,636	936
Group tax payable	4,355	3,284
Accrued payroll tax	3,372	1,941
Net goods and services tax payable	9,491	10,192
Other accrued expenses	34,399	26,242
Total current payables	123,577	108,179
Current provisions		
Employee benefits		
- Long service leave (2)	109,276	99,310
- Separations and redundancies	4,203	3,486
Workers compensation	469	485
Taxation	-	13,750
Revenue to be returned to customers	19,910	26,263
Other provisions	9,969	7,196
Cross-border transaction	-	100
Litigation and legal costs	1,207	1,207
Total current provisions	145,034	151,797
Total current provisions and payables	268,611	259,976
b. Non-current provisions		
Employee honofits		
Employee benefits	11 150	0 207
- Long service leave	11,159	8,287
- Separations and redundancies	25,975	27,625
Workers compensation	2,330	2,351
Cross-border transaction	-	1,407
Total non-current provisions	39,464	39,670

⁽¹⁾ Recreation leave expected to be settled within 12 months from the reporting date is \$23.8m, and greater than 12 months is \$15.2m. Refer to note 1 (s) for further information.

⁽²⁾ Long service leave expected to be settled within 12 months from the reporting date is \$9.1m, and greater than 12 months is \$100.2m. Refer to note 1 (s) for further information.

Note 14: Provisions and payables (continued)

c. Description of provisions

Employee Benefits:

Workers compensation

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

Separations and redundancies

This includes \$25.8m (30 June 2008: \$27.6m) in early retirement benefits which have been elected to be taken by employees as a lump sum on retirement. Also, \$4.2m (30 June 2008: \$3.5m) relates to redundancy provisions in relation to the restructuring of the organisation.

Revenue to be returned to customers

Of the provision, \$18.7m (30 June 2008: \$24.5m) 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. A further \$1.2m (30 June 2008: \$1.8m) will also be returned in relation to Aviation Rescue and Fire Fighting (ARFF) regulatory costs anticipated under the LTPA, but yet to be introduced.

Other provisions

A provision has been provided for the assessment, management and remediation of contaminated ARFF training sites. An Environmental Management Plan (EMP) has been developed and the provision represents the costs associated with the phased approach in the EMP as discussed in note 18.

Cross border transaction

The provision represented compliance and monitoring costs for 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 2009.

Note 14: Provisions and payables (continued)

d. Movement in provisions (excluding Employee benefits)

	2009	2008
	\$'000	\$'000
(i) Revenue to be returned to customers (Current)		
Carrying amount at start of period	26,263	2,837
Additional provisions recognised	19,910	26,263
Credit notes issued	(26,263)	(2,837)
Carrying amount at end of period	19,910	26,263
(ii) Other (Current)		
Carrying amount at start of period	7,196	-
Additional provision recognised	2,773	7,196
Carrying amount at end of period	9,969	7,196
(iii) Cross border transaction (Current/Non-current)		
Carrying amount at start of period	1,507	1,575
Payments	(1,507)	(68)
Carrying amount at end of period	-	1,507
(iv) Litigation and legal costs (Current)		
Carrying amount at start of period	1,207	-
Additional provision recognised		1,207
Carrying amount at end of period	1,207	1,207

Note 15: Borrowings

	2009 \$'000	2008 \$′000
Unsecured loans – Bank loans		
- Current (1)	44,604	64,768
- Non-Current (2)	248,358	99,544
Total Borrowings	292,962	164,312

⁽¹⁾ This amount was issued under a \$300m commercial paper program in two separate tranches on 22nd and 23rd June 2009 and will mature on 22nd and 23rd September 2009.

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

Note 16: Defined Benefit Fund Asset / (Liability)

a. Superannuation plan

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

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

b. Benefit Asset / (Liability)

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

	2009	2008
	\$'000	\$'000
Present value of the defined benefit obligation	(663,409)	(626,910)
Fair value of defined benefit fund assets	551,098	651,682
Net benefit asset / (liability) – non-current	(112,311)	24,772

The Global Financial Crisis has negatively impacted both the Defined Benefit Obligation and the Fair value of assets.

- the Defined Benefit Obligation has increased significantly because reduced Government Bond rates flow through to a reduced Discount Rate assumption; and
- the Fair value of assets has fallen with financial and property markets falling significantly over the year.

The effect of these factors is that the Plan has moved from a net asset position to a net liability position.

Airservices Australia Group will continue to contribute to the defined benefit section of the Plan in line with the actuary's recommendations and in compliance with relevant Australian Prudential Regulation Authority (APRA) quidelines.

Note 16: Defined Benefit Fund Asset / (Liability) (continued)

c. Categories of plan assets

The major categories of plan assets are as follows:

	2009	2008
	\$'000	\$'000
Cash	23,882	7,568
Equity instruments	327,086	392,425
Debt instruments	92,413	114,838
Other assets	107,717	136,851
	551,098	651,682

d. Reconciliations

	2009	2008
	\$'000	\$'000
Reconciliation of the present value of defined benefit obligation:		
Balance at the beginning of the year	626,910	606,379
Current service cost	27,983	28,533
Contribution by members	10,612	10,090
Interest cost	34,219	31,207
Actuarial (gains) / losses on obligation	5,902	(2,520)
Benefits paid	(42,217)	(46,779)
Balance at the end of the year	663,409	626,910

	2009	2008
	\$'000	\$'000
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	651,682	717,523
Expected return on the plan assets	46,195	50,009
Actuarial losses	(153,410)	(96,519)
Contributions by Airservices Australia	38,236	17,358
Contributions by members	10,612	10,090
Benefits paid	(42,217)	(46,779)
Balance at the end of the year	551,098	651,682

e. Net amount recognised in Income Statement

	2009	2008
	\$'000	\$'000
The amounts recognised in the income statement are as follows:		
Current service cost	27,983	28,533
Interest cost on benefit obligation	34,219	31,207
Expected return on plan assets	(46,195)	(50,009)
Total included in employee benefits expense	16,007	9,731
Actual return on plan assets	(107,215)	(46,510)

Note 16: Defined Benefit Fund Asset / (Liability) (continued)

f. Principal actuarial assumptions

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

	2009	2008
	\$'000	\$'000
Discount rate	5.10%	5.50%
Expected return on plan assets	7.00%	7.00%
Future salary increases	6.00%	6.00%

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

- the 10 year Government bond rate (5.52%) at 30 June 2009 adjusted for the effective tax rate on the assets of the Plan of 8%:
- the expected return on plan assets based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected allocation of plan assets to these major categories. This resulted in the selection of an 7.6% p.a. rate of return gross of tax and net of expenses (8% p.a. in 2007-08) and a 7% p.a. rate of return net of tax and expenses (7% p.a. in 2007-08); and
- the salary increase rate is the long term expected rate including a full allowance for promotional increases.

g. Employer contributions

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

An actuarial investigation of the Plan is made each year and the last such assessment was made as at 1 July 2008.

Employer contributions for Airservices Australia to the defined benefit section of AvSuper are currently (since 1 July 2009):

- 16.5% of gross salary for Air Traffic Controllers (ATCs) (2007-08 and 2008-09: 12%),
- 16.5% of gross salary for other employees (2007-08 and 2008-09: 9%), and
- 3% for those employees who remain members of the Commonwealth Superannuation Scheme (CSS) (2007-08 and 2008-09: 3%).

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

The objectives in setting the contribution rate are to:

- i. ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable.
- ii. 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 / (Liability) (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.

Employer contributions expected to be paid by Airservices Australia Group for the year ending 30 June 2010 amount to approximately \$27.4m, not including any additional contributions required.

h. Net financial position of the plan

In accordance with AAS 25 Financial Reporting by Superannuation Plans, the Plan's net financial position is determined as the difference between the present value of the accrued benefits and the net market value of Plan assets. This has been determined as at the date of the most recent financial report of AvSuper (1 July 2008), when a surplus of \$112.0m was reported. Since then the Plan's net financial position has declined significantly following the impact of the global financial crisis.

In these financial statements (Airservices Australia Group) the organisation recognised a defined benefit asset of \$24.8m at 30 June 2008. The difference is due to the different accounting treatment of the net financial position for the employer under AASB 119, and the Plan under AAS 25. At 30 June 2009 these financial statements disclose a defined benefit liability of \$112.3m. AvSuper will not report the net financial position of the Plan under AAS 25 until after these financial statements have been signed.

i. Historic summary

	2009	2008	2007	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000
Plan assets	551,098	651,682	717,523	703,315	650,946
Defined benefit plan obligation	(663,409)	(626,910)	(606,379)	(625,327)	(646,699)
Surplus / (Deficit)	(112,311)	24,772	111,144	77,988	4,247
Experience (gains)/losses adjustments arising on plan liabilities	(19,861)	(47,567)	(34,959)	1,677	584
Experience gains/(losses) adjustments arising on plan assets	(153,410)	(96,519)	(33,804)	31,282	29,460

Note 17: Reserves & retained earnings

a. Reserves

	2009	2008
	\$′000	\$'000
Asset revaluation reserve	71,720	63,351
Foreign exchange hedge reserve	(3,104)	(1,545)
Foreign currency translation reserve	5	(7)
	68,621	61,799
Movements		
Asset revaluation reserve		
Opening balance	63,351	51,388
Net revaluation	9,565	14,789
Revaluation reserve - disposals (net of deferred tax)	(1,196)	(2,826)
	71,720	63,351
Foreign exchange hedge reserve		
Opening balance	(1,545)	(2,107)
Net revaluation	(1,559)	562
	(3,104)	(1,545)
Foreign currency translation reserve		
Opening balance	(7)	22
Net revaluation	12	(29)
	5	(7)

b. Retained earnings

	2009	2008
	\$'000	\$'000
Opening balance	75,921	113,519
Net profit after tax for the year	85,495	91,975
Dividend paid	-	(66,600)
Defined benefit fund movements direct to equity (net of deferred tax)	(111,518)	(65,799)
Revaluation reserve - disposals (net of deferred tax)	1,196	2,826
	51,094	75,921

Note 18: Contingencies

During 2007-08 a number of Aviation Rescue and Fire Fighting (ARFF) sites around the country were identified to have been contaminated with a product used for fire fighting purposes. The product was widely used internationally and by Airservices Australia from 1998 and was subsequently phased out by 2003. The identified contaminant does not breakdown naturally.

Over the past year, further testing and assessment of the affected sites was undertaken to identify both the extent of the contamination and a possible course of action to remediate the sites. While some remediation options have been identified, further consultation and testing is required over the coming year. To facilitate this process, a sum of \$10.0m has been provided for in 2008-09 (2007-08: \$7.2m, refer to Note 14). Long-term remediation costs are not yet quantifiable.

Note 19: Standby arrangements and unused credit facilities

	2009 \$′000	2008 \$'000
Bank overdraft	5,000	5,000
Total credit facilities	5,000	5,000
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
- Medium Term Note program	400,000	-
- Standby Facilities	130,000	100,000
- Cash Advance Facility	-	30,000
- 11am Borrowing	40,000	=
Total loan facilities	970,000	530,000
Amount utilised	(295,000)	(165,927)
Unused loan facility	675,000	364,073

Note 20: Remuneration of auditors

	2009	2008
	\$	\$
Auditing services provided by the Australian National Audit Office	286,318	299,200

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 \$29,045 (2008: \$30,200) relating to the audit of API's Financial Statements

Other services provided by PriceWaterhouseCoopers during the year totalled \$108,590 (2008: \$16,353).

Note 21: Remuneration of directors

	2009	2008
	\$	\$
Amounts received, or due and receivable, by Directors	427,487	450,918

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 Director's remuneration. A number of Directors served for only part of the 2009 year as detailed in note 23.

The \$427,487 for 2009 consists of short-term employee benefits (\$391,750) and post-employment benefits (\$35,737).

Note 22: Remuneration of executives

	2009	2008
	\$	\$
Amounts received, or due and receivable, by Executives	4,913,355	4,836,713

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 \$4,913,355 (2008: \$4,836,713). 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 \$4,913,355 for 2009 consists of short-term employee benefits (\$3,809,024); long-term benefits (\$97,770); post employee benefits (\$356,147); and termination benefits (\$650,414). A number of Executives served for only part of the 2009 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:

	Status	Commenced	Finished
Chairman			
David Forsyth		Ongoing	Current
Deputy Chairman			
Christine Goode	Term expired	Ongoing	30-Apr-09
Warren Mundy		1-Jun-09	Current
Directors			
David Burden		1-Jun-09	Current
Liza Carver		1-Jun-09	Current
Robert Maher		Ongoing	Current
Roxley McLennan		Ongoing	Current
Henk Meertens		Ongoing	Current
Warren Mundy	Appointed as	Ongoing	31-May-09
	Deputy Chair		
Alice Williams		Ongoing	Current
Chief Executive Officer			
Greg Russell (i)		Ongoing	Current
Andrew Clark	Acting	30-Oct-08	7-Nov-08
		9-Jan-09	16-Jan-09
		25-Apr-09	28-Apr-09
		6-Jun-09	10-Jun-09
		19-Jun-09	12-Jul-09
Jason Harfield	Acting	9-Aug-08	17-Aug-08
		13-Mar-09	19-Mar-09

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

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
Stephen Angus	GM National Operations Centre	Ongoing	06-Jul-08
	GM Safety and Environment (formerly Safety Management)	07-Jul-08	Current
Alan Barber	GM Aviation Rescue and Fire Fighting	Ongoing	14-May-09
Michelle Bennetts	GM Audit & Assurance	Ongoing	Current
Andrew Clark	Chief Financial Officer	Ongoing	Current
Richard Dudley	GM Corporate and International Affairs (formerly Corporate Affairs)	Ongoing	Current
Wayne Emery	GM Business Development	Ongoing	19-Dec-08
Caroline Fleming	GM People & Change	Ongoing	Current
Jason Harfield	GM Air Traffic Control	Ongoing	Current
Alastair Hodgson	GM Technology and Asset Services	Ongoing	Current
Kenneth McLean	GM Safety Management	Ongoing	04-Jul-08
Neal O'Callaghan	GM Business Services	Ongoing	6-Mar-09
Andrew Rushbrook	GM Aviation Rescue and Fire Fighting	15-Jun-09	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.
- 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\$7,000.

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 movements in rates within the framework of a comprehensive set of risk management policies approved by the Directors. Financial risk is managed centrally and speculative trading is strictly prohibited.

a. Fair value of financial instruments

	Carrying amount 2009 \$'000	Fair value 2009 \$'000	Carrying amount 2008 \$'000	Fair value 2008 \$'000
FINANCIAL ASSETS				
Forward exchange contracts	-	(4,403)	-	(2,175)
Cash and cash equivalents	110,589	110,589	10,218	10,218
Receivables	86,063	86,063	84,469	84,469
Interest rate swaps	-	2,042	=	(2,172)
Total	196,652	194,291	94,687	90,340
FINANCIAL LIABILITIES				
Long term debt	248,358	246,431	99,544	95,585
Trade and other payables (1)	84,556	84,556	72,158	72,158
Commercial Notes	44,604	44,681	64,768	64,603
Total	377,518	375,668	236,470	232,346

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

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 co-operation with the Group's operating units based on clear principles for overall risk management, as well as written instructions covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

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

c. Credit risk

Credit risk represents the risk that one party to a transaction will fail to discharge an obligation and cause the other party to suffer a financial loss. Airservices Australia Group invests money and enters into financial derivative contracts with authorised counterparties whose long term credit rating is at, or above, A- (Standard and Poor's) or A3 (Moody's). The maximum credit limit for each approved counterparty is currently \$100 million. Counterparty credit exposure is assessed using the principles of the Australian Prudential Regulatory Authority 'Current Exposure Method'.

The Group is exposed to credit risk arising from potential default of debtors. This is equal to the total amount of trade and other receivables (2009: \$81.480m and 2008: \$84.469m). Airservices Australia Group has assessed the risk of the default on payment and has allocated \$0.813m in 2009 (2008: \$1.854m) 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 2009 \$'000	Not Past Due Nor Impaired 2008 \$'000	Past due or impaired 2009 \$'000	Past due or impaired 2008 \$'000
Loans and receivables	71,916	67,561	7,008	10,853
Total	71,916	67,561	7,008	10,853

The Group is also exposed to credit risk arising from the cross-border financing arrangement as detailed in note 27.

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.

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.

				Fixed interest maturing in:				
2009	Notes	Average interest rate	Floating interest rate	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000	Non- interest bearing \$'000	Total \$'000
			\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Financial liabilities								
Trade and other payables (1)	14	-	-	-	-	-	84,556	84,556
Bank loans – bonds	15	5.99%	-	-	248,358	-	-	248,358
Interest rate swaps (2)		-	100,000	-	(100,000)	-	-	-
Interest rate swaps (2)		-	(73,500)	28,000	42,000	3,500	-	-
Commercial Paper	15	3.30%	44,604	-	-	-	-	44,604
Net Financial Liabilities			71,104	28,000	190,358	3,500	84,556	377,518

			Fixed interest maturing in:					
2008	Notes	Average interest rate	Floating Interest rate	1 year or less	1 to 5 years	More than 5 years	Non- interest bearing	Total
			\$'000	\$′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

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

⁽²⁾ Notional principal amounts

e. Market risk

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

Interest rate sensitivity analysis is calculated on a 'reasonably possible' basis with reference to the key drivers of interest rates, market expectations and historical data. In analysing interest rate sensitivities the Group has adopted to vary actual interest rates by +/- 0.75%.

Airservices Australia Group has adopted a simplified approach to calculate market risk sensitivities for foreign exchange contracts. A standard sensitivity variable of 12% 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.

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

				Effect of positive movement		negative ment
2009	Carrying amount \$'000	Change in risk variable +/- %	Profit and loss 2009 \$'000	Equity 2009 \$'000	Profit and loss 2009 \$'000	Equity 2009 \$'000
Currency risk						
Buy EUROs	8,551	12	0	829	0	(1,046)
Buy US Dollars	16,986	12	0	1,654	0	(2,048)
Interest rate risk						
Cash and cash equivalents	110,589	0.75	827	0	(827)	0
Bank loans – bonds	248,358	0	0	0	0	0
Interest rate swaps	173,500	0.75	409	0	(409)	0
Commercial Paper	44,604	0.75	(338)	0	338	0

			Effect of positive movement		Effect of a	_
2008	Carrying amount \$'000	Change in risk variable +/- %	Profit and loss 2008 \$'000	Equity 2008 \$'000	Profit and loss 2008 \$'000	Equity 2008 \$'000
Currency risk						
Buy EUROs	9,114	10	0	785	0	(967)
Buy US Dollars	13,154	10	0	981	0	(1,207)
Interest rate risk						
Cash and cash equivalents	10,218	1	102	0	(102)	0
Bank loans – bonds	99,544	0	0	0	0	0
Interest rate swaps	170,000	1	1,417	0	(1,383)	0
Commercial Paper	64,768	1	650	0	(650)	0

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 Australia	Sell Australian Dollars		Average Exchange Rate	
	2009	2008	2009	2008	
	\$'000	\$'000	EURO/\$1	EURO/\$1	
Maturity					
3 months or less	2,784	1,582	0.5027	0.5728	
Greater than 3 months but less than 1 year	5,501	7,532	0.4997	0.5964	
Greater than 1 year	265	=	0.4932	=	

Buy US Dollars	Sell Australi	Sell Australian Dollars		Average Exchange Rate	
	2009	2009 2008		2008	
	\$'000	\$'000	\$US/\$1	\$US/\$1	
Maturity					
3 months or less	398	6,536	0.9111	0.7586	
Greater than 3 months but less than 1 year	5,507	6,618	0.6179	0.8546	
Greater than 1 year	11,082	-	0.6020	-	

g. Capital management

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

Airservices Australia's Group target was to achieve a return on equity after tax for 2009 of 22.3%; during the year ended 30 June 2009 the return was 14.5% (30 June 2008: 16.0%).

Airservices Australia's Group practice has been to provide for and pay a dividend to government of 60% of net profit after tax. Under this practice the dividend was returned to government in two instalments. As a consequence of the impact of the Global Financial Crisis on superannuation and airways activity; and the need to replace safety critical infrastructure, the Minister has agreed that no dividends were payable during the 2008-09 financial year.

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 \$0.398m (2008: \$0.331m) for the Solomon Islands and \$0.118m (2008: \$0.060m) 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 34% (2008: 37%) related to the Qantas Group excluding Jetstar and 9% (2008: 8%) related to Jetstar.

Note 27: Cross-border financing arrangement

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

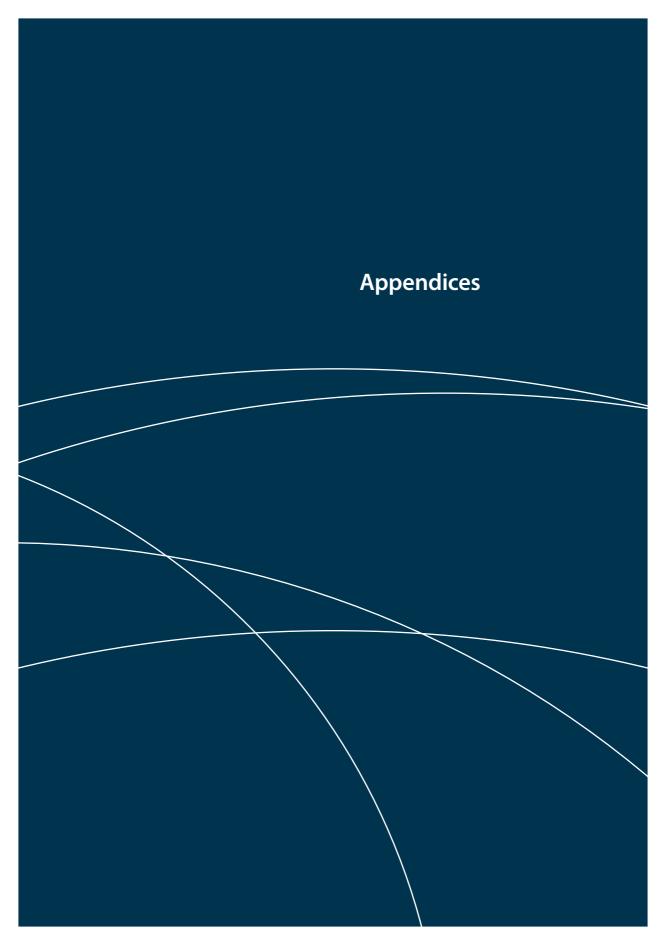
Airservices Australia Group has provided certain guarantees and indemnities to various participants in the transaction. If certain events occur, the Airservices Australia Group could be liable to make substantial payments under the lease guarantees and indemnities. The future underlying exposure against which these guarantees and indemnities have been provided are up to a maximum of US\$712m (30 June 2008: US\$728m).

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

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

Note 28: Notes to the statement of cash flows

	2009	2008
	\$'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	110,589	10,218
Total cash and cash equivalents	110,589	10,218
Reconciliation of net profit after income tax to net cash flows from operations		
Net profit after income tax	85,495	91,975
Adjustments for:		
Depreciation	45,914	47,084
Amortisation	15,560	14,895
Impairment	2,168	15,441
Interest received	(2,171)	(520)
Reversal of previous asset write-downs	(13,185)	(8,691)
Net loss on sale/write-off of non-current assets	287	1,295
Fair value adjustments to derivatives	(6,443)	2,110
Foreign exchange (gain) / loss	(717)	349
Prepayments & accruals relating to plant & equipment	(20,772)	-
Excess AvSuper defined benefit contributions (after tax)	(15,560)	(5,339)
Changes in assets		
(Increase)/decrease in gross receivables	(553)	(9,490)
(Increase)/decrease in inventories	(319)	(194)
(Increase)/decrease in prepayments	5,595	(380)
(Increase)/decrease in deferred tax assets	7,327	(3,458)
Changes in liabilities		
Increase/(decrease) in employee benefits	16,858	(3,734)
Increase/(decrease) in allowance for impairment	(1,041)	1,232
Increase/(decrease) in legal provisions	-	1,207
Increase/(decrease) in income tax payable	(13,750)	5,594
Increase/(decrease) in cross-border transaction provision	(1,507)	(68)
Increase/(decrease) in other provisions	2,773	7,196
Increase/(decrease) in creditors and accruals	10,237	11,032
Increase/(decrease) in revenue to be returned to customers provision	(6,353)	23,426
Net cash flow from operating activities	109,843	190,962



Appendix 1: Board membership, meetings and committees

Members of the Board and their terms of appointment

Board members for the period from 1 July 2008 to 30 June 2009 were as follows.



David Forsyth BE (Aero), GradDip, FRAeS (Chairman)

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

Mr Forsyth is an aeronautical engineer with over 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 flying to 47 destinations Australia-wide.

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



Warren Mundy BSc (Hons, UNSW) DipEc (Syd) PhD (Cantab) GradCertAppFin (Macq) MCILT GAICD (Deputy Chair)

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

Dr Mundy is Director of Bluestone Consulting, a specialist consulting firm providing advice to investors, providers, regulators and users of a wide range of infrastructure services. For a number of years he was the principal regulatory and economic adviser to the Australian Council for Infrastructure Development. He has held a number of executive appointments in the airports industry in Australia and Europe where he has had responsibility for corporate affairs and strategy, airport planning, aviation pricing and airline relationship management.

Dr Mundy has also worked for the consulting firm McKinsey and Company, the Reserve Bank of Australia, 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 member of the Chartered Institute of Logistics and Transport, the Australian Economic Society and the Australian Institute of Company Directors. He has been Director of Vicforests (the Victorian Government's native timber sales entity), the Airport Operators Association of the United Kingdom and James Watt College of Higher and Further Education in Scotland.



David BurdenBSc (Mathematics)
Bristol University

Mr Burden was appointed to the Board on 1 June 2009, and his current term expires on 31 May 2012. He is a member of the Board Safety and Environment Committee.

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

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

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

In 2002 he was appointed to the Board of Directors of Royal Mail Group Plc, the British postal service, as an Executive Director with responsibility for information technology, postal automation, engineering services and procurement. He retired from Royal Mail in 2007.



Liza Carver BEc, LLB, LLM (Syd)

Ms Carver was appointed to the Board on 1 June 2009, and her current term expires on 31 May 2012. She is a member of the Board Audit Committee.

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

Ms Carver was an Associate Commissioner with the Trade Practices Commission, a part-time Associate Commissioner with the ACCC and a part-time member of the Independent Pricing and Regulatory Tribunal (IPART) of New South Wales. She was also a Director of Rail Access Corporation and RailCorp. She was a part-time Commissioner with the Australian Energy Market Commission (AEMC) between 2005 and 2008.

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

APPENDICES



Robert Maher AM, BA (ANU)

Mr Maher was appointed to the Board on 8 August 2006 and his current term expires on 7 October 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 in Canberra. He served with the Australian Army in Singapore, Malaysia and Vietnam.

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

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



Henk Meertens AM, BArch

Mr Meertens was appointed to the Board on 28 January 2005 and his current term expires on 2 June 2010. He 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 3,000 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 Civil Aviation Safety Authority regulatory reviews.

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



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

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

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

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

AVM McLennan is Vice President - Defence Aerospace Australasia with Rolls Royce, National President of the Royal Australian Air Force Association and an Officer of the RAAF Active Reserve.



Alice Williams BComm, CFA, FAICD, FCPA, AIF

Ms Williams was appointed to the Board on 28 January 2005 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 corporate and government sectors and investment banking, specialising in strategy and policy development, corporate advisory and funds management, 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 Group Limited and Equity Trustees Limited. She was previously a Director of Telstra Sale Company Limited, State Trustees Limited, Western Health and V/Line Passenger Corporation and a Commissioner of the Victorian Competition and Consumer Commission.



Greg RussellBA (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 Director, Aviation, Sydney Airport Corporation. In these roles he was responsible for the successful management of airport operations for the 2000 and 2004 Summer Olympic Games. Before joining Sydney Airport he was General Manager of the regional operator Hazelton Airlines and has held a range of management positions in private companies involved in the mining, energy and food industries. Prior to that he worked for the Australian Government and a number of industry groups.

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

Previous members

Christine Goode PSM, BA Hons (Adelaide), (Deputy Chair)—from 28 January 2005 to 30 April 2009.

Corporate Secretary

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

Benefits and interests in contracts with Airservices Australia

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

Directors' and officers' indemnities and insurance

In 2008–09, 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.

Meetings of the Board, Board committees and Directors' attendance

		Board committe	es	
	Board	Safety and Environment	Audit	Remuneration
Number of meetings convened	11	6	4	2
Members	Number of mee	tings attended		
David Forsyth ^{a,b}	11	6	4	2
Christine Goode ^c	10	5	4	1
Warren Mundy ^d	11	5	2	
David Burden ^e				
Liza Carver ^e	1	1		
Robert Maher	10	4		
Roxley McLennan	11	6		
Henk Meertens ^f	11	6		
Alice Williams ^g	11	5	4	
Greg Russell ^h	11	6	4	2

Note: All meetings were held in Canberra.

- a Ex officio member of all Board committees. Chairman of Remuneration Committee
- b Appointed Chairman of the Board
- c Resigned at end of term on 30 April 2009 d Appointed Deputy Chair 1 June 2009

- e Appointed on 1 June 2009 f Chair of Safety and Environment Committee
- g Chair of Audit Committee
- h The CEO is not a member of the Audit Committee

Appendix 2: Statutory and administrative information

Occupational health and safety

Workplace health and safety – executive commitment

Airservices Australia's Executive confirmed its commitment to employees by endorsing the organisation's health and safety management arrangements and the Workplace Health and Safety Strategy 2009–12.

Legislative change to occupational health and safety

There were no changes to OHS legislation that affected Airservices during 2008–09. Airservices' program of work included a regular review of health and safety management arrangements under the Safety Arrangement Regulations amendments of 2006.

Consultation and health and safety committees

The National Health and Safety Committee reaffirmed its terms of reference, membership and process. The committee is chaired by the Safety and Environment business group. The committee's principal objectives are to:

- provide advice to Airservices management to identify, monitor and review policy, programs and prevention activities
- improve cooperation between managers and employees on workplace health and safety matters
- assist in the distribution of information to employees on workplace health and safety matters.

Local sub-committees reviewed their purpose, and one new committee was formed. One new designated work group (Karratha) was declared after the expansion of business activity at that location.

Workplace health and safety initiatives

Workplace health and safety strategy

After consultation with Airservices employee and representative groups, the Board Safety and Environment Committee endorsed a strategy to ensure that organisation meets its commitments to the national OHS strategy.

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

Other work will enable managers to deliver OHS education and leadership, enhanced assurance, and system sustainability. All business groups will contribute to these programs.

Improvements in risk controls

Under the Safety Management System, Airservices' continuing program of improvement included:

- a revised first aid procedure
- an amended consultative framework
- completion of the initial phase of risk profiling for identified key risks, including manual tasks, work at heights, confined space and electrical work
- integration of OHS requirements into risk assessment, procurement and project management processes
- commencement of risk reviews for asbestos and hazardous substances and for body stress
- renewal of health and safety representative and first aid networks and their training programs
- improvements in the allocation of specialist OHS resources to support risk assessment
- revision of OHS induction information for new staff.

Education and consultation

An education program, STEAM (Safety Training—Enhancing Awareness and Mitigation of OHS Risk), was conducted nationally for 176 staff members. STEAM provided Airservices technical staff and their managers with an understanding of risk concepts and processes to assess and manage risks to workplace health and safety, and how they are applied at Airservices. The program was well received and will be used as a model for future education.

Airservices health and safety representatives' training status was confirmed. Designated work group managers were appointed. A revised selection and training process was provided to new health and safety representatives and designated work group managers and supplemented by coaching from internal OHS specialist advisers.

An accredited OHS diploma program began. Attendees included senior managers and technical staff.

Occupational health and safety incidents

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

The one fatality was due to the mesothelioma illness of a longstanding employee. Airservices steady rate of dangerous occurrence reported incidents (compared to 2007–08) reflects an improved reporting culture for OHS coupled with a higher exposure to risk with capital project works.

National OHS Targets

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

TABLE 6 OHS incidents, 2006-07 to 2008-09

Incident category	2006-07	2007–08	2008-09
Workplace fatality	0	0	1
Serious personal injury	9	14	15
Incapacity with more than 1 week lost time ^a	21	9	10
Dangerous occurrence	18	34	33

a Based on data supplied by Comcare.

TABLE 7 Performance against National OHS Targets, 2008–09

Target	Performance
Target 1: Incidence of workplace injury and disease	Continues to be significantly (50%) better than the indicated national target.
Target 2: Work related fatality	A long-term staff member died as a result of mesothelioma, an illness associated with exposure to asbestos. Concurrently with notification of this illness, Airservices continues to review its management of exposure to asbestos as an identified risk.
Target 3: Weeks lost time	There was a significant (87%) increase in the number of weeks lost in comparison to the 2007–08 financial year. Activity to address this deficiency is a key part of our planned strategic targets.
Target 4: Average weeks to commence return to work activity	Airservices has not met this target and is working to address this deficiency through a change in philosophy to case management and a renewed focus on managers' capability to respond to injured employees (an early intervention approach).

Workers compensation premium

Airservices Australia's workers compensation premium for 2008–09 was 0.46 per cent of salary and wages (2007–08: 0.40 per cent). While the new rate is higher, it is still low compared to those of other scheme members. The 2008–09 average premium for Australian Government agencies was 1.36 per cent (2007–08: 1.55 per cent).

Comcare investigations

Comcare investigated one incident in 2008–09 (2007–08: one investigation) in response to a provisional improvement notice raised by a health and safety representative. No evidence of a breach was found, and Comcare's recommendations were accepted by Airservices.

Provisional improvement notices

Three provisional improvement notices were raised by health and safety representatives within the ARFF business group during 2008–09 (see Table 8).

Commonwealth Disability Strategy

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

TABLE 8 Provisional improvement notices, 2008–09

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

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

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

Equity and diversity

As a statutory authority, Airservices is required under the Equal Employment Opportunity (Commonwealth Authorities) Act 1987 to develop an equity and diversity program and provide annual progress reports on the employment of women, people

	PIN 1	PIN 2	PIN 3
Date	August 2008	September 2008	January 2009
Business group	ARFF	ARFF	ARFF
Location	Brisbane	Brisbane	Cairns
Raised by	Health and safety representative	Health and safety representative	Health and safety representative
Issue / subject	Breach of duty of care—possible exposure to radiation	Same as PIN 1 (with revised basis for alleged breach of duty of care)	Working at height
Outcome	Disputed by Airservices and cancelled by Comcare as no breach was identified.	Disputed by Airservices. Investigation conducted by Comcare. Airservices is working in consultation with the involved work group to address concerns and recommendations by Comcare.	Cancelled by representative following effective consultation and negotiation by Airservices management and OHS specialist.

with disabilities, Indigenous Australians and people from non-English speaking backgrounds.

The 2008–09 progress report will be submitted to the Minister for Infrastructure, Transport, Regional Development and Local Government in the first quarter of 2009–10.

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 2008–09, Airservices continued to focus on embedding new people systems and initiatives, and increasing the organisation's leadership capability in support of fair and equitable management. Particular areas of focus included the embedding of a new Career Development System to ensure that each employee is given the opportunity to discuss their career aspirations with their manager and to establish a career development plan.

A thorough review of the Equity and Diversity Contact Officer role was undertaken to ensure consistency with Airservices' new Fair Treatment Review System. Contact Officers were retrained as Fair Treatment Contact Officers and provided with an overview of current equity and diversity issues within the workplace.

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. These physical security measures and procedures affect all Airservices Australia operations and facilities. Enhanced CCTV. access control systems and a review of procedures were delivered during 2008–09. Identified security risks to non-operational facilities and functions are managed according to the *Protective Security Manual* issued by the Attorney-General's Department.

Fraud control

Airservices 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 www.privacy.gov.au.

During 2008–09, 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 address for lodging requests is:

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

Fax: (02) 6268 5148

Email: foi@airservicesaustralia.com

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 (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; IATA; 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 2008-09

Table 9 shows Airservices Australia's FOI activity for 2008–09.

Ombudsman activity in 2008-09

During 2008–09, Airservices Australia responded to three formal requests for information from the Office of the Commonwealth Ombudsman (2007–08: no requests).

TABLE 9 Freedom of information statistics, 2008–09

Activity in 2008-09	Numbers
Requests: On hand at 1 July 2008 New requests received Total requests handled Total requests completed at 30 June 2009 Outstanding at 30 June 2009	2 28 30 28 2
Action on requests:	15 7 3 1 2
Response times (excluding withdrawn): O=30 days 31–60 days 61–90 days 90+ days	20 5 1 0
Internal review: Requests received Decision affirmed Decision amended Request withdrawn	1 0 1 0
Review by Administrative Appeals Tribunal: Applications received	0

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,

APPENDICES

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: 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

Employees are generally defined benefit and/ or defined contribution members of the AvSuper fund. AvSuper's trustee, AvSuper Pty Ltd, holds a public offer Registrable Superannuation Entity (RSE) licence (L0000147). The AvSuper defined benefit scheme was closed to new members in 2002.

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

Except for members of the CSS, employees employed under the new collective agreements negotiated during 2008–09 will be able to select an eligible choice fund other than AvSuper to receive employer contributions.

Judicial decisions and reviews by outside bodies

No judicial decisions or decisions of administrative tribunals during 2008–09 had, or may have, a significant impact on the operations of Airservices Australia.

Environmental protection and ecologically sustainable development

In 2008–09, 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
- required navigation performance (RNP) procedures, as demonstrated in the Brisbane Green Stage 1 report
- Flextracks
- the Asia and South Pacific Initiative to Reduce Emissions (ASPIRE).

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

In internal operations, we protected the environment by:

- conducting training for Airservices staff on environmental issues, the environmental management system, risk management and staff accountabilities
- promoting environmental awareness and initiatives, including Earth Hour and World Environment
 Day, through internal communications
- continuing secondment of a staff member to CANSO as a full-time coordinator of the Environment Working Group, and contributing a technical specialist to the working group (the technical specialist had major input into the

APPENDICES

- ATM Global Environment Efficiency Goals for 2050 report published by CANSO in December 2008)
- nominating the transmitter station at Llandilo / Shane's Park in western Sydney for the Commonwealth Heritage List
- launching the WebTrak service, which provides public access to information about aircraft noise and operations around eight of Australia's busiest airports
- commencing a five-year, \$20 million hardware and software upgrade of the noise and flight path monitoring system, which is the world's largest integrated system of its type
- completing heritage assessments of 29 air traffic control towers, including some decommissioned sites, seven of which have been identified as potentially having Commonwealth heritage values and are being considered for nomination for the Commonwealth Heritage List
- undertaking assessments in accordance with Environment Protection and Biodiversity Conservation Act 1999 requirements in support of new and changing internal business processes for projects, property and operational procedures
- ensuring that the impacts of Airservices' executive fleet and ARFF vehicle operations are offset by membership of Greenfleet (trees are planted as carbon offsets)
- developing mitigation strategies, after very detailed analysis and modelling of the environmental impact of the available options, for the closure of the 07/25 runway at Sydney Airport due to the runway end safety area works
- continuing to examine ways to reduce Airservices' environmental footprint and that of the aviation industry
- maintaining ISO 14001 (the international standard for environmental management systems) certification for operations at Coolangatta Airport and Gellibrand Hill radar site

- upgrading environmental legal and other requirements register
- developing and implementing an Environment Management Plan to address legacy contamination at ARFF training grounds
- supporting the preservation of Australia's aviation history through the Civil Aviation Museum
- implementing a system to monitor the organisation's greenhouse gas emissions and energy consumption and production on an ongoing basis, in order to enable reporting in accordance with National Greenhouse and Energy Reporting Act requirements for the 2010–11 financial year.

In accordance with the requirements of the Environment Management System and the Environment Protection and Biodiversity
Conservation Act, two referrals for assessment of environmental impact were made to the Minister for the Environment. These related to the heritage values of Rockhampton air traffic control tower and the proposed demolition of the current facility, and to the disposal of land at Sunshine Coast Airport, where protected floral species are present.

The Minister determined that the Rockhampton tower did not have Commonwealth heritage values, which enables Airservices to build a new tower on the site. The referral for Sunshine Coast land disposal was deferred, as it was overtaken by the airport's master plan.

Appendix 3: Statement of Expectations



The Hon Anthony Albanese MP Minister for Infrastructure, Transport, Regional Development and Local Government Leader of the House

CHAIRMAN 2 8 OCT 2008 RECEIVED

Reference: 08350-2008

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

Dear Mr Forsyth David,

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

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

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

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

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

Yours sincerely

ANTHONY ALBANESE

Enc

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

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

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

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

As the Board of Airservices, I expect that you:

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

My expectations are that Airservices will:

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

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

Appendix 4: Statement of Intent



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

Chairman

Dear Minister

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

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

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

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

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

Yours sincerely

David Forsyth

28 November 2008

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

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www.airservicesaustralia.com





AIRSERVICES AUSTRALIA STATEMENT OF INTENT

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

Statement of Expectations	Airservices Australia Key Actions	Key Result Areas		
 Perform functions in a manner that supports Government policy with particular focus on aviation safety. 	 Airservices will develop a Corporate Plan each year with initiatives to address its functions, and relevant Government Policies. 	Ministerial approval of Corporate Plan. Regular quarterly reports against the Corporate Plan including performance against KPIs, and progress on initiatives and programs for improving safety.		
 Provide input for the development of the National Aviation Policy Statement in conjunction with the Department, Civil Aviation Safety Authority, the Australian Transport safety Bureau, the Department of Defence, the Department of Finance and Deregulation, and other relevant Government agencies. 	Work cooperatively with the Department and Government agencies in the development of the National Aviation Policy Statement.	Submission to the Aviation Policy Green Paper. Submission to the Aviation Policy White Paper.		
Support the Government's environmental initiatives in relation to climate change and aircraft noise management. This includes the maintenance and appropriate resourcing of the Noise Enquiry Unit.	Implement the E-Change Program to minimise Airservices' environmental footprint. Continue to develop Air Traffic Management and ARFF initiatives to improve the environmental performance of operations.	Over the next 12 months implement a monitoring system to capture Airservices' resource usage data. Progress on the development and implementation of Air traffic management initiatives. Over the next 12 months enhance the toc and systems used by Noise Enquiry Unit enable improved noise and complaints handling.		
4. Maintain and improve the organisation's financial platform to support investment in current and future infrastructure, by developing a detailed capital expenditure program consistent with the Government's infrastructure policy.	Develop a corporate financial plan, as part of the Airservices' Corporate Plan, to achieve a return on assets that supports investment in technology and infrastructure to maintain and improve the safety and efficiency of the organisation's services. This plan will include a detailed capital expenditure program.	The achievement of a reasonable return assets as set out in the Corporate Plan approved by the Minister. Delivery of the capital expenditure progra as set out in the approved Corporate Plan		
 Modernise radar and other air traffic navigation and surveillance systems to ensure air traffic management services are provided with maximum safety and efficiency. 	Undertake relevant capital expenditure (Capex) projects set out in the Corporate Plan approved by the Minister. Continue rollout of Radar replacement programs, Automatic Dependent Surveillance Broadcast (ADS-B) program and Wide Area Multilateration (WAM) surveillance infrastructure.	28 ADS-B ground stations operational by end 2009. Conduct WAM operational trials in Tasmania and Sydney in 2008 and 2009 Commence location specific ADS-B Trial WA. Completion of Australian Mode S Termina Area Radar Project by 2011. Replacement of Navigation Aids Backup Network – completion of current phase by 2013.		

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Develop through consultation with key stakeholders a new long term pricing agreement for the period 2010 to 2015 that addresses Government policy and organisational needs.	New Long Term Pricing Agreement (LTPA) to be developed in conjunction with industry stakeholders that support Airservices Corporate Plan.	Stakeholder consultation conducted in 2008 and 2009. New LTPA implemented by 31December 2009.
7. Develop a detailed workforce capability plan to address the immediate and future operational needs of Airservices. This plan must be developed consistent with the Government's training and industrial relations policies, in particular the Australian Government Employment Bargaining Framework.	Develop Airservices' Workforce Plan 2008-2013.	Implement Collective Agreements that are consistent with the Australian Government Enterprise Bargaining Framework. Implement Airservices' training and development programs as set out in Airservices Corporate Plan with specific emphasis on addressing current staffing requirements as identified in the Workforce Plan. Establish the Wagga Wagga Campus of the Airservices Learning Academy to train facilities maintenance staff. Successfully establish the ARFF Training
8. Continue to support the	Seek to foster increased safety,	facility at Fiskville. • Ongoing support for the implementation of
Government's aviation safety agenda in the Asia/Pacific region.	harmonisation and integration of air traffic management, in the Asia/Pacific region, and in particular, in Australia's adjoining airspace.	the Neighbourhood Program including the Indonesian Transport Safety Assistance Package (ITSAP) and work with aviation authorities in Papua New Guinea.
Adhere to values and a code of conduct that maintains high	Act responsively to Government and the Parliament.	Maintain Board endorsed Code of Conduct and the Airservices' Ethics Hotline.
standards of professionalism, customer service, probity, reporting, accountability and transparency, consistent with the Government's aim of excellence	 Manage Airservices' affairs with diligence and in compliance with all relevant legislative requirements and applicable Government policies. 	Maintain a high quality internal Audit Program, with Board Audit Committee oversight, to enhance the professionalism and accountability of management.
in the public sector.		Develop the Airservices management team through appropriate training and on job experience.
 Actively engage and consult with government, commercial, industrial, consumer and other 	Develop and maintain effective relationships with key stakeholders in Government and industry.	Maintain a high level of stakeholder satisfaction as determined by annual stakeholder survey.
relevant bodies in a timely manner.	Finalise Stakeholder Engagement Plans for all major groups.	Engage through regular industry forums including Waypoint conferences in 2009 and 2010.
		Participate in relevant community and industry for me.

Appendix 5: Staffing statistics

TABLE 10 Number of permanent ongoing staff, by classification and state, at 30 June 2009

	State or territory								
Job type	ACT	NSW	NT	Qld	SA	Tas.	Vic.	WA	Total
Air Traffic Controller	12	133	4	380	54	11	306	56	956
Air Traffic Control Trainee	0	4	1	11	0	0	48	0	64
Air Traffic Services Support Specialist	17	3	0	22	0	0	32	0	74
Clerical/Administration	235	17	1	54	2	0	56	4	369
Executive Manager	9	0	0	0	0	0	0	0	9
Fire Fighter	17	71	49	170	27	32	77	68	511
Fire Officer	8	14	17	58	9	10	20	18	154
Flight Data Co-ordinator	0	0	0	12	0	0	12	0	24
Flight Information Service Officer	0	0	0	75	0	0	0	0	75
Manager	7	0	0	1	0	0	1	0	9
Professional	11	19	0	13	0	0	9	1	53
Senior Manager	125	6	0	53	1	0	29	3	217
Senior Technical Officer	0	0	0	2	0	0	5	0	7
Simulator Support Officer	0	6	0	33	0	0	61	2	102
Team Leader	10	4	2	17	2	1	10	2	48
Technical Officer	12	43	11	124	20	6	87	23	326
Technology Professional	80	6	0	46	2	0	50	1	185
Trades	3	12	2	15	6	0	10	6	54
Total	546	338	87	1,086	123	60	813	184	3,237

Glossary

ADS-B Automatic Dependent Surveillance—Broadcast

Air Services Act Air Services Act 1995

ARFF aviation rescue and fire fighting

ATC air traffic control

ATM air traffic management

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

DAMP Drug and Alcohol Management Plan

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

GRAS Ground-based Regional Augmentation System

ICAO International Civil Aviation Organization

ISO International Organization for Standardization

KPI key performance indicator

OHS occupational health and safety

RNP required navigation performance

STEAM Safety Training—Enhancing Awareness and Mitigation of OHS Risk

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