



REGULATORY REPORT

SYDNEY AIRPORT 2001/02

January 2003

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Reporting summary

This section provides a brief summary of the information provided in the regulatory reports for the Phase I Airports (Melbourne, Brisbane, and Perth) and Sydney Airport.

Quality of service

Quality of service results for the Phase I airports and Sydney Airport are generally satisfactory.

Brisbane Airport has again received high survey ratings, with results for 2001/02 suggesting that both airlines and passengers were satisfied with the availability and standard of facilities and services provided at the airport. Over the five year period of monitoring, airline surveys and Brisbane Airport's own passenger surveys have reported high levels of satisfaction with the availability and standard of the airport's facilities and services.

Surveys carried out by Melbourne Airport in 2001/02 also suggest that passengers had a high degree of satisfaction with the availability and standard of the services and facilities provided by the airport. These results are similar to the results received over the full period of monitoring. Additionally, over the five years of monitoring, airline survey ratings have generally been maintained, although there was a decline in airline perceptions in both 1999/00 and 2001/02 compared to previous years.

Passengers surveyed by Perth Airport indicate a high degree of satisfaction with the quality of services provided, results that have been maintained over the period of monitoring. However, airline survey ratings suggest that in 2001/02, airlines were noticeably less satisfied with the availability and standard of services and facilities than has been the case over the first four years of monitoring.

Overall, the results for 2001/02 at Sydney Airport suggest that both airlines and passengers were satisfied with the availability and standard of the airport's facilities. Over the period of monitoring, the overall ratings given by passengers surveyed by Sydney Airport have been consistently high, and some improvements in the ratings given by airlines have been noticed.

Airport operators have responded to airline comments concerning service quality and these have been incorporated within the regulatory reports.

Operating & financial performance

All the Phase I airports and Sydney Airport continued to have positive earnings before interest and tax (EBIT) in 2001/02 but, with the exception of Sydney Airport, made losses after the deduction of interest and tax and amortisation of lease premiums.

Table 1 summarises the operating financial results for the Phase I airports and for Sydney Airport in 2001/02.

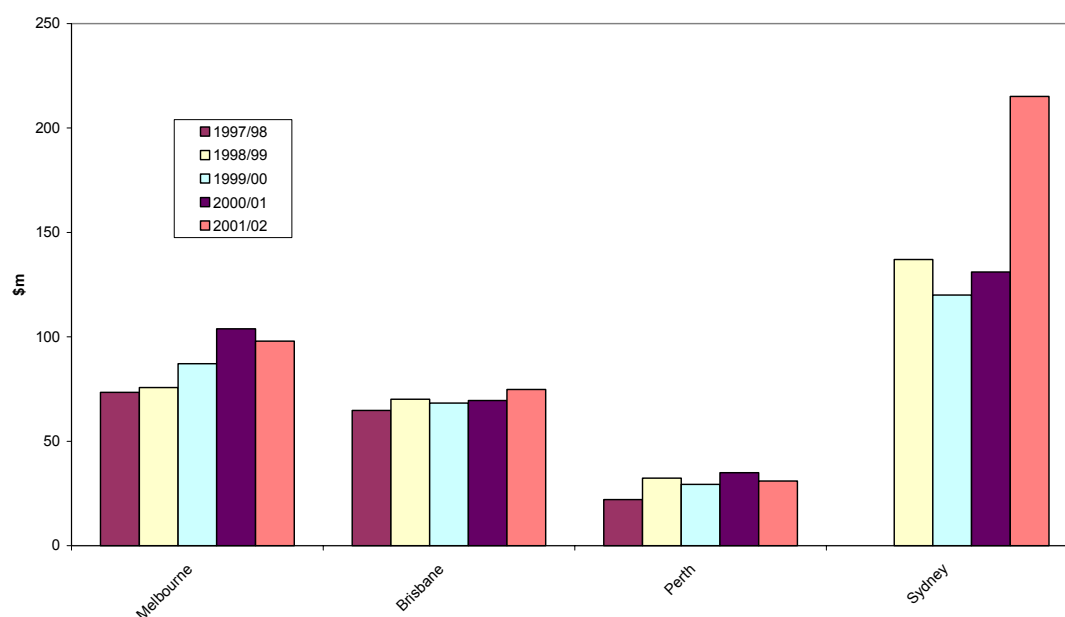
Table A: Summary of selected financial results of the Phase I airports and Sydney Airport 2001/02.

Airport	EBIT \$million	Interest \$million	Amortisation \$million	Profit/(Loss) after interest and tax \$million
Brisbane	74.8	81.4	6.8	(7.1)
Melbourne	97.9	94.7	6.2	(1.8)
Perth	30.9	39.1	7.5	(8.2)
Sydney	215.1	74.8	0	87.1

In 2001/02 Perth Airport's and Melbourne Airport's EBIT declined by 11.5% and 5.7%, respectively. In 2001/02 Brisbane Airport's and Sydney Airport's EBIT increased by 7.6% and 64.2%, respectively.

Chart A below summarises the earnings before interest and tax of the Phase I airports and Sydney Airport over the entire reporting period 1997/98-2001/02.

Chart A: Earnings Before Interest and Tax 1997/98-2001/02



Price cap compliance

This is the final year in which the Commission will assess price cap compliance under the *Prices Surveillance Act 1983*. Following a review of airport regulation, in May 2002 the Federal Government accepted the Productivity Commission's recommendation to revoke prices surveillance and introduce formal prices monitoring. This new regulatory regime commenced on 1 July 2002.

The Commission conducted the final price cap reconciliations for Phase I airports as at the end of 2001/02. Sydney Airport is not subject to a price cap. Table 2 summarises the price cap reconciliations for Brisbane, Melbourne and Perth Airports for 2001/02 and sets out the net over/under recovery at the end of the price cap regime. The required reduction is the percentage reduction in prices required in 2001/02 to meet the required reduction for the year and prevent any addition or subtraction to the cumulative over/under recovery.

Table B: Price Cap Compliance - Phase I Airports

Airport	CPI-X 01/02 (%)	Past Over /(Under) Recovery (%)	Required reduction in 01/02 (%)	Actual reduction in 01/02 (%)	Over/(under) recovery in 01/02 (%)	Over/(under) recovery Five years to 01/02 (\$'000)
Brisbane Airport	-1.70%	3.31%	-5.01%	-4.56%	0.45%	2,444
Melbourne Airport	-1.20%	0.23%	-1.43%	-1.87%	-0.44%	(200)
Perth Airport	-2.70%	1.76%	-4.46%	-6.85%	-2.39%	503 ¹

2001/02

In 2001/02 Brisbane, Melbourne and Perth Airports reduced their charges on a revenue weighted basis by 4.6%, 1.9%, and 6.9%, respectively. In 2001/02 Brisbane Airport over recovered by 0.45% and was the only airport to over recover. In 2001/02 Melbourne Airport and Perth Airport under recovered by 0.4% and 2.4% respectively.

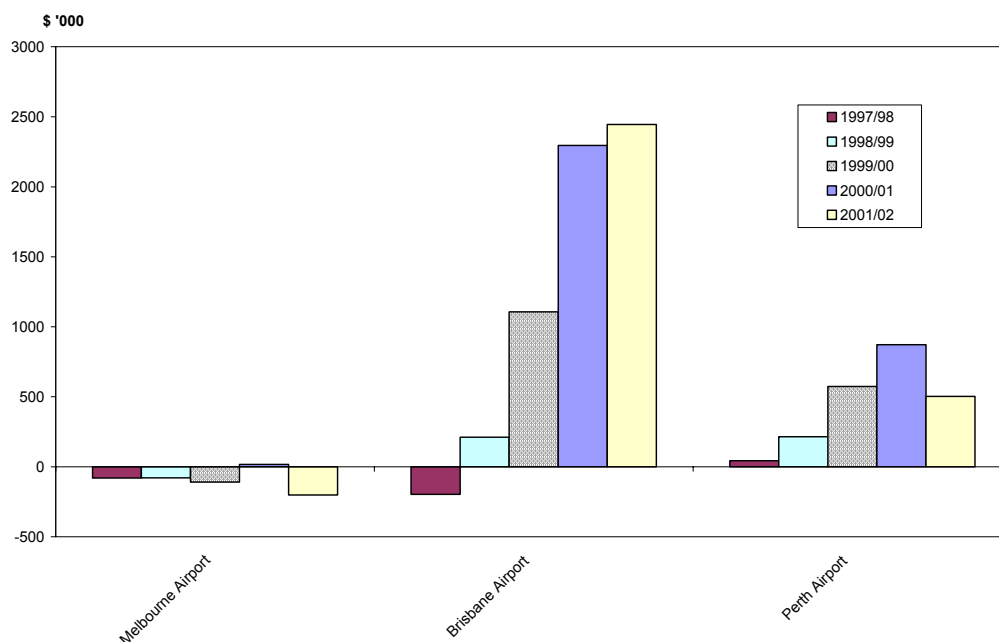
1997/98-2001/02

Brisbane Airport over recovered revenue in each of the past three financial years and had a significant over recovery in dollar terms as at the end of the five year price cap period in June 2002. Although Perth Airport complied with the CPI-X price cap in 2001/02 it had a net over recovery in revenue at the end of the regulatory period, because the under-recovery this period was not large enough to fully eliminate the previously accumulated over-recovery. Melbourne Airport was the only Phase I airport to have a net under recovery in revenue at the end of the regulatory period.

Chart B below summarises the cumulative over/under recovery of revenue for the period (1997/98-2001/02).

¹ Perth Airport's under-recovery in 2001/02 reduced the previously accumulated over-recovery.

**Chart B: Price cap compliance - cumulative revenue over/under recovery
1997/98-2001/02**



Aeronautical-related services

Aeronautical-related services are the subject of formal price monitoring pursuant to section 27A of the PS Act. The monitoring covers the costs, revenues and prices of these services. The rationale for monitoring is that airport operators may exert significant market power in relation to the monitored services at individual airports.

Aeronautical-related services include aircraft refuelling, aircraft maintenance sites and buildings, freight facilities, and car parking.

In exercising its role, the Commission may investigate particular pricing issues where users have raised concerns and it appears that the airport operator may have taken advantage of its market power. To date this has included the imposition of fuel throughput levies at Brisbane and Perth airports.

The Phase I airports and Sydney Airport provided data to the Commission for the year ending 30 June 2002. This includes revenues and costs for services related to:

- aircraft refuelling;
- aircraft maintenance sites and buildings;
- freight equipment storage sites;
- freight facility sites and buildings;
- ground support equipment sites;
- check-in counters and related facilities; and
- public and staff car parks.

Charts C and D show the total revenue and total costs of aeronautical-related services over the monitoring period. For all airports, revenue from these services exceeded costs over the monitoring period. It is important to note, however, that the costs do not include amortisation of intangible assets or interest, which were particularly significant at Melbourne, Brisbane and Perth Airports.

Chart C: Total costs of aeronautical-related services 1997/98-2001/02

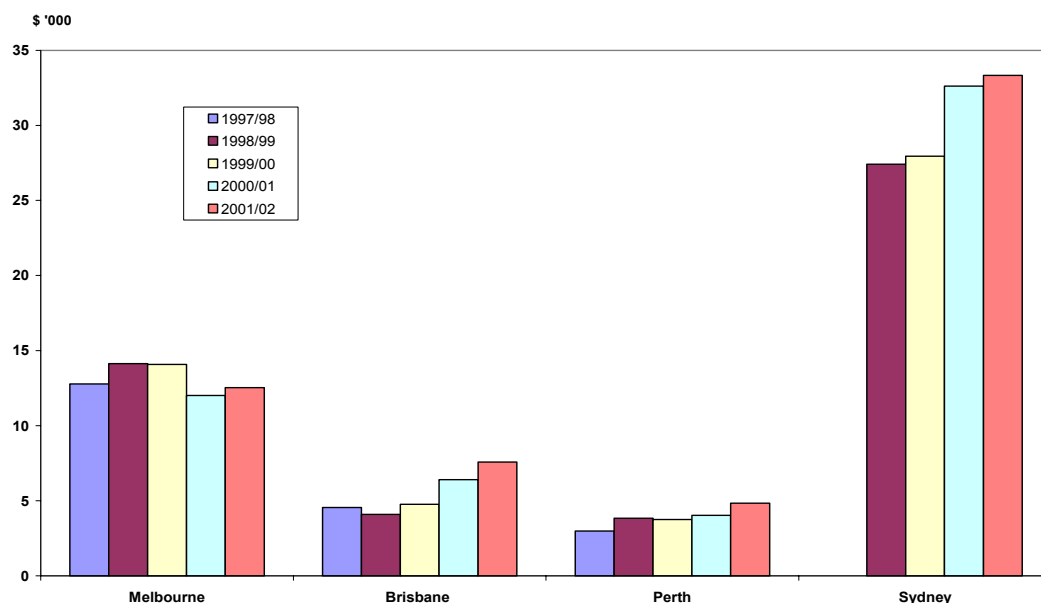
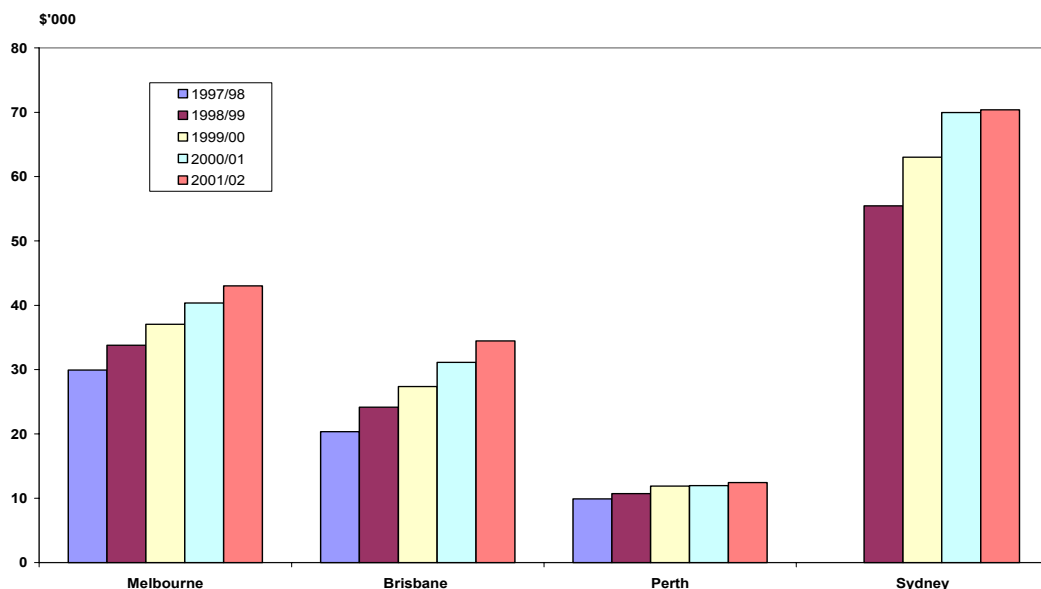


Chart D: Total revenue from aeronautical-related services 1997/98-2001/02



Monitoring of aero-related services also includes monitoring of car parking rates. Short-term parking prices have increased steadily for the period 1997/98-2001/02 at Brisbane Airport and Melbourne Airport. At Sydney Airport, car parking rates increased in 2000/01 and have remained reasonably constant since that time, while at Perth Airport short-term prices have been fairly steady, although longer term rates decreased slightly in 2001/02 after being increased in 1999/2000.

1 Introduction

Until 1 July 2002, the Australian Competition and Consumer Commission (the Commission) has had the primary responsibility for implementing and administering the economic regulatory measures applying to ‘core regulated’ airports. ‘Core regulated’ airports include the Phase I airports sold in May 1996, the Phase II airports sold in May/June 1997, and Sydney (Kingsford-Smith) Airport.

The regulatory regime for ‘core regulated’ airports has comprised measures under the *Trade Practices Act 1974* (TPA), the *Prices Surveillance Act 1983* (PS Act) and the *Airports Act 1996* (Airports Act). It includes access arrangements, a price cap on aeronautical services for the privatised Phase I and II airports, and prices surveillance for Sydney Airport. The framework also includes a range of measures designed to complement the price cap and increase transparency of certain aspects of the airport business.

In order to meet the transparency requirements under the regulatory framework, the Commission has reported annually on airport accounts, quality of service, prices monitoring, and price cap compliance for the ‘core regulated’ airports.

Following a review of airport regulation, in May 2002 the Federal Government accepted the Productivity Commission’s recommendation to revoke prices surveillance and introduce formal prices monitoring. This new regulatory regime commenced on 1 July 2002.

From 2002/03 on, the Commission will be required to formally monitor prices, costs and profits at Adelaide, Brisbane, Canberra, Darwin, Melbourne, Perth and Sydney airports. Alice Springs, Coolangatta, Hobart, Launceston and Townsville airports, which were previously subject to price caps, will no longer be included in the formal prices oversight arrangements.

However, at the time of writing, the provisions of Parts 7 and 8 of the *Airports Act* continue to apply to all “core regulated” airports, including Alice Springs, Coolangatta, Hobart, Launceston and Townsville.²

The report

This report first addresses quality of service monitoring at Sydney Airport and provides a summary of results for the 2001/02 year and a review of results since monitoring commenced in 1998/99. The second section provides information on Sydney Airport’s financial accounts, and the third section addresses the formal price monitoring requirements under section 27A of the *Prices Surveillance Act 1983* (PS Act).

² In November 2002, the Commonwealth Government announced a review of the *Airports Act 1996*, including Parts 7 & 8.

Sydney Airport

In June 2002, the government announced that Sydney Airport (SACL) would be sold for \$5.6 billion to the Southern Cross Airports Corporation. The major shareholders include Macquarie Airports, HOCHTIEF AirPort, and Ferrovial Aeropuertos.

2 Quality of service monitoring

This section deals with quality of service monitoring. It begins by providing an overview of the Commission's role in quality of service monitoring at Sydney Airport. Following this is a summary of the 2001/02 quality monitoring results for Sydney Airport and a review of results over the period of monitoring since 1998/99.

2.1 The Commission's role and approach to quality of service monitoring.

The Commission conducts quality of service monitoring pursuant to Part 8 of the Airports Act. The Airports Regulations require airport operators to provide information to the Commission on a range of indicators covering aspects of service quality performance (see Appendix 1).

Quality of service monitoring is aimed at:

- providing transparency about airport performance;
- discouraging airport operators from providing unsatisfactory standards for services which are associated with market power; and
- assisting interested parties assess an airport operator's conduct (as part of the review of price regulation of airports).

The Commission's approach

In reporting on the quality of service at Sydney Airport, the Commission has focused on the standard and availability of facilities and services provided by, or which could be influenced by the airport operator. These facilities and services included: airside facilities such as runways, taxiways and aprons; terminal facilities, such as departure lounges and baggage claim in the international terminal and the new common user Domestic Express Terminal; car parking; and taxi and bus pick up and drop off points. It should be noted that domestic terminals owned and/or operated by airlines were not included as part of the quality monitoring report.

In constructing this quality monitoring report the Commission sought information from a number of different sources, including:

- passengers of the airport, through passenger perception surveys conducted by the airport operators;
- airlines, through surveys of airlines conducted by the Commission;
- airport operators, as required under the regulations; and
- Australian Customs Service (ACS) and Airservices Australia.

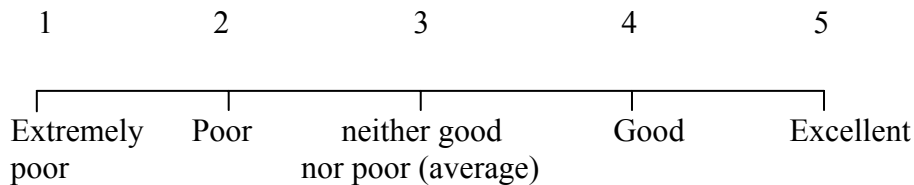
Passenger perception surveys

Passenger perception surveys were used as a source of information in assessing the quality of various services and facilities at Sydney Airport. SACL, in conjunction with a market research firm (Marketshare Pty Ltd), designed the passenger perception survey and administered it between 14 to 30 June 2002 inclusive. The interviews took place between 6.00am and 10.00pm each day at Sydney Airport's international and domestic terminals.

The areas covered by the passenger perception survey include passenger check-in, security clearance, government inspection, lounges, washrooms, baggage collection, signage, car parking, and vehicle access for passenger pick-up and drop-off.

Respondents were asked to rate quality aspects such as reasonableness of waiting times; clarity of information provided, such as airport signage; space provided for kerbside access; the comfort of gate lounges; and the cleanliness of washrooms.

Passengers were asked to rate their level of satisfaction on a five-point scale:



An overview of the results of the survey are given in section 2.2 below.

Airline surveys

In order to gain information on the quality of airside and terminal facilities, the Commission conducted a survey of the airlines that used Sydney Airport. A total of 16 surveys were received from the following airlines: Qantas, Air Vanuatu, Polynesian Airlines, China Eastern, China Southern, Cathay Pacific, Air Calin, Air Canada, United Airlines, Malaysian Airlines, Singapore Airlines, Asiana Airlines, Fed-Ex, Lauda Air, Olympic Airways and Air New Zealand. The responses relate only to the international airside and terminal facilities.

As part of the survey, airlines were requested to rate the availability and standard of particular facilities and services on a five-point scale ranging from 'very poor' to 'excellent'. For the purpose of averaging, the airlines' ratings were converted to a 5-point score as follows:

Very poor	Poor	Satisfactory	Good	Excellent.
1	2	3	4	5

Under the availability category, the Commission sought information from airlines regarding the availability of infrastructure and equipment and the occurrence of delays in gaining access to it. Under the standard category, the Commission sought information on the ability of equipment to perform the function intended, and the reliability of the equipment. See Appendix 2 for results of the airline survey.

Airport Operators

SACL was required to provide the Commission with information on the 'static indicators' at the airport for the 2001/02 period. These indicators include the number of passengers, the number of aerobridges, and the size of aprons. Details of the static indicators for Sydney Airport are provided in Appendix 3.

Australian Customs Service and Airservices Australia

The Commission conducted a survey of ACS to assess certain quality aspects of Sydney Airport. ACS was asked to rate the quality of immigration facilities, baggage processing facilities, and SACL's consultation procedures. Results from this survey are incorporated in the 'quality of service results' section below.

Airservices Australia provided the Commission with data on runway movements, capacity utilisation and aircraft delays for morning and evening peak periods.

Issues

In assessing the quality of service at Sydney Airport, the Commission notes that there are a variety of factors outside the immediate control of SACL which may influence the quality of service results.

For example, staffing of check-in desks by airlines, and similarly staffing of immigration services by Customs, may affect the quality results obtained for related services.

Secondly, airlines, Airservices Australia and other service providers might contribute to quality outcomes at Sydney Airport.

It should be noted when viewing results that it takes time to implement changes and to make improvements in quality monitoring areas. For example, there may be a lag between an increase in passenger and flight numbers and an increase in the capacity of terminal infrastructure. Given that investment in terminal infrastructure is 'lumpy', there may be increased crowding in the lead up to new investment which could reflect adversely in the results of some quality of service indicators. The Commission also recognises that there is a cost/quality trade-off and that improvements in quality may not be made where the costs do not justify the expected benefits.

2.2 Quality of service results, 2001/02 and review, 1998/99-2001/02

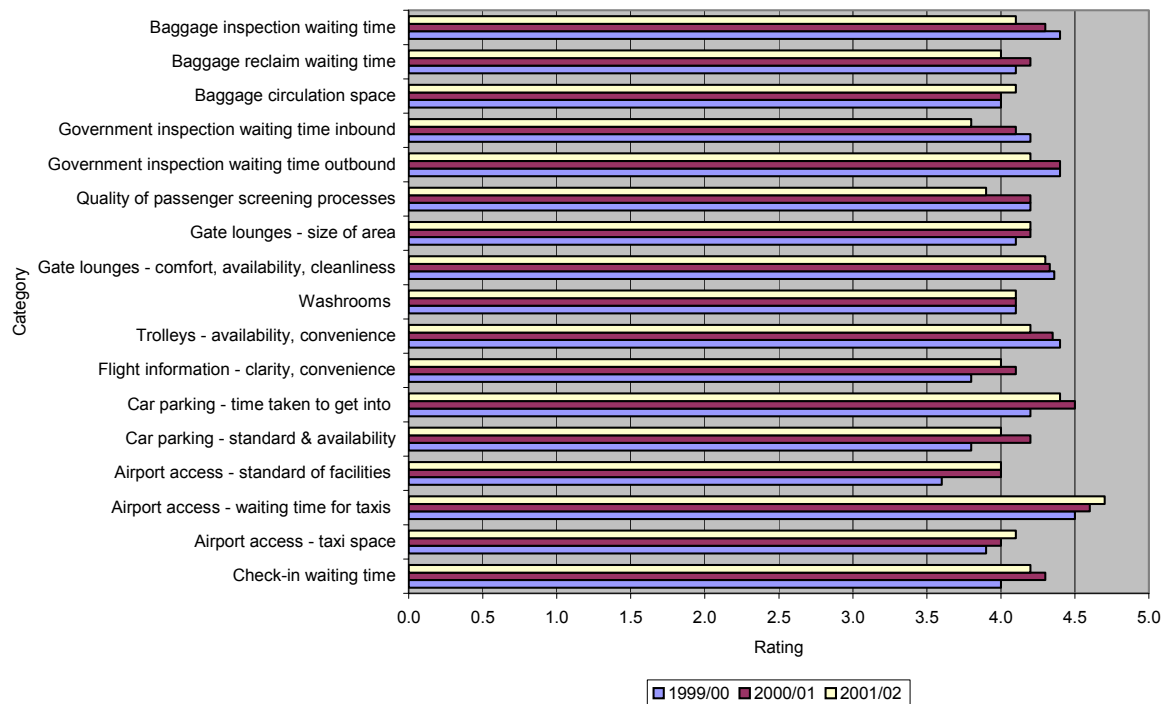
The assessment of overall quality of service at Sydney Airport is made having regard to the passenger perception survey, the airline survey, a survey of ACS and the additional comments and data provided by SACL and Airservices Australia.

Overall survey results for 2001/02 suggest that airport users and passengers were generally satisfied with the availability and standard of facilities and services provided at Sydney Airport, but the ratings by passengers were higher than those of airlines.

The Passenger Perception Survey shows that most services achieved an average rating of 4 or above out of 5 - within the range 'good' to 'excellent', although there was a

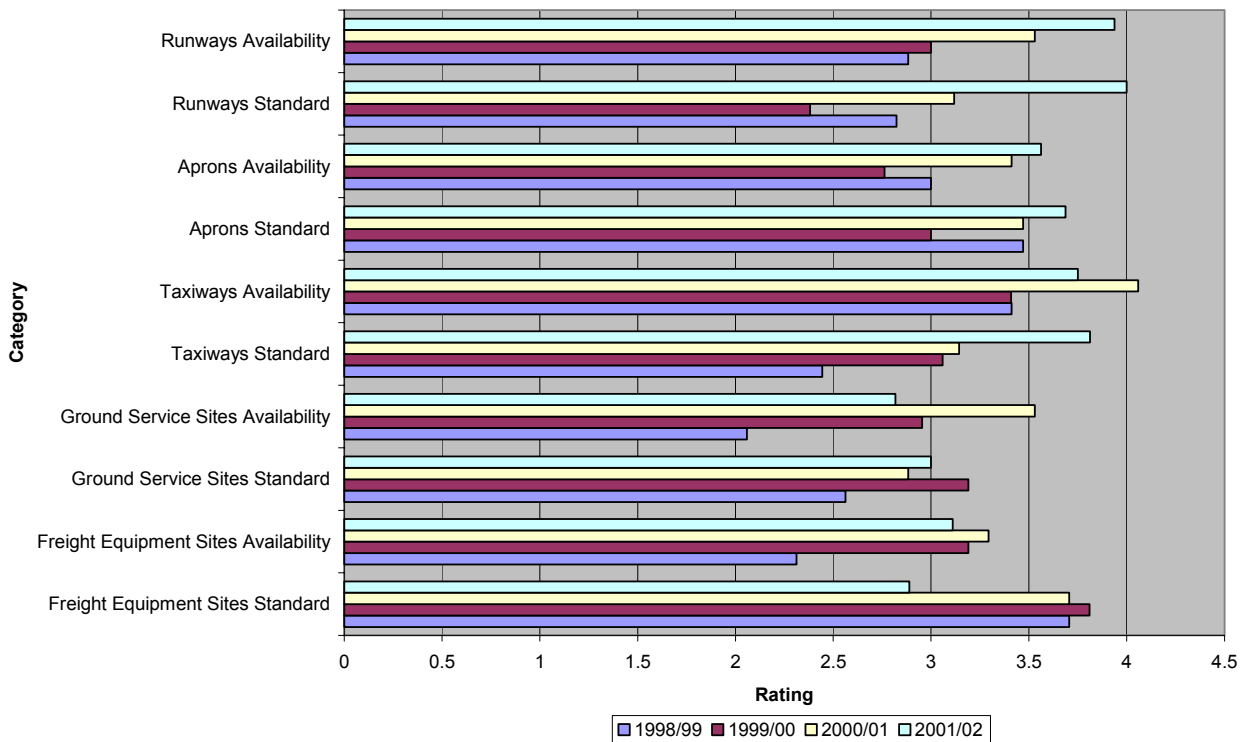
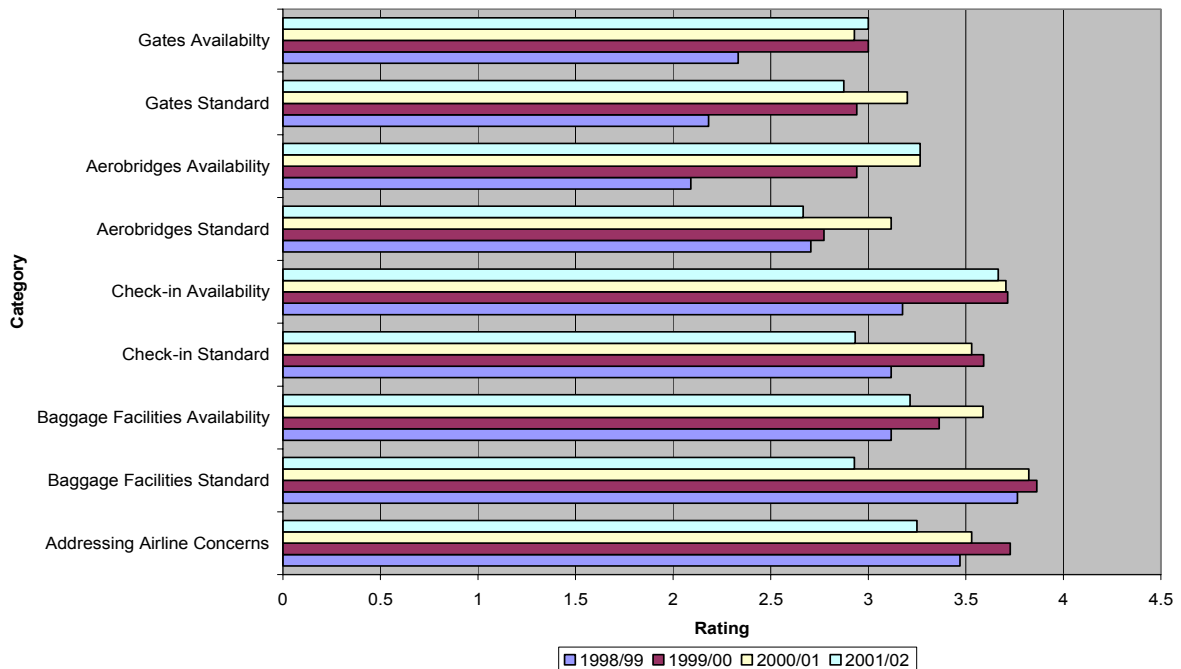
slight decrease in the average from the previous year. Chart 1 below compares the results for 2001/02 with 2000/01 and 1999/00 at the International Terminal only.

Chart 1: Comparison of Passenger Surveys, 1999/00 - 2001/02



The airline survey results showed an average rating of 3.3 - between 'satisfactory' and 'good' - for the availability and standard of facilities, with a slight decline in some ratings when compared to last year. The ratings were higher in the areas of runways, aprons and taxiways than for ground service and freight equipment sites availability. However, over the 4-year period of monitoring since 1998-99, an improvement has been noticed. A summary of results is presented in Charts 2a and 2b.

More details of the results of the 2001/02 airline survey are given in Appendix 2.

Chart 2a: Results of Airline Surveys, Airside Facilities - 1998/99-2001/02**Chart 2b: Results of Airline Surveys, Terminal Facilities - 1998/99-2001/02**

A discussion of the results for each indicator is given in the sections below.

Runways, aprons and taxiways

The quality of runways, aprons and taxiways at Sydney Airport was assessed using the results obtained from airline surveys and data provided by Airservices Australia.

2001/02

Airlines survey respondents generally rated the availability of runways as 'good'. Overall, the ratings are higher when compared to the previous year, consistent with a 19% decrease in the reported number of aircraft movements. A number of airlines commented about the availability of runways when winds are unfavourable. Another airline complained that since the fall of Ansett, there has not been any obvious improvement in runway assignment.

In 2000/01 Airservices Australia started to report on runway movements for the 0700-1900 and 1700-1900 periods, capacity utilisation and delays at Sydney Airport.

In 2000/01 the average per month number of movements between 0700-1000 hrs at Sydney Airport was 5,605 and in 2001/02 it had decreased to 4,515 movements. In 2000/01 the average per month number of movements between 1700-1900 hours was 3,612 movements and in 2001/02 it had decreased to 2,722 movements.

In 2001/02 Airservices Australia reported that on average for each month around 80% of slots assigned were actually used between 0700-0900. In 2001/02 Airservices reported that on average for each month 75% of slots assigned were actually used between 1700-1900. This indicates that runways continued to be operated within capacity.

Airservices Australia provided data on delays for arriving domestic aircraft between 0700 and 1000 for each day of the week. For weekdays, depending on the day of the week, between 10.8% and 14.7% of flights were more than 15 minutes late. On Saturdays, the rate was 10.2% and Sundays 6.5%. Comparable data for the previous year are only available for the months March to June inclusive. For this period, the percentage of domestic flights more than 15 minutes late on weekdays fell from over 12.6% to 9.8%, but for Sundays increased from 3.3% to 7.5%. The percentage for Saturdays remained constant at 8.7%.

The standard of runways was rated in airline surveys as 'good'. This result is slightly higher than the previous year's.

Airlines surveyed rated the availability and standard of aprons as 'satisfactory' to 'good'. One airline commented that the aprons were well maintained and cleaned regularly.

Airlines generally rated the availability of taxiways as 'good', similar to last year's results.

Airline surveys also rated the standard of taxiways as 'good', a slight increase on last year's results. However, one airline did comment that taxiways are not suitable for A340-600 aircraft and that this might cause some airlines difficulty.

Sydney Airport notes that it is currently developing procedures to facilitate the introduction of the A340-600 aircraft. Sydney Airport also notes in comments provided to the Commission that currently the A340-600 aircraft is not operated by

any airline out of Sydney Airport. Operating procedures are also being developed for the A340-500 aircraft.

1998/99-2001/02

Over the period of monitoring, the availability of runways has been rated as 'satisfactory' to 'good' by airlines. Airlines commented in 1998/99 that when it rains, arriving aircraft are delayed by 10 to 15 minutes and that it would be advantageous if availability could be increased during peak periods. The standard of runways has also been rated as 'satisfactory' to 'good'.

Aprons have generally been rated as 'satisfactory' to 'good'. Redevelopment works lead to some negative airline comment in 1998/99, and in 1999/2000 some comments referred to the narrowness of bays and stated that VDGs are difficult to see and likely to malfunction.

Taxiways have been rated as 'satisfactory' to 'good' over the four years of monitoring. While it was noted that redevelopment caused some congestion in 1998/99, no criticisms were made in the following years.

Overall, ratings of the availability and standard of these facilities appear to have improved over the period of monitoring.

Gates

The quality of gates at Sydney Airport was assessed using results obtained from the airline surveys and information provided by SACL.

2001/02

Sydney Airport had 40 aircraft bays servicing international aircraft at 30 June 2002. This is an identical amount to last year. These comprised 27 with aerobridges. Airlines surveyed generally rated the availability of gates as 'satisfactory', which is very similar to last year's results.

A number of airlines commented on the apparent lack of gates available for B737s at Sydney Airport. One of these airlines mentioned that it had raised the issue with SACL on a number of occasions, but to no avail. Another airline commented that it understood that A340-600 aircraft are too long for most gates at Sydney Airport. Furthermore, one airline complained that it found it difficult to gain access to the nearest gate to the immigration area for foreign airlines. However, another airline commented that due to post-September 11 security measures, Sydney Airport had made adjacent gates available to the airline for their daily operations.

In comments provided to the Commission by Sydney Airport, it notes that 4 aerobridges or 15% of total aerobridge capacity is available for B737s (commensurate with their share of terminal traffic) and that the claim regarding A340-600 aircraft was not correct.

Airline survey respondents rated the standard of gates from 'very poor' through to 'excellent', with the predominant rating being 'satisfactory'. These results were lower than last year's, although few airlines provided comments on the reasons for their ratings. Two airlines did, however, express concern that the gates were not cleaned regularly. Another airline commented that seating for passengers at gate areas had

become very congested, especially following the introduction of additional security measures after the events of September 11, 2001.

In response, Sydney Airport noted that gates are cleaned regularly under SACL's major cleaning contract, and the cleaning program for these areas has not changed over the last three years. In relation to the congestion issue, SACL noted that the number of seats had not changed. Rather, the congestion was due to secondary passenger screening requirements introduced after September 11.

1998/99-2001/02

In each year of monitoring there has been a range of ratings for the availability of gates, from 'very poor' to 'excellent'. Redevelopment works affected the availability of gates in 1998/99 however in 1999/2000 some comments were received that there had been an improvement in the availability of gates. Ratings in later years were also higher than for 1998/99.

Satisfaction ratings for the standard of gates improved in the second and third years of monitoring but declined slightly in the last financial year. Nonetheless, over the four years of monitoring at Sydney Airport, ratings for the standard of gates have generally improved.

Ground service equipment storage sites

The quality of ground service equipment storage sites at Sydney Airport was assessed using airline surveys.

2001/02

The availability of ground service equipment storage sites was mostly rated by respondents from 'satisfactory' to 'good'. The results show some decline in availability when compared to the previous year's results.

Comments again noted that the area is small and congested.

With regards to the standard of ground service equipment storage sites, the results showed a small improvement when compared to the previous year's ratings. Most airlines rated the standard as being 'good'. One airline did however comment that the sites are not monitored, especially the parking equipment tugs between Gates 53 & 55.

1998/99-2001/02

Airlines were quite critical of ground service equipment and storage sites in 1998/99, the first year of monitoring. Comments referred to a lack of space and sites available for use. Ratings were generally 'very poor' and 'poor'. In 1999/2000 it was noted that while a similar number of airlines rated the facility as 'very poor' or 'poor', overall the ratings were a little higher. Similar comments regarding space were also received in that year but SACL responded that it had made some additional space available.

Despite an increase in the aggregate rating for availability in 2000/01, comments were still made regarding congestion. In 2001/02 ratings for availability fell, and comments were again received with regards to congestion.

Overall, ratings of the standard of ground service equipment storage sites at Sydney Airport have increased slightly over the 4 years of monitoring.

Freight equipment storage sites

The quality of freight equipment storage sites at Sydney Airport was assessed through airline surveys.

2001/02

The availability and standard of freight facilities were rated by airline survey respondents from 'very poor' to 'good' compared with 'satisfactory' to 'good' ratings in 2000/01. The ratings for 2001/02 suggest that the availability and standard of the facilities have declined.

Notwithstanding the lower ratings, only two comments were received from airlines. One airline commented that a dedicated cargo terminal to the north of the Alexandria Canal would solve a lot of the present and future space problems. The second airline commented that whilst the freight aprons seem sufficient for current requirements, the storage sites themselves are inadequate. The airline does not believe that sufficient forethought has been put into the growing number of wide-bodied movements, and the ensuing increase in freight.

Sydney Airport states that these comments appear to relate to facilities operated by Cargo Terminal Operators (CTOs), and that it is the CTO's responsibility to ensure their own leased areas are managed effectively.

1998/99-2001/02

Over the period of monitoring, the availability of freight service storage sites has generally been rated 'satisfactory'. A consistent comment by airlines, though, has been that the areas provided are congested and that there is insufficient space for aircraft.

Overall, the standard of these services appears to have remained steady over the first three years of monitoring, although a decline in ratings of standard in 2001/02 is noted.

Aerobridges

The quality of aerobridges at Sydney Airport was assessed through airline surveys and information provided by SACL.

2001/02

Sydney Airport had 27 aerobridges available to service international aircraft at 30 June 2002. Over the 2001/02 year, 99% of embarking passengers and 99% of disembarking passengers used an aerobridge. This is an increase from the previous year when 97% of embarking passengers and 98% of disembarking passengers used an aerobridge.

Airline survey respondents rated the availability of aerobridges as 'satisfactory' to 'good'. This year's results were very similar to last year's. However two airlines expressed concern about the lack of aerobridges available for B737s. One airline comments that this results in excess fuel burn and some passengers missing connecting flights. Another airline observed that aerobridge availability can also be an issue for B777s.

In comments provided by Sydney Airport to the Commission, Sydney Airport notes that it can currently facilitate 31 B777-200 aircraft within 40 parking positions and that at present supply far exceeds demand. Sydney Airport also notes that there are 4 aerobridges servicing B737s, a proportion of the total which reflects the amount of B737s scheduled for Terminal 1.

Airlines surveyed rated the standard of aerobridges as generally 'poor' or 'satisfactory' although there were ratings of 'good' and 'excellent'. The standard of aerobridges prompted a very large number of responses, most concerned with an apparent lack of maintenance and cleanliness of aerobridges. Airlines were concerned not only with the effect dirty aerobridges might have on passenger perception, but also about the safety of passengers from faulty aerobridges. Sydney Airport states, however, that a survey it conducted found the problems with cleanliness mostly relate to rubbish being left in aerobridges by airline staff and is the responsibility of the airline cleaner or caterer to remove. Sydney Airport has written to the Airline Operators Committee requesting action.

One airline has complained about the "jerkiness" of aerobridges, and another is concerned about the frequency with which a SACL technician is required standing by on the aerobridges.

1998/99-2001/02

In the first year of monitoring, aerobridge availability was rated by a significant number of airlines as 'very poor' or 'poor'. At this time, there were only eight aerobridges at the international terminal.

As part of the redevelopment of the international terminal, the number of aerobridges was increased during the 1999/2000 year to 27. Following this redevelopment, the overall satisfaction ratings for aerobridge availability increased, although the Commission notes that a number of airlines are still concerned about availability of aerobridges for B737s.

The standard of aerobridges has generally been rated from 'poor' to 'good'. A particular issue commented on over the four years of monitoring has been a lack of cleanliness, although Sydney Airport stated that in the past it had been working with airlines to find a solution to the problem.

In the last three years airlines have also commented on the poor functioning of some aerobridges.

Check-in facilities

The quality of check-in facilities at Sydney Airport was assessed through airline surveys, passenger perception surveys and information provided by SACL.

2001/02

Sydney Airport had 241 check-in desks, including service desks, at 30 June 2002. This is the same as last year.

Airlines surveyed predominantly rated availability of check-in desks at the international terminal as 'satisfactory', a slight fall in ratings when compared to last

year. However, only one airline addressed the issue of availability specifically, complaining that it was unacceptable not to have separate check-in facilities for group passengers. Another airline commented that it has concerns about terms and conditions imposed by SACL over check-in counter licenses. On the other hand, one airline commented that they find SACL very helpful and cooperative in assigning counter-space.

As further indication of availability, at no point in the year were more than 80% of desks were in use. This is compared to last year, when more than 80% of desks were in use for 2.08% of all hours. Of passengers surveyed, 81% rated the waiting time for check-in as either 'good' or 'excellent'. This represents a slight decline on last year's figures. Similarly, the average rating fell from 4.3 to 4.2.

For the most part, airlines also rated the standard of check-in facilities at the international terminal as 'satisfactory'. However, many airlines complained that maintenance of check-in counters has been insufficient and were emphatic that check-in counters need to be cleaned much more frequently. In response, Sydney Airport notes that the cleaning program has not changed in the past three years. Furthermore, a detailed new cleaning program was agreed with airlines and commenced in August 2002.

At the new Domestic Express Terminal, 66% of passengers surveyed considered waiting time at check-in to be 'excellent' and a further 30% considered it to be 'good'.

1998/99-2001/02

Over the period of monitoring, the availability of check-in desks has been rated by airlines as 'satisfactory' to 'good' although some airlines commented that at peak times there was congestion.

Over the past three years there has been a significant increase in the number of check-in desks from 130 in 1998/99 to 241 in 2001/02. Over the first three years of monitoring, the number of international passengers rose at a slower rate, which meant a decrease in the average passenger per check-in desks ratio from around 57,000 in 1998/99 to just under 41,000 in 2001/02. During this time few airline respondents rated the availability of facilities as 'poor' or 'very poor', while passengers surveyed rated the waiting time at check-in as 'good' or 'excellent'.

In terms of the standard of check-in facilities, airlines have commented that there have been problems with phones, flight information displays, occupational health and safety issues concerning the knockdown devices at takeaway belts, and the general cleanliness of the counter area. Survey ratings for the standard of facilities has declined in the last year, however, Sydney Airport notes that a new cleaning program has recently commenced.

Government inspection

The quality of government inspection at Sydney Airport was assessed using passenger perception surveys, a survey of ACS and information provided by SACL.

2001/02

Sydney Airport had 62 inbound immigration desks and 54 outbound immigration desks at 30 June 2002, the same as at the end of the previous year. There were 114 inbound baggage inspection desks compared to 62 at 30 June 2001. SACL advises that this consists of 96 new inbound baggage inspection desks and 18 quarantine x-ray inspection benches. Last year's 62 desks were changed in order to increase capacity in line with the Federal Government's more stringent border protection policy.

Of passengers surveyed, 72% and 83% respectively rated waiting times for inbound and outbound services as 'good' to 'excellent'. The average ratings of 3.8 and 4.2 respectively is slightly lower than last year's results of 4.1 and 4.3.

ACS rated the availability of adequate areas for circulation and queuing at immigration (arrivals) as 'satisfactory' and the standard of such facilities as 'good'. The ratings were similar to last year's, with ACS again referring to crowding during the peak period from 0600 to 0730.

ACS rated both the availability and standard of areas for circulation and queuing at immigration (departures) as being 'good'. However, Customs did comment that there exists insufficient x-ray screening capacity at Pier B to cater for 9am departures and the weekend high season.

Of passengers surveyed, 82% rated waiting time at inbound baggage inspection as 'good' or 'excellent', a slight decrease on last year's results.

1998/99-2001/02

Over the monitoring period, both passengers and the ACS have rated government inspection facilities as being of a 'good' standard. Ratings of waiting time by passengers surveyed have also been generally maintained over the four years of monitoring.

Security

The quality of security at Sydney Airport was assessed using passenger perception surveys and information provided by SACL.

2001/02

Sydney Airport had 11 security clearance systems for the international terminal.

Passengers surveyed again rated the quality of passenger screening at Sydney Airport as 'good' to 'excellent', although there was a slight decline when compared to the previous year's responses. SACL comments that the change in security checks and passenger screening due to the events of 11 September 2001 have had a negative impact on passengers' satisfaction with the process quality.

As at 30 June 2002, the Domestic Express Terminal had only one security system. Of passengers surveyed there, 88% rated the quality of passenger screening as 'good' or 'excellent'. This is an increase on last year's results, which showed that 80% of passengers screened viewed the quality of the screening process as 'good' or 'excellent'.

1998/99-2001/02

Over the period of monitoring, passengers surveyed have consistently rated the quality of security clearance at the international terminal as 'good' to 'excellent'.

Gate lounges

The quality of gate lounges was assessed using passenger perception surveys and information provided by SACL.

2001/02

At 30 June 2002, there were 4,109 seats in gate lounges in the international terminal at Sydney Airport, the same as the previous year.

Passengers surveyed again rated the comfort, cleanliness and availability of seating in the international terminal gate lounges as 'good' to 'excellent'. Passengers also rated the size of gate the lounge areas as 'good' to 'excellent'.

The new Domestic Express Terminal had 438 seats at 30 June 2002, compared with last year's count of 441. Passengers rated seating comfort in the new terminal as 'average' to 'good', cleanliness as generally 'good', and availability and size as 'good' to 'excellent'.

1998/99-2001/02

Over the period of monitoring the number of seats in gate lounges has been significantly increased. The ratings of availability and comfort of seating has increased from 'somewhat satisfied'/'satisfied' in the first year of monitoring to 'good'/'excellent' in the subsequent years.

Baggage processing facilities and trolleys

The quality of baggage processing facilities and trolleys at Sydney Airport was assessed through airline surveys, passenger perception surveys, a survey of ACS and information provided by SACL.

2001/02

At 30 June 2002, the international terminal at Sydney Airport had a baggage system with a capacity of 7,128 bags per hour for outbound baggage, and 11,325 bags per hour for inbound baggage.

Capacity is unchanged compared to the previous year.

Forty-two percent of passengers surveyed rated their satisfaction with waiting time for baggage at the international terminal as 'excellent', and an average satisfaction rating of 4.0 was achieved. Furthermore, 80% of passengers interviewed believed that circulation space at baggage reclaim was 'good' to 'excellent', with the facility receiving an average rating of 4.1.

Airlines rated the availability of the baggage process facilities at Sydney Airport from 'poor' through to 'excellent' with the majority of airlines rating the facilities as 'satisfactory' or 'good'. This result is similar to last year's results.

Four airlines commented that the time taken for baggage to travel through the system can be unacceptably long. Another airline was concerned about the carousel's morning peak-hour arrival capacity. Sydney Airport notes that the time taken for baggage to travel through the system can be affected by the presentation of the bag and security screening.

Airlines rated the standard of baggage facilities from 'poor' to 'good', with the majority of airlines finding the service to be 'satisfactory'. This represents a notable decrease when compared to last year's results. Some airlines were concerned about the incidents of damage to baggage. Another airline was also concerned that the baggage system breaks down spasmodically.

ACS again rated the adequacy of space, signage, position, security and passenger inspection facilities as 'good' in terms of standard and availability. It noted that the rebuilding of the examination areas of both piers in the last financial year has resulted in significant improvement in examination capacity and management of passenger flow.

For the Domestic Express Terminal, 39% of passengers surveyed considered waiting time at baggage reclaim as 'average' and 32% considered it be 'good'. Circulation space was rated as 'good' by 45% and as 'average' by 32% of passengers surveyed.

1998/99-2001/02

The capacity of the baggage system for both outbound and inbound baggage has been increased during the period of monitoring. SACL has also been required to install check baggage screening facilities for outbound baggage that has affected the operation of the system. Airlines surveyed have been consistent in their assessment of the availability of the baggage system, finding it to be generally of a 'satisfactory' level.

The standard of facilities has been generally rated lower. Airlines have commented that the system is prone to breakdowns and is unreliable. Airlines have also expressed concern over the cleanliness of the counter area, and have requested that it be cleaned more frequently.

Passengers surveyed have generally rated the waiting time for baggage reclaim as 'good' to 'excellent'. In regard to circulation space and trolleys, passengers have consistently rated these as 'good' to 'excellent'.

The ACS has rated baggage facilities as 'good' and noted the effect of recent works.

Flight information displays

The quality of flight information displays at Sydney Airport was assessed using passenger perception surveys.

2001/02

Passengers surveyed again predominantly rated the clarity and convenience of the location of flight information displays in the international terminal as 'good' to 'excellent', and an average rating of 4.1 and 4.0 respectively being given.

For the Domestic Express Terminal, displays were generally rated as 'good' for clarity and location.

1998/99-2001/02

Passengers surveyed have consistently rated flight information displays as 'good' to 'excellent' over the period of monitoring.

Washrooms

The quality of washrooms at Sydney Airport was assessed using passenger perception surveys.

2001/02

Passengers surveyed again rated the standard of the washrooms in terms of cleanliness and overall standard in the international terminal as 'good' to 'excellent'. For the Domestic Express Terminal washrooms were generally rated as 'good'.

1998/99-2001/02

Passengers surveyed have consistently rated washrooms as 'good' to 'excellent' over the period of monitoring.

Car parking and kerbside access

The quality of car parking and kerbside access at Sydney Airport was assessed using passenger perception surveys and information provided by SACL.

2001/02

As at 30 June 2002, Sydney Airport had 2,000 car parking spaces available to the public at the international terminal car park, 2,612 including valet at the Domestic Multi-storey car park, and 2,692 long-term car parking spaces. Compared to the 2000/01 period, the number of international car parking spaces was reduced by 68 whilst the number of long term car parking spaces has remained unchanged. The reduction at the international terminal relates to 68 valet spaces which were closed for security reasons at the direction of the Department of Transport and Regional Services.

Parking space for 427 cars, including valet parking, were provided for at the Domestic Express Terminal as at 30 June 2002. This is an increase of 119 spaces.

Over 80% of passengers using the international car parking facilities at Sydney Airport rated the standard and availability of car parking as 'good' to 'excellent'. Over 90% of passengers rated the time taken to get into the international car park at Sydney Airport as 'good' to 'excellent'. This is similar to last year's results.

Kerbside access at Sydney Airport was also surveyed. Kerbside access is required to allow passengers to be dropped off and picked up by taxis, buses and other vehicles. Ninety-five percent of passengers surveyed at the international terminal rated waiting time for taxis as 'good' to 'excellent', a similar result to last year. Passengers also predominantly rated the space provided for taxis as 'satisfactory' to 'good' which was slightly lower to last year's results.

1998/99-2001/02

Over the four years of monitoring the number of car parking spaces has increased from 2,684 in 1998/99 to 4,692 in 2001/02 with a peak of 4,760 in 2000/01.

Passenger survey ratings for the car park appear to have remained fairly constant over the period.

Passengers have consistently rated the waiting time for taxis at kerbside access points as 'good' to 'excellent'. Space provided for taxis has also rated highly over the period of monitoring.

Consultation with airlines

The quality of SACL's consultation procedures was assessed through airline surveys and a survey of ACS.

2001/02

Airline survey respondents rated SACL's responsiveness to their concerns as generally 'satisfactory' or 'good'. This is similar to last year's response.

Several airlines complimented the airport on its overall responsiveness to issues. However a similar number of airlines felt differently, and commented that SACL needs to overhaul its communication structures. One airline however, noted that changes in management structure have seen an improvement.

With regards to specific issues raised, one airline commented that there is a need to update baggage delivery belts. Another airline stated that operators of B737s at Sydney Airport do not receive adequate service levels and that whilst the need for an increase in the number of B737 gates available was raised with the airport 5 years ago, nothing has been done.

In comments provided by Sydney Airport to the Commission it suggests that it currently has sufficient capacity to facilitate the use of B737's at the airport.

ACS rated SACL's responsiveness to concerns as 'good' and commented that SACL is responsive and supportive of ACS's attempts to find new solutions to mitigate peak hour processing pressures. ACS also notes that SACL is willing to make reasonable capital improvements.

1998/99-2001/02

Overall, the airlines' ratings have been fairly consistent, with a slight decrease in the ratings awarded over the last two years of monitoring, following a peak in 1999/00.

During the first two years of monitoring, the ACS rated SACL's responsiveness as 'excellent'. Over the last two years of monitoring this rating has fallen to 'good'.

3. Regulatory accounts reporting

This section reports on Sydney Airport's financial accounts. It begins by outlining the financial reporting requirements under the Airports Act and is followed by a summary of figures from the Sydney Airport financial accounts for the 2001/02 period.

3.1 The Commission's approach

Part 7 of the Airport Regulations made under the Airports Act requires SACL to provide the Commission with annual financial accounts for Sydney Airport no later than 90 days after the end of a prescribed accounting period. The accounts required include a Profit and Loss Statement, a Balance Sheet, and a Statement of Cash Flows. In addition to this, other supporting information, such as statements on accounting policies and cost disaggregations between aeronautical and non-aeronautical costs are required.

All information provided to the Commission must be audited. To authenticate this, a director's responsibility statement must be signed by at least two directors, stating that the regulatory accounting statements and supporting schedules are presented 'fairly' and in accordance with the guidelines, the Airports Act, and the regulations made pursuant to that Act.

SACL lodged its audited regulatory accounts with the Commission in the required 90 days following the end of the financial year.

3.2 Sydney Airports Corporation Limited, regulatory accounts 2001/02

SACL reported on a period of activity from 1 July 2001 to 30 June 2002. Over the entire airport, a profit after interest and tax of \$87.1 million was reported.

As at 30 June 2001, SACL controlled total assets valued at \$3,200.5 million. Property, Plant and Equipment represented most of this total at \$3,085.1 million. SACL's independent auditors attested to the appropriateness of its systems and records which enabled it to comply with the requirement to separate accounting information between aeronautical and non-aeronautical activities. SACL employed an activity based costing model for this purpose and described it as follows:

The ABC model relies on a three-stage process, comprising approximately 2900 split rules to allocate expenses initially to activities and ultimately to aeronautical and non aeronautical services. The model is reviewed on an annual basis to ensure that any new services or activities are accommodated and that the allocation splits are representative of actual expenditure patterns for the financial period in question.³

Some of the more prominent account items and 'drivers' were as follows:

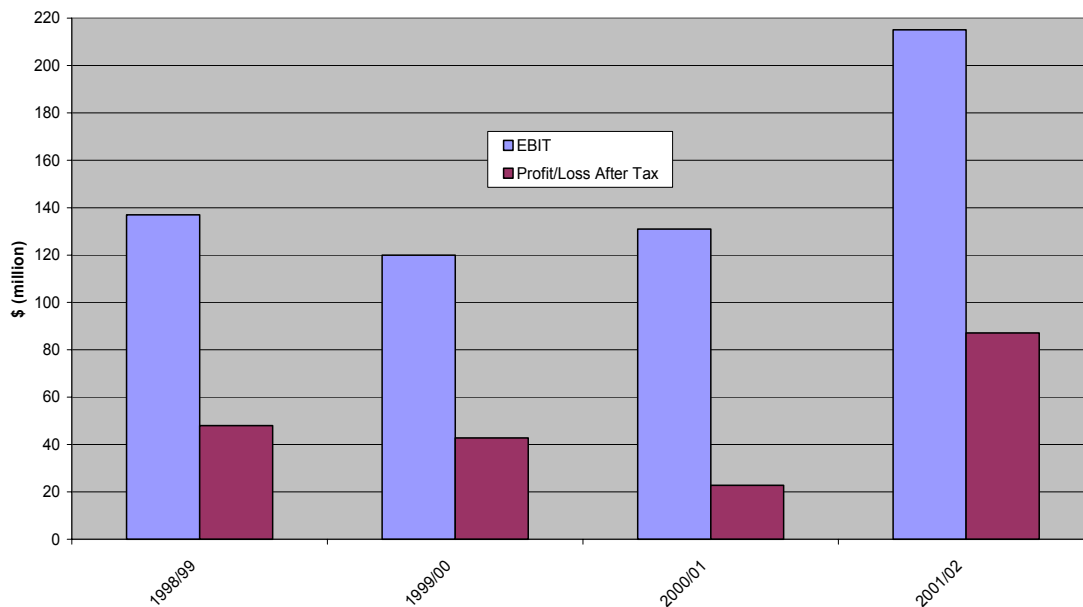
- depreciation was based on the nature and specific purpose of each asset;

³ SACL's Regulatory Accounting Statements for the Financial year ended June 2002 p 12.

- salaries and wages were based on staff numbers within departments and how individual departments support the various business units across the airport;
- maintenance was based on the type of maintenance and the nature and use of the asset benefiting from the maintenance;
- the Australian Protective Services cost was allocated on a landed tonne basis until 31 October 2001, and then on a passenger charge basis effective 1 November 2001 for all aircraft operating from the International Terminal; and
- other expenses were allocated on the nature of the expense and the primary reason for the expenditure.

Chart 3 shows changes in Sydney Airport's before and after tax profitability over the period of reporting. Both before and after-tax profits increased significantly in 2001/02.

Chart 3: Earnings before interest and tax (EBIT) & Profit, 1998/99 – 2001/02



A summary of the regulatory accounts is attached at Appendix 4.

4. Monitoring of aeronautically related services.

This section covers the Commission's role in the monitoring of aeronautically related services. The section begins with an outline of the Commission's approach to monitoring and is followed by a report on the activities of Sydney Airport for the 2001/02 financial year.

The Commission also reports on the operational statistics of Sydney Airport. Details of these statistics can be found in Appendix 5.

4.1 The Commission's monitoring role

In May 1998, the Treasurer directed that aeronautically related services be the subject of formal price monitoring pursuant to section 27A of the PS Act. The monitoring provides for the costs, revenues and profits of an airport's services to be monitored. The rationale for monitoring was that airport operators may exert significant market power in relation to the monitored aero-related services at individual airports. As such, the Government considered that these services should be monitored for misuse of any market power the airport operator may have in setting prices.

Aeronautically related services included aircraft refuelling, aircraft maintenance sites and buildings, freight facilities, and car parking. A full list of aeronautically related services is given in the Treasurer's Direction no. 21, available on the Commission's web site. For a more complete outline of the Commission's monitoring role, see the publication titled "Airport Reporting Guidelines – Information Requirements July 1997 – 30 June 2002".

Under section 27B of the PS Act, the Commission was required to report annually to the Treasurer on its formal price monitoring activities. The Commission was also required to make its reports publicly available.

In exercising its role in this area, the Commission may investigate particular pricing issues where users had raised concerns and it appears that the airport operator may have taken advantage of its market power. No particular concerns have been raised.

4.2 Price monitoring – Sydney Airport 2001/02

SACL provided data to the Commission for the year ending 30 June 2002. The data is summarised in Tables 1 and 2 below, and includes revenues and costs for services related to:

- aircraft refuelling;
- aircraft maintenance sites and buildings;
- freight equipment storage sites;
- freight facility sites and buildings;
- ground support equipment sites;
- check-in counters and related facilities; and
- public and staff car parks.

Table 3: Monitored services: aero-related costs for the periods between 30 June 2000 and 30 June 2002

Description	Aero-Related services 1999-00 Total ⁽¹⁾	Aero-Related services 2000-01 Total ⁽¹⁾	Aero-Related services 2001-02 Total ⁽¹⁾
AERO-RELATED SERVICES	\$'000	\$'000	\$'000
Refuelling services	806	834	852
Aircraft maintenance sites & buildings	6,541	7,377	7,925
Freight equipment storage sites	69	84	87
Cargo facility sites & buildings	1,560	1,648	1,779
Ground support equipment sites	-	-	-
Check-in counters and related facilities ⁽²⁾	2,464	3,596	3,595
Public car parking and staff parking	16,511	19,085	19,090
TOTAL AERO-RELATED COSTS	27,951	32,624	33,328

Notes:

1. Costs exclude amortisation of intangibles and interest.
2. At terminals operated by airport-operator companies.
3. For information on cost allocation see the accounts reporting section 3.2.

Table 4: Monitored services: aero-related revenue for the periods between 30 June 2000 and 30 June 2002

Description	Basis of Charge(s)	Revenue \$'000 1999-00	Revenue \$'000 2000-01	Revenue \$'000 2001-02
AERO-RELATED SERVICES				
Refuelling services	\$ per square metre	1,071	1,117	1,280
Aircraft maintenance sites & buildings	\$ per square metre	9,353	10,600	11,235
Freight equipment storage sites	\$ per square metre	143	169	195
Cargo facility sites & buildings	\$ per square metre	1,539	1,649	1,706
Check-in counters and related facilities ²	\$ per hour	4,959	6,401	6,794
Service desks	\$ per hour	356	772	978
Public car parking ⁴	Various	43,635	46,020	45,632
Staff car parking	Various	1,965	2,946	2,555
TOTAL AERO-RELATED REVENUE		63,021	69,674	70,375

It is important to note that the costs do not include borrowing costs or interest expense. Interest costs were significant, amounting to \$74.8 million for the airport. The Commission asked that interest costs be excluded because their allocation to services

would have involved a degree of subjectivity. However, the Commission notes that an allocation that recognises a cost of capital would be appropriate in a detailed analysis.

Chart 4 highlights changes in aero-related costs and revenues over the period of monitoring. Both costs and revenues have increased over the period.

Chart 4: Aero-related costs and revenues, 1998/99 to 2001/02

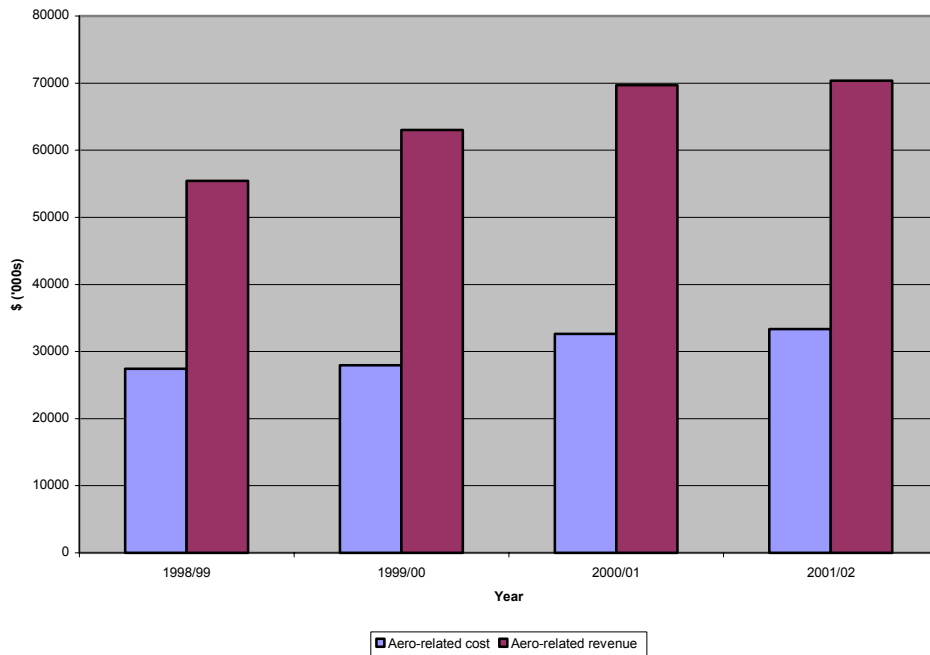
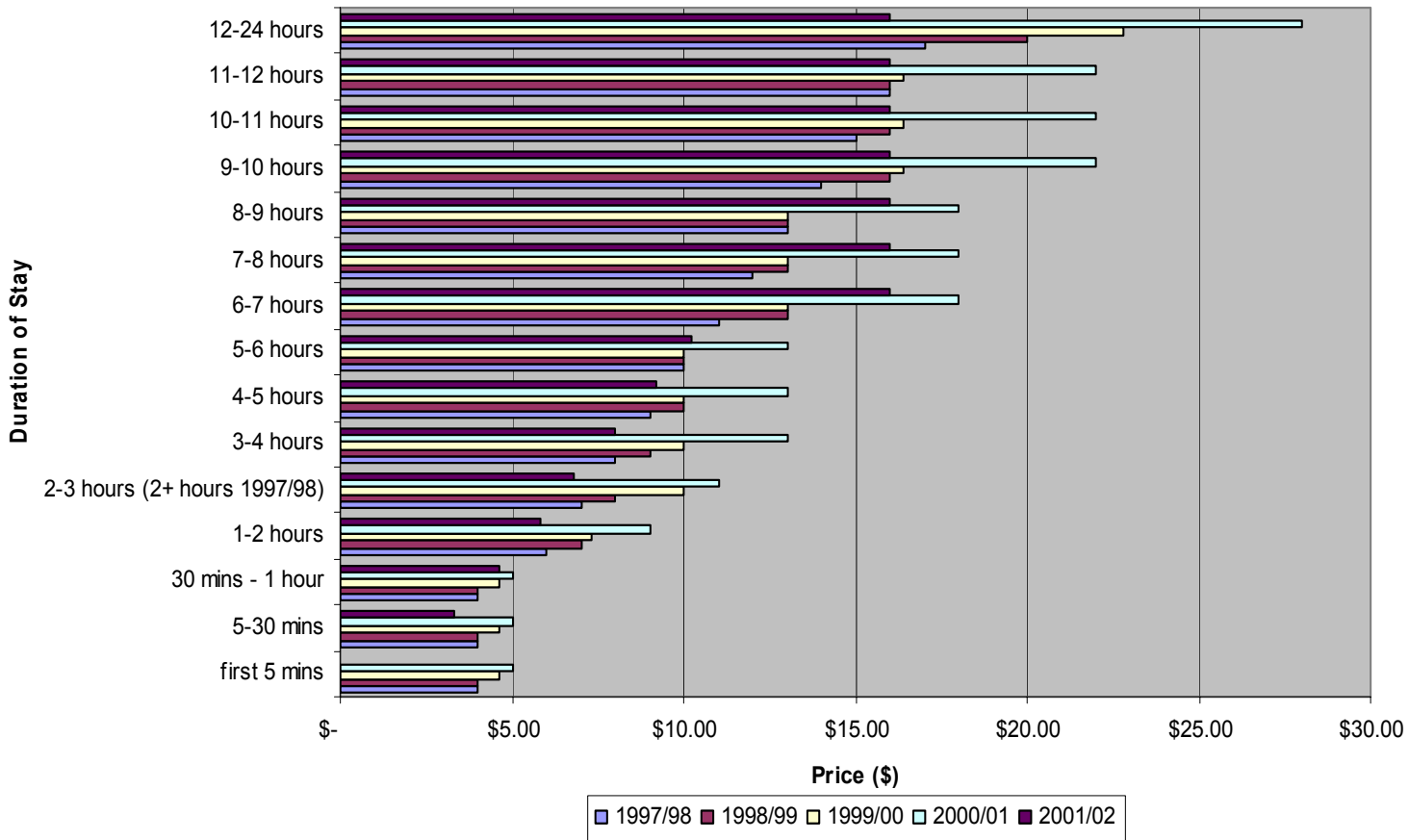


Table 3 & Chart 5 show changes in short-term car park prices over the period of monitoring. 2001/02 prices explicitly relate to the International Terminal. As can be seen below, prices noticeably increased in 2000/01 and have remained reasonably constant since that time. In 2001/02, long term parking was charged at \$34 for the first 48 hours, and then at \$13 per day thereafter.

Table 5: Short Term Parking Rates

Short Term Parking	1998/99	1999/00	2000/01	2001/02
0-30	\$ 5.00	\$ 6.00	\$ 6.00	\$ 6.00
31-60	\$ 8.00	\$ 9.00	\$ 11.00	\$ 11.00
1-2 hours	\$ 12.00	\$ 13.00	\$ 16.00	\$ 16.00
2-3 hours	\$ 14.00	\$ 15.00	\$ 18.00	\$ 18.00
3-4 hours	\$ 17.00	\$ 18.00	\$ 20.00	\$ 20.00
4-5 hours	\$ 22.00	\$ 23.00	\$ 26.00	\$ 26.00
5-6 hours; 5-24 hours (98/99 - 99/00)	\$ 27.00	\$ 30.00	\$ 28.00	\$ 28.00
6-7 hours			\$ 30.00	\$ 30.00
7-24 hours			\$ 34.00	\$ 34.00

Chart 5: Short-term Parking Prices, 1998/99 to 2001/02

Appendix 1: Outline of quality of service indicators

The regulations to the Airports Act specify performance indicators to be used in quality of service monitoring. These cover a range of services and infrastructure for which the airport operator has some, or complete influence over. An outline of the indicators and the source of data for each are given in Table 4 below.

Table 6: Quality of service indicators

Service/ Infrastructure	Type of indicator	Source of data
Runways, apron , taxiway system	<ul style="list-style-type: none"> • Average aircraft movements in 30/60 busiest half-hours per month. • Various delay indicators. • Various indicators of adequacy of facilities. 	Airservices Australia; Airservices Australia; Airlines and Airservices Australia questionnaire
Gates	<ul style="list-style-type: none"> • Number of aircraft parking bays. • Satisfaction with the standard and availability of facilities. 	Airport operator; Survey of airlines
Ground service equipment	<ul style="list-style-type: none"> • Satisfaction with the standard and availability of facilities. 	Survey of airlines
Freight facilities	<ul style="list-style-type: none"> • Satisfaction with the standard and availability of facilities. 	Survey of airlines
Aerobridges	<ul style="list-style-type: none"> • Number of aerobridges. • Number and percentage of passengers using aerobridges for boarding and disembarkation. • Satisfaction with the standard and availability of the facilities. 	Airport operator Airport operator Survey of airlines
Check-in	<ul style="list-style-type: none"> • Number of desks. • Number of hours when more than 80 per cent of check-in desks are open. • Satisfaction with the standard and availability of facilities. • Satisfaction with waiting time. 	Airport operator Survey of airlines Passenger perception survey

Service/ Infrastructure	Type of Indicator	Source
Government inspection	<ul style="list-style-type: none"> Number of desks. 	Airport operator
Security	<ul style="list-style-type: none"> Number of clearance systems. Satisfaction with the system. 	Airport operator Passenger perception survey
Gate lounges	<ul style="list-style-type: none"> Number of seats in gate lounges. Satisfaction regarding quality and availability of seating and crowding. 	Airport operator Passenger perception survey
Baggage trolleys	<ul style="list-style-type: none"> Passenger satisfaction with findability of trolleys. 	Passenger perception survey
Flight information display and signs	<ul style="list-style-type: none"> Passenger satisfaction with the system. 	Passenger perception survey
Washrooms	<ul style="list-style-type: none"> Passenger satisfaction with the standard of facilities. 	Passenger perception survey
Car parking	<ul style="list-style-type: none"> Number of car parking spaces. Throughput of the car park. Passenger satisfaction with standard of facilities and availability of spaces and time taken to get into car park. 	Airport operator Airport operator Passenger perception survey
Kerbside access	<ul style="list-style-type: none"> Passenger satisfaction with space and waiting time for taxis. 	Passenger perception survey

Appendix 2: Airline survey results

In order to gain information on the quality of airside facilities and terminal facilities, the Commission conducted a survey of the airlines that used Sydney Airport. A total of 16 surveys were received from the following airlines: Qantas, Air Vanuatu, Polynesian Airlines, China Eastern, China Southern, Cathay Pacific, Air Calin, Air Canada, United Airlines, Malaysian Airlines, Singapore Airlines, Asiana Airlines, FedEx, Lauda Air, Olympic Airways and Air New Zealand.

Ratings were given with regard to both the availability and standard of facilities. Under availability, the Commission sought from airlines an assessment of the absence of delays in being able to use infrastructure and equipment. Under standard, the Commission sought an assessment of the capability of equipment to perform the functions intended and its reliability.

Table 7: Responses from airline survey

Facility	Very Poor	Poor	Satisfactory	Good	Excellent
Addressing Airline Concerns	0	2	8	6	0
Baggage Facilities Standard	0	4	7	3	0
Baggage Facilities Availability	0	2	8	3	1
Check-in Standard	2	1	9	2	1
Check-in Availability	0	0	7	6	2
Freight Equipment Sites Standard	1	1	5	2	0
Freight Equipment Sites Availability	1	0	5	3	0
Ground Service Sites Standard	2	1	3	5	0
Ground Service Sites Availability	2	2	3	4	0
Aerobridges Standard	1	6	6	1	1
Aerobridges Availability	1	1	8	3	2
Gates Standard	2	3	7	3	1
Gates Availability	2	2	8	2	2
Taxiways Standard	0	0	5	9	2
Taxiways Availability	0	0	6	8	2
Aprons Standard	0	1	5	8	2
Aprons Availability	0	1	6	8	1
Runways Standard	0	0	4	8	4
Runways Availability	0	0	4	9	3

Appendix 3: Static indicators provided by SACL

Airport operators are required to report on the 'static indicators' of an airport for each year. The 'static indicators' as they relate to Sydney Airport are given in Table 6 below, and will be used in future years monitoring reports to assess changes in quality of service.

Table 8: Static indicators as provided by SACL

Indicator	At 30 June 1999	At 30 June 2000	At 30 June 2001	At 30 June 2002
Number of (international) aircraft parking bays at 30 June 2001	24	39	40	40
Number of aerobridges at 30 June 2001	8	27	27	27
Percentage of passengers (embarking) using an aerobridge	80.8%	77.1%	97.3%	98.6%
Percentage of passengers (disembarking) using an aerobridge	76.2%	74.7%	97.7%	98.6%
Number of check-in desks	130	192	241	241
International Passengers/Check-in desks	56,981	41,918	36,194	33,352
Number of baggage inspection desks	35	45	62	114
Number of inbound immigration desks	62	62	62	62
Number of outbound immigration desks	54	54	54	54
Number of security clearance systems-international terminal	7	11	11	11
Number of security clearance systems-domestic express terminal	NA	NA	1	1
Number of seats in gate lounges-international terminal	2,167	3,169	4,109	4,109
International Passengers/Seats in gate lounges	3,418	2,539	2,123	1,956
Number of seats in gate lounges-domestic express terminal	NA	NA	441	438
Capacity of outbound baggage handling equipment (bags per hour)	4,940	7,128	7,128	7,128
Capacity of inbound baggage reclaim system (bags per hour)	7,350	11,325	11,325	11,325
Number of car park spaces –International	1,364	2,020	2,068	2,000
Domestic	2,763	2,519	2,559	2,612
Long Term	1,320	1,867	2,692	2,692
Domestic	NA	NA	308	427
Express				
Throughput of the car park – International	1,685,585	1,720,975	1,684,095	1,539,926
Domestic	1,152,527	1,162,890	1,026,970	820,392
Long Term	59,564	70,445	81,046	80,582
Domestic	NA	NA	93,744	183,375
Express				

Appendix 4: Sydney Airports Corporation Limited accounts summary

Statement of financial performance⁵ for year ended 30 June 2002⁶

Description	Audited financial statements	Aero services	Non-Aero services
	\$'000	\$'000	\$'000
Revenue			
Aeronautical revenue	228,349	228,349	
Non-Aeronautical revenue	223,224		223,224
Other	2,418	240	2,178
Total Revenue	453,991	228,589	225,402
Expenditure			
Salaries and wages	48,344	31,865	16,479
Depreciation	101,209	69,754	31,455
Services and utilities	39,859	25,307	14,552
Property Maintenance	14,335	10,209	4,126
Australian Protective Services	9,114	9,114	-
Other costs	26,069	13,150	12,919
Total Expenditure	238,930	159,399	79,531
Operating Profit/	215,061	69,190	145,871
Profit from ordinary activities before net borrowing costs and income tax (EBIT)	215,061	69,190	145,871
Net borrowing Costs	74,840		
Profit from ordinary activities before income tax	140,221		
Income tax relating to ordinary activities	53,104		
Profit from ordinary activities after income tax	87,117		
Retained profits at beginning	0		
Dividends paid or provided	(26,474)		
Retained profits at end	60,643		

⁵ The names of several of the financial statements and items for SACL have been changed in line with new terminology under accounting standards, but are equivalent to previous years' items.

⁶ The Commission did not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.

Statement of financial performance for year ended 30 June 2001⁷

Description	Audited financial statements	Aero services	Non-Aero services
	\$'000	\$'000	\$'000
Revenue			
Aeronautical revenue	152,622	152,622	
Non-Aeronautical revenue	221,330		221,330
Other	3,649	189	80
Total Revenue	377,601	152,811	221,410
Expenditure			
Salaries and wages	48,913	32,153	16,760
Depreciation	95,450	66,060	29,390
Services and utilities	40,915	25,455	15,460
Property Maintenance	16,618	11,957	4,661
Australian Protective Services	8,030	8,030	-
Other costs	36,666	18,055	18,611
Total Expenditure	246,592	161,710	84,882
Operating Profit/(Loss)	131,009	(8,899)	136,528
Profit from ordinary activities before net borrowing costs and income tax (EBIT)	131,009	(8,899)	136,528
Net borrowing Costs	79,405		
Profit from ordinary activities before income tax	51,604		
Income tax relating to profit from ordinary activities	28,761		
Profit from ordinary activities after income tax	22,843		
Retained profits at beginning of year	36,032		
Transfer from asset revaluation reserve	51,600		
Dividends paid or provided	(110,475)		
Retained profits at end of year	0		

⁷ The Commission did not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.

Statement of financial position at 30 June 2002

Description	Audited financial statements	Aero services	Non-Aero services
	\$'000	\$'000	\$'000
CURRENT ASSETS			
Cash	32,658		
Receivables	23,843	23,137	706
Inventories	-		
Accrued revenue	9,799	223	9,576
Other	2,267		
Total current assets	68,567		
NON-CURRENT ASSETS			
Receivables	-		
Investments	-		
Property, plant & equipment	3,085,073	1,568,198	1,516,875
Work in progress	39,918		
Other – Future income tax benefit	6,954		
Total non-current assets	3,131,945		
TOTAL ASSETS	3,200,512		
CURRENT LIABILITIES			
Payables	70,105		
Interest bearing liabilities	-		
Tax Liabilities	37,541		
Provisions	7,106	4,684	2,422
Total current liabilities	114,752		
NON-CURRENT LIABILITIES			
Interest Bearing Liabilities	1,159,560		
Deferred Tax Liabilities	30,508		
Provisions	885	583	302
Total non-current liabilities	1,190,953		
TOTAL LIABILITIES	1,305,705		
NET ASSETS	1,894,807		
EQUITY			
Share capital	794,000		
Reserves	1,040,164	274,340	765,824
Retained profits	60,643		
TOTAL SHAREHOLDER'S EQUITY	1,894,807		

Statement of financial position as at 30 June 2001

Description	Audited financial statements	Aero services	Non-Aero services
	\$'000	\$'000	\$'000
CURRENT ASSETS			
Cash	6,706		
Receivables	34,507	28,851	5,127
Inventories	-		
Accrued revenue	9,578	857	8,721
Other	3,999		
Total current assets	54,790		
NON-CURRENT ASSETS			
Receivables	-		
Investments	127		
Property, plant & equipment	3,160,660	1,625,504	1,535,156
Work in progress	16,553		
Other	8,623		
Total non-current assets	3,185,963		
TOTAL ASSETS	3,240,753		
CURRENT LIABILITIES			
Payables	58,566		
Interest bearing liabilities	861,462		
Provisions	59,081	5,091	2,654
Total current liabilities	979,109		
NON-CURRENT LIABILITIES			
Interest bearing liabilities	400,000		
Provisions	27,480	636	332
Total non-current liabilities	427,480		
TOTAL LIABILITIES	1,406,589		
NET ASSETS	1,834,164		
SHAREHOLDER'S EQUITY			
Share capital	794,000		
Reserves	1,040,164	274,340	765,824
Retained profits	-		
TOTAL SHAREHOLDER'S EQUITY	1,834,164		

Statement of cash flows for years ending 30 June 2001 & 2002

	Audited Financial Statements 2000-01	Audited Financial Statements 2001-02
	\$'000	\$'000
Cash flows - operating activities		
<i>Inflows:</i>		
Receipts from customers	403,571	520,215
Interest received	1,131	602
Dividends received	364	0
<i>Outflows:</i>		
Payments to suppliers and employees	(170,005)	(150,483)
Borrowing costs paid	(82,539)	(65,396)
Income tax paid	(22,865)	(13,799)
Goods and Services tax paid	(21,660)	(33,698)
Net cash flows provided from operating activities	107,997	257,441
Cash flows - investing activities		
<i>Inflows:</i>		
Proceeds from short term deposits	-	-
Proceeds from disposal of property, plant and equipment	269	348
Liquidation of investments in subsidiaries	2,527	-
Advances to related parties	-	-
Proceeds from sale of shares	-	23
<i>Outflows:</i>		
Acquisition of property, plant and equipment	(124,218)	(53,253)
Advances to related parties	(146)	-
Capitalised borrowing costs	(2,628)	(608)
Net cash flows from (applied to) investing activities	(124,196)	(53,490)
Cash flows - financing activities		
<i>Inflows:</i>		
Proceeds from borrowings	45,462	
<i>Outflows:</i>		
Repayment of borrowings (bank loans)	(9,000)	(101,902)
Dividends paid	(20,939)	(76,097)
Net cash flows provided from financing activities	15,523	(177,999)
Net Increase/(Decrease) in cash held	(676)	25,952
Add opening cash brought forward	7,382	6,706
Closing Cash	6,706	32,658

Sydney Airports Corporation Limited Regulatory Accounting Statements
Prepared under *Airports Act (1996)*
Notes to the Regulatory Accounting Statements
For the Financial Year ended 30 June 2002

1. Summary of Significant Accounting Policies

Basis of preparation

This special purpose financial report has been prepared in accordance with the requirements of the Regulatory Information Requirements under Part 7 of the *Airports Act 1996* and Sections 21 and 27A of the *Prices Surveillance Act 1983* – Guideline Version No. 2 – September 1998, for Sydney Airport.

The financial report has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

The financial statements have been prepared on a going concern basis.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. Revenue principally comprises:

Aeronautical revenue

Aeronautical revenue with the exception of international passenger flights is generated from:

- (a) charges levied on aircraft runway movements (take off and landing) where the invoiced amount is based on the maximum take off weight of fixed wing aircraft and movements of rotary wing aircraft
- (b) charges levied on arriving and departing passengers on airlines utilising the Common User (Domestic Express) terminal.
- (c) time based aircraft parking charges.

Aeronautical revenue for international flights is derived from:

- (a) a passenger service charge (incorporating runway, security and international terminal use charges) calculated per arriving and departing passenger, excluding transit and transfer passengers, infants and positioning crew.
- (b) time based aircraft parking charges.

Aeronautical Security Recovery

Aeronautical security recovery revenue includes charges for:

- (a) recovery of counter terrorist first response costs and additional security measures that were implemented post 11 September 2001 which are charged per landing on non international flights of passenger aircraft weighing in excess of 20 tonnes.
- (b) passenger and checked baggage screening which are charged per take off on non international flights of passenger aircraft weighing in excess of 20 tonnes.

The recovery on international flights is included in the passenger service charge that is levied on all arriving and departing passengers excluding transit and transfer passengers, infants and positioning crew.

Also recognised as Aeronautical revenue in this financial report are: check-in counter revenue; domestic terminal infrastructure charges; and parking infringement notices, being reimbursement of costs for administering parking infringements on behalf of the Commonwealth Government; and, any proceeds of sale in relation to aeronautical assets.

Non-Aeronautical revenue

Non-Aeronautical revenue represents the following classes of revenue:

Retail revenue

Retail revenue comprises rental from tenants whose activities include: duty free; food and beverage; other retail; banking and currency; and advertising.

Property revenue

Property revenue is recognised on the invoiced amount of rent due from airport property, including terminals, buildings and other leased areas.

Commercial trading revenue

Commercial trading revenue includes time based charges from public and staff car parking and concession charges from car rental.

Asset sales

Asset sales revenue in relation to non-aeronautical assets, is recorded as the proceeds from sale. Asset sales revenue is recorded at the date proceeds from the sale are receivable.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Income Tax

Tax effect accounting principles are observed whereby income tax expense for the period is matched with the pre-tax result adjusted for permanent differences. The account "Provision for deferred income tax" records the income tax effect of items which will cause taxable income to be higher than book profits in the future. "Future income tax benefits" records the income tax effect of items which cause taxable income to be lower than book profits in the future.

Where assets are revalued no provision for potential capital gains tax has been made until disposal of the asset.

Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

Receivables

Trade receivables are recorded at amounts due less any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad Debts are written off as incurred. Credit sales are on 30-day terms.

Investments

Listed shares are carried at net market value. Dividend income is taken into profit once the receipt of revenue is controlled.

Property, Plant and Equipment

Cost and Valuation

The cost of non-current assets constructed includes all direct costs incurred. These costs include materials, labour, borrowing costs, and other directly related expenditure.

Property, plant and equipment are stated at deemed cost in accordance with Accounting Standards AASB 1041 "Revaluation of Non-Current Assets" and AASB 1010 "Recoverable Amount of Non Current Assets"

Depreciation and amortisation

Property, plant and equipment assets are depreciated on a straight line basis at various rates being the shorter of the average useful life for that asset type and if relevant over the remaining period of the lease. Leasehold improvements are amortised over the remaining period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

The original estimated useful lives of each class of asset are:

Leasehold land	Term of the lease
Leasehold buildings	5-60 years
Runways, taxiways and aprons	2-99 years
Other infrastructure	9-40 years
Operational plant and equipment	14-20 years
Other plant and equipment	1-20 years

Leases

Leases are classified at their inception as either operating or financial leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

Assets Acquired

Assets acquired are recorded at the cost of acquisition, being the purchase consideration plus costs incidental to the acquisition.

Recoverable Amount

Where the carrying value of non-current assets exceeds their recoverable amount, the assets are written down to their recoverable amount. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market-determined risk-adjusted discount rate.

Maintenance

Major periodic maintenance expenditure on runways, taxiways and aprons is capitalised and written off over the period between major repairs. This recognises that major maintenance will increase the value of the asset and apportion the cost over the period of related benefit. Other maintenance costs are expensed as incurred.

Borrowing Costs

Establishment costs are amortised on a straight-line basis over the term of the applicable borrowings.

Borrowing costs comprise interest and the amortisation of costs incurred in establishing borrowing facilities.

Where borrowings are specifically incurred in relation to qualifying assets, the actual borrowing costs are capitalised to those assets. Where borrowings are not specifically incurred in relation to qualifying assets the capitalisation rate is determined as the proportion of the total borrowing costs which relate to the capital development. Borrowing costs are capitalised up to the date when the asset is substantially complete and ready for use and are subsequently amortised over the useful life of the asset.

Employee Entitlements

Contributions made to defined benefit superannuation plans are charged against profit when due.

Provision is made for employee benefits and related on costs accumulated as a result of employees rendering services up to balance date. The benefits include wages and salaries, incentives, annual leave, and long service leave. Provisions made in respect of employee entitlements expected to be settled within 12 months are measured at their nominal values and those not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows. In determining the present value of future cash outflows, the interest rates attached to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Provision for executives' incentives is made when the outflow of economic benefits is probable and the amount can be measured reliably. Incentives are included in executives' and directors' remuneration, as applicable, once these benefits have vested with the employee.

Foreign Currencies

Transactions in foreign currencies are converted to local currency at the rate of exchange ruling at the date of the transaction. Amounts payable to and by SACL that are outstanding at the balance date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at balance date. Resulting exchange gains and losses are included in the operating result for the year.

Liabilities

Amounts payable to other parties are recorded at the principal amount, whether or not billed to the entity. Trade payables are normally settled within 30 days. Settlement terms for other liabilities are set out in the respective notes.

Interest-bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

Bills of exchange and promissory notes are carried at the principal amount plus deferred interest.

Dividends Payable

Dividends payable are recorded when declared.

Derivative Financial Instruments

Derivative financial instruments, predominantly interest rate swaps and forward foreign exchange contracts, are transacted to manage financial risk. Speculative trading is specifically prohibited by policy.

Interest income and expense incurred under interest rate swap contracts is recognised in the Statement of Financial Performance on the same basis as the interest on the underlying financial liabilities. The carrying amounts of interest rate swaps, being a net interest receivable or payable, are accrued and included in assets or liabilities respectively.

Gains and losses on other derivative instruments are accounted for on the same basis as the underlying exposures that are being hedged. Accordingly, these gains and losses are brought to account when the gains and losses arising on the underlying exposures are recognised in the Statement of Financial Performance.

Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received by SACL.

Fair value

Fair values are determined by reference to purchasing prices in appropriate markets at the time of valuation.

Comparatives

Comparative information is not required under the Regulatory Information Requirements Part 7 of the *Airports Act 1996* and Sections 21 and 27A of the *Prices Surveillance Act 1983* – Guideline Version No. 2 – September 1998, for Sydney Airport. Note that this Summary of Significant Accounting Policies (Note 1) applies to the regulatory accounting statements for the year ended 30 June 2002, but will not apply to comparatives in some cases.

Appendix 5: Sydney Airport operational statistics

Operational statistics for the years ended 30 June 2000 and 30 June 2001

Description	Number	Number	Number	Number
	1998-99	1999-00	2000-01	2001-02
PASSENGERS				
Domestic passengers (includes regional)	14,162,607	15,405,739	17,304,786	15,454,981
International passengers (excluding transit)	7,407,506	8,048,190	8,722,667	8,037,750
International transit passengers	577,686	517,080	487,536	461,467
Domestic on-carriage	306,069	346,522	409,050	370,813
TOTAL PASSENGERS	22,453,868	24,317,531	26,924,039	24,325,011
AIRCRAFT MOVEMENTS				
Regular Public Transport aircraft movements	254,323	262,171	290,492	232,726
General Aviation aircraft movements	26,978	30,939	26,847	22,003
TOTAL AIRCRAFT MOVEMENTS	281,301	293,110	317,339	254,729
TOTAL TONNES LANDED				
	12,466	12,925	13,892	12,328
AVERAGE STAFF EQUIVALENTS				
- Aeronautical services	338	352	346	300
- Non-aeronautical services	89	122	136	108
TOTAL AVERAGE STAFF EQUIVALENTS	427	474	482	408
AREA (HECTARES)				
- Aeronautical services	718.6	669.4	669.4	669.4
- Non-aeronautical services	167.9	216.7	228.7	236.0
TOTAL AREA (HECTARES)	886.5	886.1	898.1	905.4