



REGULATORY REPORT

BRISBANE 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.

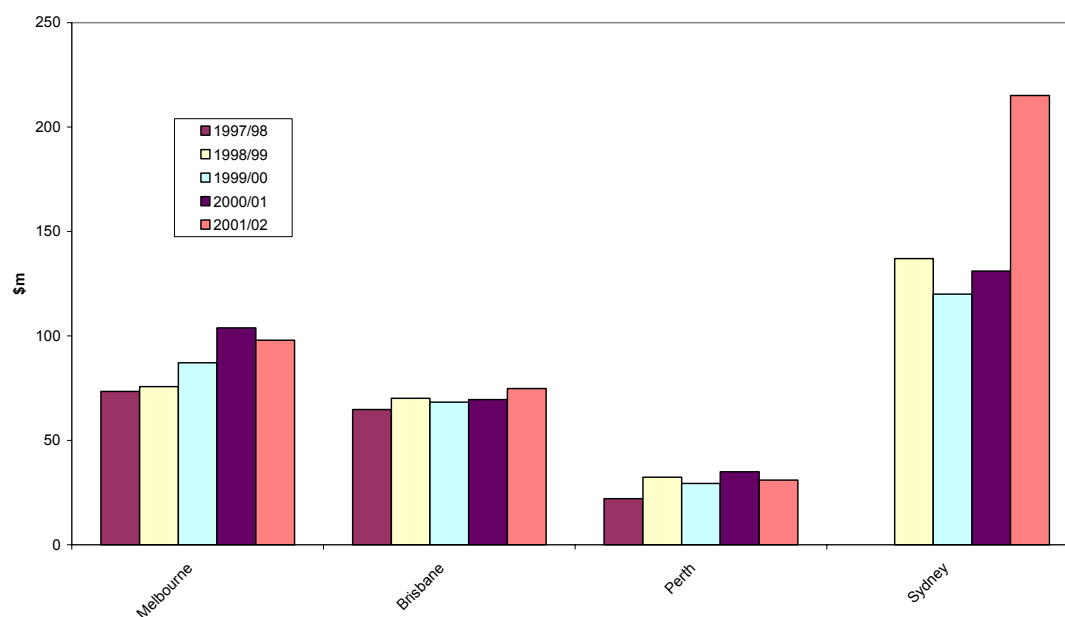
Table 1 summarises the operating financial results for the Phase I airports and for Sydney Airport in 2001/02.

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.

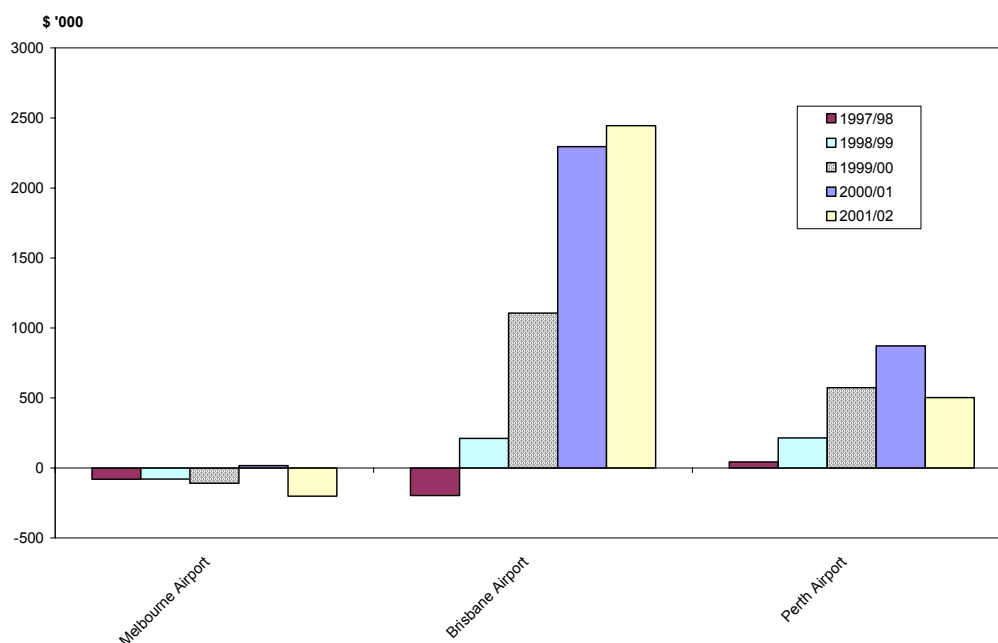
1997/98-2001/02

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 proposed 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

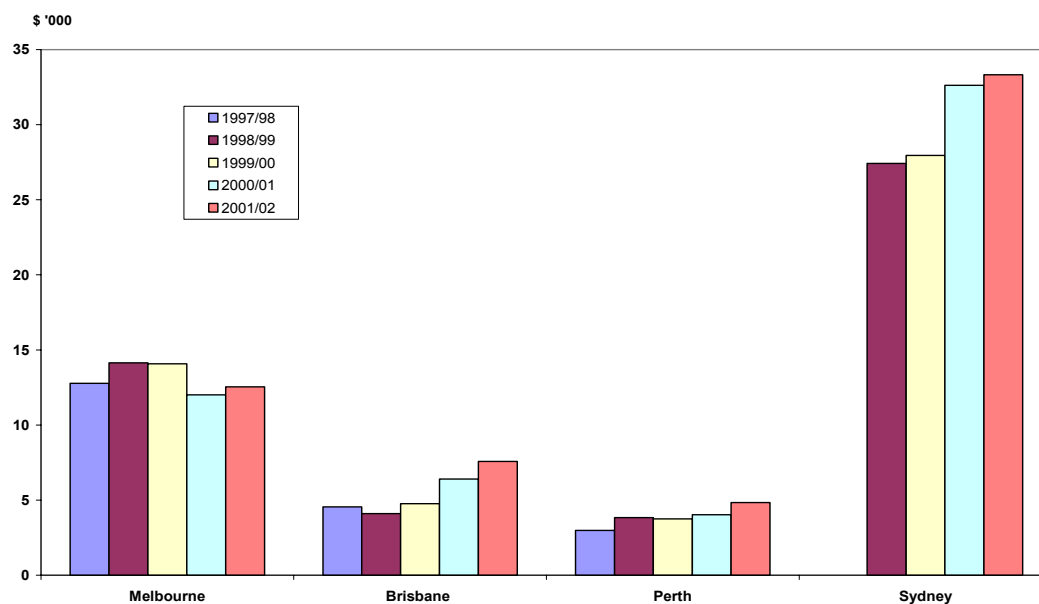
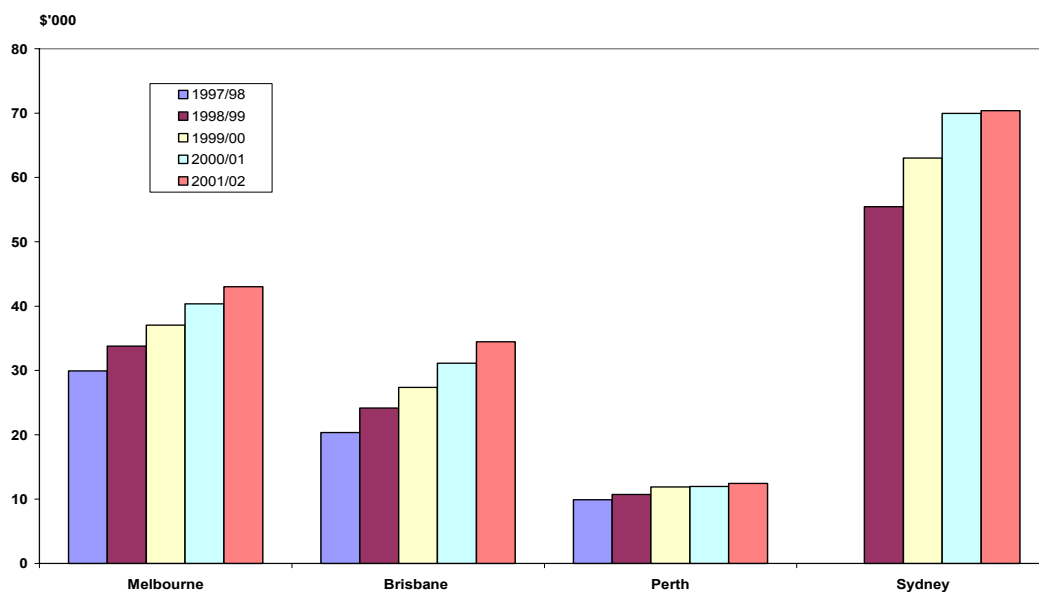


Chart D: Total revenue from aeronautical-related services 1997/98-2001/02



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.

Introduction

Until 1 July 2002 the Australian Competition and Consumer Commission (the Commission) 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 included access arrangements, and a price cap on aeronautical services for the privatised Phase I and II airports. The framework also included 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.

This is the final year in which the Commission will assess price cap compliance. 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 accounts reporting and quality monitoring 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 relates to Brisbane Airport and is divided into four sections. The first section addresses quality of service at Brisbane Airport and provides a summary of results. The second section provides information on Brisbane Airport’s financial accounts. The third section provides details on Brisbane Airport’s price cap compliance, and the fourth section addresses the formal prices monitoring requirements under section 27A of the PS Act for aero-related services.

Brisbane Airport

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

Brisbane Airport is owned and operated by Brisbane Airport Corporation Limited (BACL), which took over its operation from the Federal Airports Corporation (FAC) in July 1997. BACL's shareholders include Port of Brisbane, Commonwealth Investments Pty Ltd, Schiphol Australia Pty Ltd, Commonwealth Custodial Services Ltd and other financial institutions. BACL paid \$1.397 billion for a 50-year lease of the airport, with an option to extend that lease for a further 49 years.

This is the fifth regulatory report for Brisbane Airport. The Commission would like to acknowledge the cooperation received from BACL in providing data and responding to queries that assisted in the preparation of this report.

1. Quality of service monitoring

This section details quality of service at Brisbane Airport. It begins by providing an overview of the Commission's role in quality of service monitoring. Following this is a summary of the 2001/02 quality of service results for Brisbane Airport, the ratings for each facility or service also being reviewed over the period of monitoring since 1997/98.

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

Regulations

The Commission is required to conduct quality of service monitoring pursuant to Part 8 of the Airports Act.³ Airport operators must provide the Commission with information on a range of indicators listed in the regulations to the Airports Act (the regulations).⁴ These indicators cover various aspects of an airport's quality of service performance and are detailed in Appendix 1.

Generally, quality of service monitoring is aimed towards:

- providing transparency about airport performance;
- discouraging airport operators from providing unsatisfactory standards for services which are associated with significant market power; and
- assisting in the assessment of an airport operator's conduct as part of the review of prices oversight arrangements.

The information requested by the Commission from airport operators is directed towards meeting these objectives.

The Commission's approach

In reporting on the quality of service indicators, 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 include: airside facilities such as runways, taxiways and aprons; terminal facilities, such as international departure lounges and baggage claim; car parking; and taxi and bus pick up and drop off points. 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:

³ For a detailed description see Australian Competition and Consumer Commission, *Quality of service monitoring – Information Paper*, February 1997, available on the Commission's website at <<http://www.accc.gov.au>>.

⁴ See *Airports Regulations 1997 (Cwth)*, Schedule 2.

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

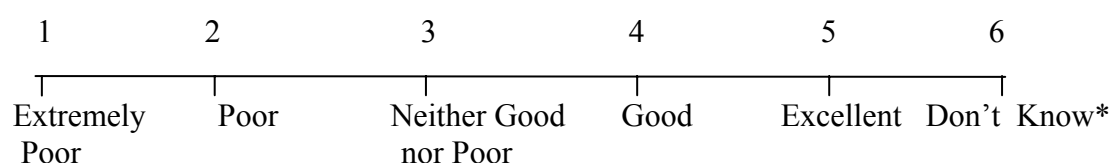
Passenger perception surveys

Passenger perception surveys were used as a source of information in assessing the quality of various services and facilities at Brisbane Airport.

BACL commissioned a market research firm, Marketshare, to conduct the passenger perception survey at Brisbane Airport. The survey was conducted over a one week period from 10 June to 16 June inclusive.

The areas covered by the survey included passenger check-in, security clearance, government inspection, lounges, washrooms, baggage collection, signage, car parking, and vehicle access for pick-ups and drop-offs. Respondents were asked to rate quality aspects such as: reasonableness of waiting times; clarity of information provided, such as airport signage; and the comfort of gate lounges. Descriptions of each indicator and the service aspects surveyed are provided in Appendix 2.

Passengers were asked to rate their level of satisfaction on a scale from one to five:



* Don't Know was recorded where respondents were unable to provide a response (due to either non-usage or a lack of familiarity with the service or facility)

The average ratings out of 5 for each area were then converted to a percentage and called a 'satisfaction index'. A summary of results from the passenger perception surveys is presented in section 1.2 below.

Airline surveys

In order to gain information on the quality of airside facilities and terminal facilities, the Commission conducted a survey of the airlines that used Brisbane Airport over the 2001/02 period. Survey responses were received from the following eight airlines: Qantas, Cathay Pacific, Japan Airlines, Royal Brunei, Singapore Airlines, Air New Zealand, Malaysian Airlines and Eva Airways Corporation.

As part of the survey, airlines were requested to rate the availability and standard of particular facilities and services on a non-numerical scale with five possible responses of 'very poor', 'poor', 'satisfactory', 'good' and 'excellent'. For the purposes of averaging, this has been converted to a 5-point scale, similar to that used for the passenger perception ratings scale above.

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, the reliability of the equipment and the possibility of it breaking down. Appendix 3 provides details of results obtained from the airline survey.

Airport operators

BACL was required to provide the Commission with information on the 'static indicators' for Brisbane Airport. These indicators included the number of passengers, the number of aerobridges, and the size of aprons available at the international airport. Details of the 'static indicators' for Brisbane Airport are provided in Appendix 4.

Australian Customs Service (ACS) and Airservices Australia

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

Issues

In assessing the quality of service at Brisbane Airport, it is important to note that the quality of service results may have been influenced by factors outside the control of BACL. Firstly, check-in services are operated by airline staff, and immigration services are staffed by the ACS, not by BACL staff. Secondly, the conduct of airlines, Airservices Australia and other service providers in carrying out their operations may have contributed to service quality outcomes. Finally, there may not have been sufficient time since the previous publication of quality of service results for airport operators to implement suggested improvements or to address deficiencies in identified areas. For example, there may be a time lag between increases in passenger and flight numbers and a corresponding increase in the capacity of terminal infrastructure. Thus, increased crowding in the lead-up to such new investment could reflect adversely in the results of some quality of service indicators. Also, improvements in quality may not have been made where the costs do not justify the expected benefits.

1.2 Quality of service results 2001/02 and review 1997/98-2001/02

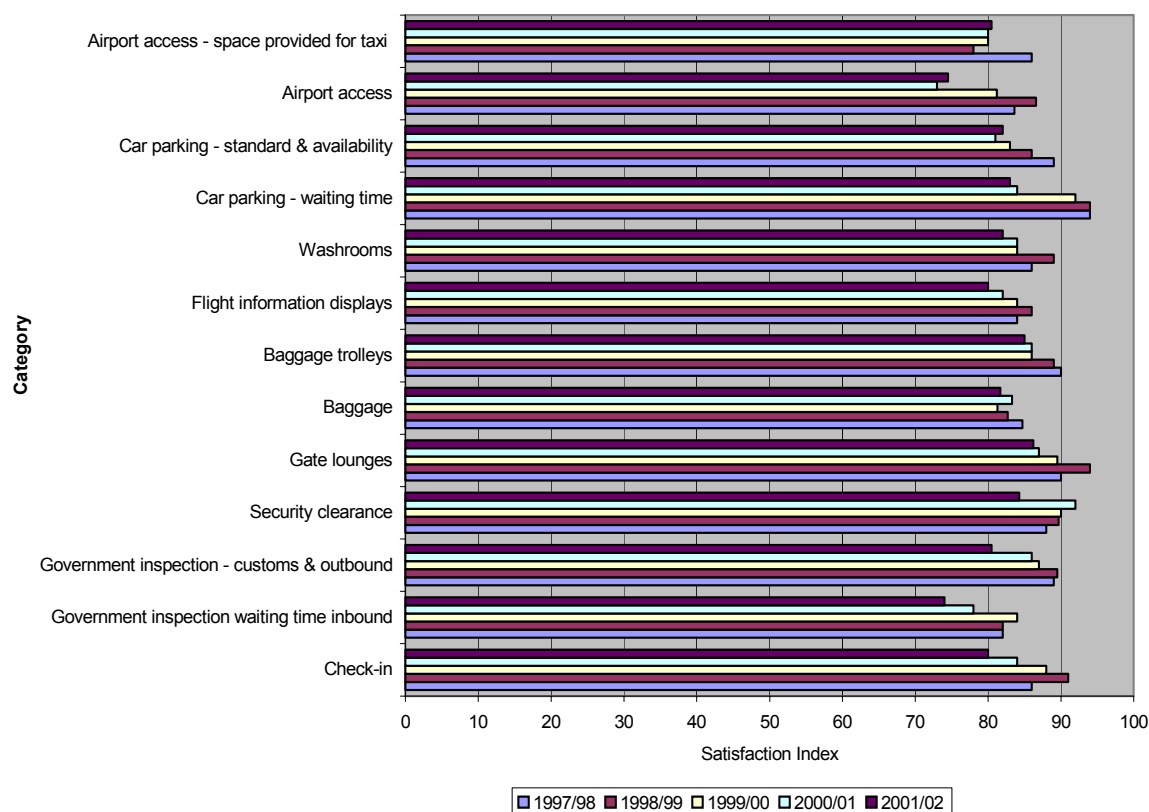
The assessment of quality of service at Brisbane Airport was made having regard to the passenger perception surveys, the airline surveys, a survey of ACS, and the additional comments and data provided by BACL.

Overall, survey results for 2001/02 suggest that airport users and passengers were quite satisfied with the availability and standard of facilities and services provided at Brisbane Airport although there has been a slight reduction in most areas compared to the previous year.

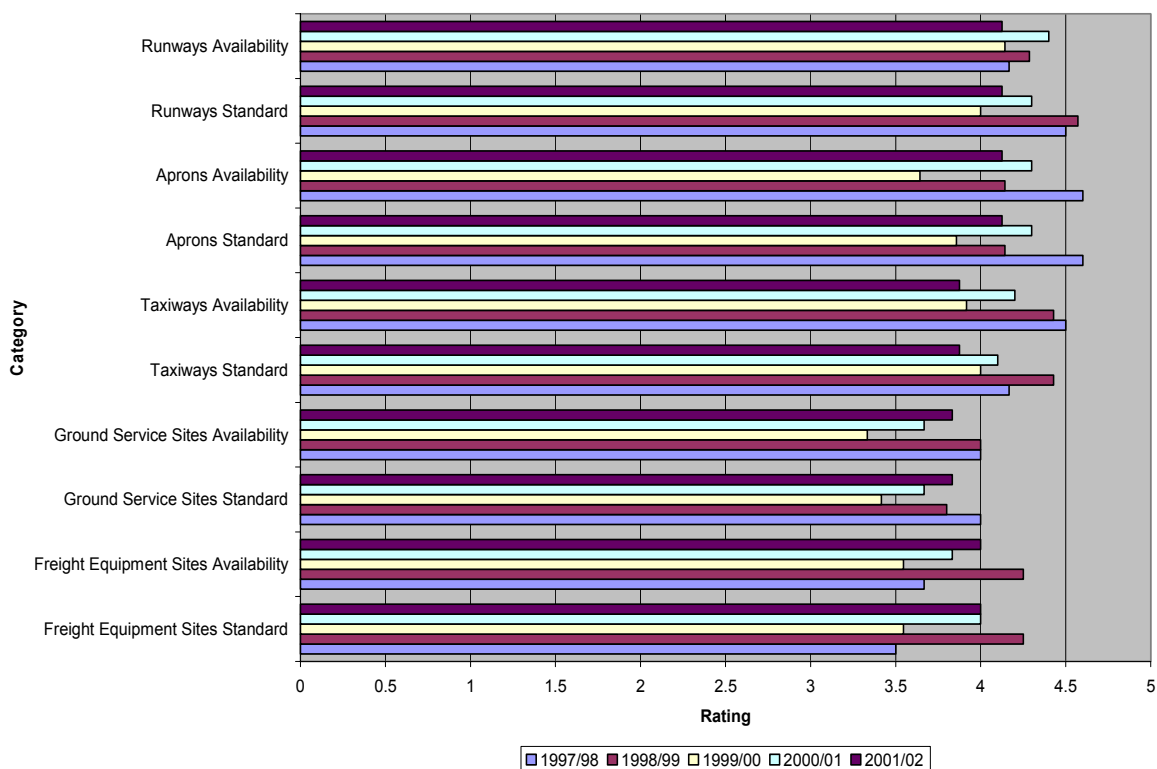
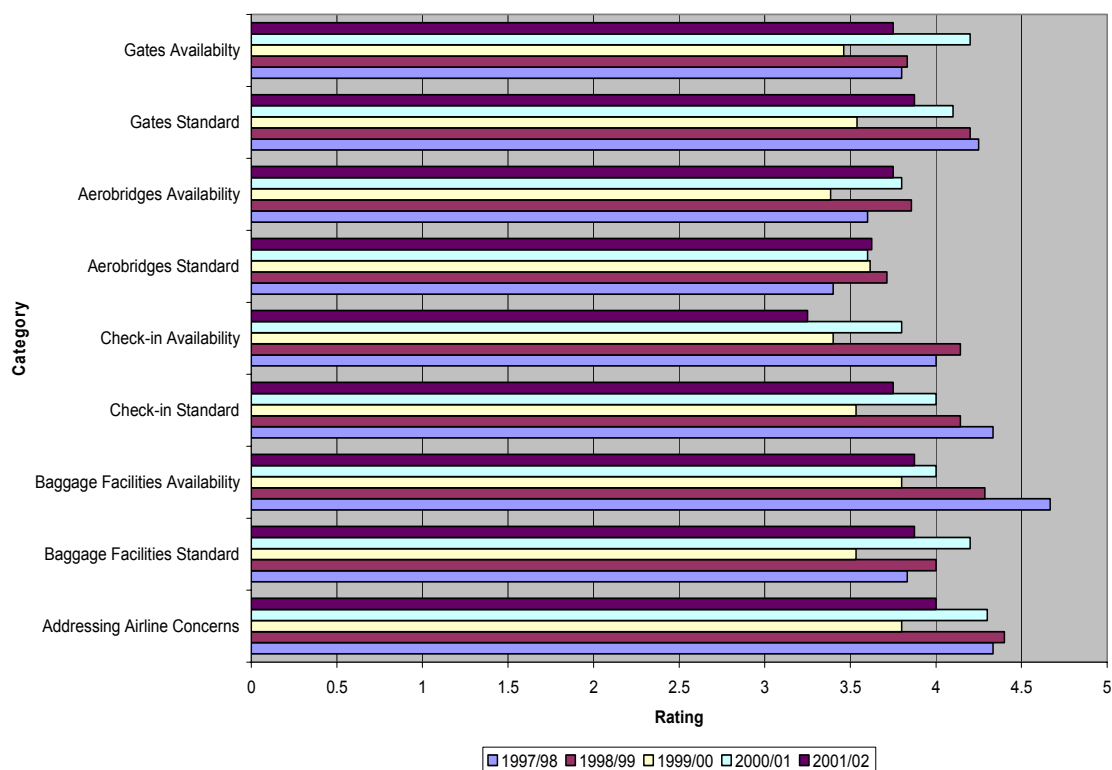
Over the five years of monitoring from 1997/98 the quality of service has been maintained at a generally good level.

The passenger perception survey results show that although a number of ratings declined in 2001/02, consistently high ratings have been achieved over the five years of monitoring. The satisfaction index has been over 80% in most areas, indicating ratings from 'good' to 'excellent'. Chart 1 compares the results over the five years of monitoring, while Appendix 2 provides a description of the indicators used.

Chart 1: Comparison of Passenger Surveys, 1997/98 to 2001/02



The airline survey results indicate that the average ratings by airlines for the availability and standard of facilities at the airport have mostly been in the range 'satisfactory' to 'good'. The average rating overall was 3.9 – slightly below 'good'. A summary of results is presented in Charts 2a and 2b. More details of the 2001/02 airline survey are given in Appendix 3.

Chart 2a: Results of Airline Surveys, Airside Facilities - 1997/98-2001/02**Chart 2b: Results of Airline Surveys, Terminal Facilities - 1997/98-2001/02**

Runways, aprons and taxiways

The quality of runways, aprons and taxiways at Brisbane Airport was assessed using the results obtained from airline surveys. For the 2001/02 year there were 150,750 aircraft movements at the airport compared to 178,360 for the previous year, a decrease of 15%.

2001/02

The availability of runways was rated by airline respondents from 'satisfactory' to 'excellent'. No comments were received. Similarly, the standard of runways was also rated from 'satisfactory' to 'excellent', with two of the six ratings being 'excellent'. No comments were received. These results represent a slight deterioration on last year's results, where the availability and standard of runways was rated from 'good' to 'excellent'.

For the first time this year Airservices Australia reported on runway movements for the 0700-1900 and 1700-1900 periods, utilisation and delays at Brisbane Airport. In 2001/02 total average monthly movements at Brisbane Airport were 12,618. In 2000/01 the average per month number of movements between 0700-1000 hrs at Brisbane Airport was 2531. In 2001/02 the average per month number of movements between 1700-1900 hours was 1661.

Airlines surveyed rated the availability of aprons as 'satisfactory' to 'excellent'. Last year's results rated the availability of aprons as being 'good' to 'excellent'. Brisbane Airport had 13 international terminal apron positions for aircraft parking at 30 June 2002.

The standard of aprons was rated by airline respondents as 'good' to 'excellent'. Whilst one airline gave a rating of 'good' for apron standard, they did comment that sweeping of the aprons was almost non-existent, with BACL leaving it to operators to clean up before use.

In comments provided to the Commission, Brisbane Airport notes that international and domestic aprons are cleaned regularly, three times a week.

Airline respondents rated the availability and standard of taxiways at Brisbane Airport as generally 'satisfactory' to 'excellent'. No comments were received. These results represent a small decline in standards, the ratings for these services last year being 'good' to 'excellent'.

Overall, ratings appear to have slipped slightly when compared with last year. In 2000/01, most indicators were rated 'good' to 'excellent'. This year, most indicators have been rated 'satisfactory' to 'excellent'. It should be noted, however, that the majority of airlines rated these services 'good' or 'excellent'.

1997/98-2001/02

Over the period of monitoring, runways have been consistently rated by airline survey respondents as 'good' to 'excellent', both in terms of availability and standard, although the last financial year has seen one airline rate standards and availability as 'satisfactory'. Over the same period, annual aircraft movements were 2.2% lower in

2001/02 than 1997/98, the first year of monitoring. A comment made in both 1998/99 and 1999/2000 regarding availability raised the issue of congestion when weather conditions are adverse.

Aprons were generally rated 'good' to 'excellent' both in terms of availability and standard over the first two years of monitoring. In the third year, 1999/2000, the overall ratings declined to 'satisfactory' to 'good' but increased to 'good' to 'excellent' in 2000/01. In 2001/02 one airline rated these services as 'satisfactory', but overall the results for 2001/02 were only slightly lower than for 2000/01.

Taxiways were rated as 'good' to 'excellent' for both availability and standard for the first year of monitoring, 1997/98. Over the two subsequent years, ratings were in the 'satisfactory' to 'good' range but increased for the 2000/01 year. The last financial year has seen ratings from 'satisfactory' to 'excellent'.

Overall the Commission considers that the availability and standard of the runway, apron and taxiway system has been high over the period of monitoring.

Gates

The quality of gates at Brisbane Airport was assessed using information obtained from the airline surveys and information provided by BACL.

2001/02

Brisbane Airport had 13 gates at 30 June 2002, the same number as at the end of the previous year. The availability of gates was rated from 'satisfactory' to 'good' by airline respondents, which represents a decline on the previous year's ratings. Two comments were made to the Commission. One airline was concerned that gates at the domestic terminal have been cramped and that there exists only limited overnight parking capabilities. Another airline commented that it would prefer not to be towed after arrival and prior to departure. The standard of gates was generally rated as 'good' with one rating of 'excellent'. No comments were received from airlines.

In comments provided to the Commission, BACL suggests that the cramped gates may have related to the period when Virgin Blue was expanding rapidly, but that the situation had eased with Virgin Blue moving into the southern end of the DTB. BACL also suggests that aircraft delays affect congestion, with only 17% of Qantas departures from the DTB being on time. Regarding towing, BACL responded that the completion in April of the southern concourse at the ITB has virtually removed any need for towing of aircraft on the ITB apron, where all long layover aircraft can now remain on bay and generally on an aerobridge bay.

1997/98-2001/02

Gates were generally rated as 'good' for both availability and standard in the first year of monitoring, but in later surveys were rated 'satisfactory' to 'good' before improving in 2000/01, in which two additional gates were made available. During 2001/02, ratings slipped slightly, with most responses being 'satisfactory' to 'good'. One comment made numerous times over the period of monitoring has been that aircraft sometimes need to be towed from the terminal on account of other aircraft requiring access to aerobridges.

Ground service equipment storage sites

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

2001/02

Ground service storage sites were generally rated by airline survey respondents as 'good' both in terms of availability and standard. The 2001/02 ratings appear to be similar to the previous year's. One airline commented that, while sites are located close to apron positions, access is currently disrupted by apron and terminal expansion works.

In comments provided to the Commission, Brisbane Airport notes that terminal expansion works were completed in March 2002.

1997/98-2001/02

Over the period of monitoring, the availability of the storage sites has been rated from 'satisfactory' through to 'excellent'. Following a comment made in the first year that congestion existed, BACL responded that it was prepared to extend the area.

The standard of the sites has been generally rated as 'good' and one airline commented in 1999/2000 that the site was well planned and new, although another noted a need for tie-down points in the event of cyclones.

Overall, the ratings of availability and standard of these facilities has been generally maintained over the period of monitoring.

Freight equipment storage sites

The quality of freight equipment storage sites at Brisbane Airport was assessed using airline surveys.

2001/02

The availability of freight equipment storage sites was rated from 'satisfactory' to 'excellent' by airlines which represents a slight increase on last year's ratings. No comments were received from the airlines.

The standard of the facilities was also rated from 'satisfactory' to 'good'.

1997/98-2001/02

Freight equipment storage sites have generally been rated by airline respondents as 'good', although in 1999/2000 the comment was made that there needed to be expansion in order to accommodate future growth.

Overall, the ratings of availability and standard of these facilities has been generally maintained over the period of monitoring.

Aerobridges

The quality of aerobridges at Brisbane Airport was assessed using airline surveys and information provided by BACL.

2001/02

Airline surveys generally rated the availability of aerobridges as being 'good', although there was one rating of 'excellent'. Overall, the ratings were similar to the previous year's while the number of international passengers was 3.9% lower than for the previous year.

Brisbane Airport had 10 aerobridges for international aircraft at 30 June 2002, an increase on the eight recorded at the end of the previous year. For the 2001/02 year, over 99% of all passengers embarking or disembarking used an aerobridge, which was slightly higher than the previous year.

The standard of aerobridges was generally rated by airline respondents as 'satisfactory' to 'good'. This represents a slight decrease on the previous year's results. One airline commented that cleanliness still needs to be improved. Another airline commented that the quality of aerobridges is deteriorating at the international terminal. BACL responded that a comprehensive maintenance and cleaning program is already in place on these aerobridges.

1997/98-2001/02

Over 98% of passengers have used an aerobridge for embarkation or disembarkation in each year of monitoring. The standard of aerobridges was rated as 'good' in 1997/98 but over subsequent years ratings have tended towards 'satisfactory' to 'good'. A comment made in 1999/2000 was that aerobridges were fixed and could not be manoeuvred, making aircraft difficult to park.

The availability of aerobridges was rated by airline survey respondents as 'satisfactory' to 'good' in the first year of monitoring but in later years ratings mainly ranged from 'poor' to 'good'. It was commented in the first year of monitoring that availability was tight at peak times, and in 1999/2000 it was commented that there were insufficient aerobridges in relation to parking gates at the international terminal. In response, BACL introduced two additional aerobridges.

Overall, ratings of the availability and standard of aerobridges have generally been maintained. BACL has also recently increased the number of aerobridges.

Check-in facilities

The quality of check-in facilities at Brisbane Airport was assessed using airline surveys, passenger perception surveys and information provided by BACL.

2001/02

Airline respondents generally rated the availability of check-in desks as 'good' but a rating of 'poor' was also given. Overall, the ratings were slightly lower than for the previous year. A number of airlines were concerned that check-in desks are often congested and that the passenger queues can become extremely long, with not enough space existing to accommodate the passengers.

The majority of airlines surveyed rated the standard of check-in desks as 'good'. A small number of airlines expressed concern with IT issues.

Brisbane Airport had 54 check-in desks at 30 June 2002, the same as at the end of the previous year. Over the year, there were 2,575,738 international passengers (excluding transit passengers) through the airport compared to 2,680,299 for the previous year.

As other indications of availability, BACL reported that the number of hours during the year when more than 80% of desks were required equated to a total of 3 hours, or less than half a per cent of the time any check-in desks were open during the year. This figure is much lower than last year, when more than 80% of desks were required for a total of 87 hours.

The index level of satisfaction in passenger surveys, 80%, was slightly lower than last year's figure of 84%.

In comments provided to the Commission, Brisbane Airport notes that additional security arrangements since 11 September have resulted in longer check-in delays. Brisbane Airport also states that the IT issue is not a matter for the airport operators but an issue for the airlines and the IT service provider.

1997/98-2001/02

Over the first two years of monitoring, airline survey respondents generally rated the availability and standard of check-in facilities as 'good' to 'excellent'. In the third year, 1999/2000, ratings from airlines for availability were 'poor' to 'excellent', and 'satisfactory' to 'good' with regards to standard. Last year, ratings for availability were generally 'good', with 'good' to 'excellent' for standard.

In 1999/2000, some airlines commented on the need to share desks with other airlines and that, generally there was an insufficient number of desks, especially when airline schedules overlapped. Airlines again complained about congestion in this year's surveys.

In comments provided to the Commission, Brisbane Airport notes that it is currently looking into the installation of an additional row of nine check-in counters in 12 months time due to the increasing issue of group check-in, as currently 40% of passengers departing are checking in as part of a group.

Some critical comments were also made in terms of the standard of check-in desks regarding inefficient maintenance and that boarding pass and tag printers needed replacement. BACL responded that it considered these to be airline issues.

Overall, ratings of the availability and standard of these facilities has slightly declined over the period of monitoring, especially availability of check-in counters.

Government inspection

The quality of Government inspection at Brisbane Airport was assessed using passenger perception surveys, a survey of ACS, and information provided by BACL.

2001/02

Of passengers surveyed, 68% rated the waiting time at Government inspection (inbound) as 'good' to 'excellent' and 87% rated waiting time for outbound

inspection as 'good' or excellent'. The average rating of 74% is slightly less than last year's satisfaction index of 78%.

BACL had 26 inbound immigration desks and 20 outbound immigration desks at 30 June 2002, the same as at the end of the previous year.

ACS has rated the overall availability of facilities provided for circulation and queuing, signage, lighting, desks and passenger facilities at immigration (arrivals) as 'poor'. ACS commented that whilst snake queues have alleviated some congestion in the ECP area, overall there is insufficient queuing area pre-ECP, with duty free stores encroaching too far into the queuing area and hindering the benefit of directional signage. ACS also considers that the space provided for queuing of transit passengers entering the transit lounge is inadequate and encroaches on passenger's ease of access to ECP.

In comments provided to the Commission, BACL states that it has just completed modifications to the duty free store and the area just prior to the ECP which includes changes to lighting levels, signage and queuing. It is of the view that this should address the issues raised by ACS. BACL also notes that additional queuing has occurred due to security measures following 11 September, and that queuing issues in morning peaks have been raised with ACS at a national level.

ACS rated the standard of the government inspection facilities as 'satisfactory'. ACS stated that lighting is poor and needs upgrading. Similarly, ACS considers that the design of tables (pre-ECP) for completion of documents is unsatisfactory, and that there are no facilities for people in wheelchairs to complete documents.

1997/98-2001/02

Over the five years of monitoring, the number of inbound and outbound immigration desks provided at Brisbane Airport has been constant. Passengers have consistently rated the waiting time at Government inspection, both outbound and inbound, as 'good' to 'excellent', although the average rating has fallen slightly in the last two years.

The ACS has provided ratings and comments since the second year of monitoring, 1998/99. Over the years it has commented on congestion at queuing points for outbound passengers and what it considered to be a lack of security.

In 1999/2000, ACS stated that it believed signage was confusing and that the availability of toilet facilities in the baggage reclaim area were not adequate. BACL however, responded that ACS was under staffed, that the queuing problem could be solved with the earlier introduction of "snake queuing" and that the signage referred to was the responsibility of ACS. Since this time, snake queues have been introduced and this year ACS commented that they had alleviated some congestion. Nonetheless, ACS is still concerned about congestion and security at BACL.

Security

The quality of security screening procedures at Brisbane Airport was assessed using passenger perception surveys and information provided by BACL.

2001/02

Of passengers surveyed, satisfaction with the quality of security screening received an average rating of 84%, a slight decrease on last year's result of 92%. Satisfaction with waiting time was rated at 86%, a slight decrease compared to last year's results.

Brisbane Airport had 4 security systems at 30 June 2002, an increase on the number of security systems in place last year (3).

In comments provided to the Commission, Brisbane Airport notes that it is looking at ways to redesign the security clearance system on the understanding that the increased security measures will remain in force indefinitely.

1997/98-2001/02

Over the first four years of monitoring, three security clearance systems were provided, this number being increased to 4 in the last year. This is not surprising in light of recent world events. Passengers have consistently rated security screening as 'good' to 'excellent'.

Gate lounges

The quality of gate lounges at Brisbane Airport was assessed using passenger perception surveys and information provided by BACL.

2001/02

Of passengers surveyed, about 93% rated the availability, comfort and cleanliness of seating as 'good' or 'excellent', and 83% rated the size of the departure lounge as 'good' or 'excellent'. The satisfaction index was approximately 86%. These ratings are similar to the previous year although the number of international passengers through the airport has decreased.

At 30 June 2002, there were 1,522 seats provided in gate lounges at Brisbane Airport, an approximately 25% increase on the previous year's number. The increase was due to the addition of two new boarding gates.

1997/98-2001/02

Passengers have consistently rated gate lounges as 'good' to 'excellent' in terms of seating availability, comfort of seating, cleanliness and adequacy of area provided.

Baggage processing facilities and trolleys

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

2001/02

Airline survey respondents generally rated the availability and the standard of baggage processing facilities as 'good'. The rating for availability is similar to the previous year's although standard seems to have declined slightly.

One airline commented that at times inconsistent reads of baggage tags occur, and another airline commented that BACL staff needed to provide more prompt attention to equipment problems. In this case, the airline commented baggage has fallen from Carousel 1 as there is no retaining equipment. The airline found that in some cases, baggage arrived at the arrival hall more than one hour after the passengers departed. Furthermore, the airline claimed that JL762 (departure) had caused damage to luggage and that the number of damage cases experienced by the airline has increased since they started using this belt.

In comments provided to the Commission, BACL suggests that the inconsistency of baggage tag reads was due to operator error, and claims that the problem of baggage falling off has been fixed by procedures put in place for checking by the baggage handlers.

At 30 June 2002, Brisbane Airport had a baggage system with a capacity of 6,000 bags per hour for outbound baggage, and 9,000 bags per hour for inbound baggage. This has not altered from the 2000/01 survey. Over the 2001/02 year, BACL handled 1,441,000 outbound bags compared to 1,557,201 outbound bags the previous year. Considering the downturn in passenger numbers, this is not surprising.

Of passengers surveyed, 76% rated the waiting time at baggage reclaim as 'good' or 'excellent'. Eighty-two percent of passengers interviewed rated the size of the baggage reclaim area as 'good' or 'excellent' and 86% rated the ease of finding the appropriate carousel as 'good' or 'excellent'. Seventy-five percent (75%) of passengers rated the ease of finding baggage trolleys as 'good' or 'excellent'.

ACS again rated the availability of facilities such as space to avoid congestion, provision of passenger privacy and appropriate access and security at baggage inspection (arrivals) as 'poor'. ACS commented however that queuing has improved with better signage, coloured paint and floor markings. Similarly, ACS commented that improvements to the baggage examination area have also been made, however the area is still quite cramped and offers little privacy. ACS also believes that directional signage is poor.

In comments provided to the Commission, Brisbane Airport notes that the baggage examination area was modified late last year due to the Government's requirement for upgraded quarantine inspection.

1997/98-2001/02

Passengers surveyed have rated the waiting time for baggage, signage in reclaim areas and the ease of finding trolleys as 'good' to 'excellent' over the period of monitoring.

In the first survey, airlines generally rated the availability of baggage processing facilities as 'good' to 'excellent'. While most ratings for availability were 'good' in 1999/2000, the range was from 'poor' to 'excellent'. A comment made in 1999/2000

was that the system could not adequately manage peak requirements. Results in 2000/01 and 2001/02 were similar to earlier years.

The capacity of the baggage system has been unchanged at 6,000 bags per hour for outbound baggage and 9,000 bags per hour for arriving baggage.

The ratings from airline survey respondents of the standard of baggage processing facilities has generally ranged from 'satisfactory' to 'excellent' over the period of monitoring. Airlines have provided a number of comments over the period. In the first year of monitoring, these concerns related to baggage tags not being correctly read and the malfunctioning of bag scanners. In 1999/2000, it was commented that there were more belt stoppages (for outbound baggage) with checked baggage screening. Belt problems were also commented on in 2000/01. In 2001/02, the areas of most concern included carousel and belt equipment failure, as well as inconsistent reads of tags.

Flight information displays

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

2001/02

Seventy-eight percent of passengers surveyed rated the quality of this facility as 'good' to 'excellent'. The satisfaction index was 80%. Both figures represent a slight decrease on last year's results.

1997/98-2001/02

Over the period of monitoring, passengers surveyed have consistently rated flight information displays as 'good'.

Washrooms

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

2001/02

Eighty-two percent of passengers rated the overall standard of washrooms as 'good' to 'excellent'. A satisfaction index of 82% was achieved. Both results are similar to last year's.

1997/98-2001/02

Over the period of monitoring, passengers have consistently rated the standard of washrooms as 'good'.

Car parking and airport access

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

2001/02

Of passengers surveyed, 68% rated the availability of car parking spaces as 'good' and a further 23% as 'excellent'. There were similar or higher levels of satisfaction with waiting time to enter the car park and the overall standard of the facilities. These results show an improvement on last year's results.

Brisbane Airport had 4,335 car parking spaces at 30 June 2002, a decrease from 4,425 at 30 June 2001.

Kerbside access is required to allow passengers to be dropped off and picked up by taxis, buses and other vehicles. Ninety percent (90%) of passengers surveyed rated the suitability of area provided for taxis as 'good' or 'excellent', although only 69% rated the space available as 'good' or 'excellent'. The suitability of the area provided for car kerbside drop-offs and pick-ups was rated as 'good' or 'excellent' by 74% of passengers, but only 56% rated the space available as 'good' or 'excellent'.

In comments provided to the Commission, Brisbane Airport notes that additional security measures have resulted in a reduction in kerbside dwell times and parking.

1997/98-2001/02

Passengers surveyed have consistently rated the availability of parking spaces, waiting time to enter the car park and the standard of the car park as 'good' or 'excellent'.

The overall number of car parking positions increased over the term of monitoring from 3,546 at 30 June 1998 to 4,335 at 30 June 2002, with minor fluctuations between the years.

After a peak satisfaction index of 86% in 1997/98, this figure fell to 78% in 1998/99 and has since remained at about 80%.

Passenger surveys showed a satisfaction index of approximately 84% with regards to kerbside access for cars in 1997/98, a figure which increased to 87% in 1998/99. Following a small decline in 1999/00, an average rating of 73% was given in 2000/01. This figure increased slightly in 2001/02.

Consultation with airlines

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

2001/02

The Commission asked airlines to rate and comment on BACL's performance in addressing airline concerns on quality related issues. The responses ranged from 'satisfactory' to 'excellent' which was similar to the previous year.

Comments from airlines included that forums exist for consultation but that these can be slow to achieve results. Other comments suggested that the airport needs to address some areas such as the arrival baggage carousel and the oversized departure belt.

The ACS again rated BACL's responsiveness to concerns as 'satisfactory'. ACS commented that the responsiveness of the airport operator is quite reasonable and that there is co-operation.

1997/98-2001/02

Airlines have generally rated the level of BACL's consultation with them as 'good' to 'excellent', although there were some 'satisfactory' ratings in 1999/2000 and again this year. Comments have generally been favourable, referring to an improvement under the new operator and a good level of information flow. It is noted, however, that in recent years some airlines have expressed concern about the time taken for BACL to achieve results.

The ACS has consistently rated BACL's responsiveness as 'satisfactory'.

2. Regulatory accounts reporting

This section reports on Brisbane Airport's financial accounts. An outline of the financial reporting requirements is given first, followed by a summary of figures from the financial accounts for Brisbane Airport for the 2001/02 financial year.

2.1 The Commission's approach

Under Part 7 of the Airports Regulations made under the Airports Act, operators of the core-regulated airports are required to provide the Commission with annual financial accounts within 90 days after the end of a prescribed accounting period.⁵ The accounts include a Profit and Loss Statement, Balance Sheet, and Statement of Cash Flows. In addition, 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 accounting statements and supporting schedules are presented 'fairly' and in accordance with the published guidelines⁶, the Airports Act, and the regulations made pursuant to that Act.

BACL states it has prepared its accounts in accordance with these guidelines. However the Commission notes that BACL did not provide the Commission with the final financial accounts until November 2002.

2.2 Brisbane Airport Corporation Limited: Regulatory accounts 2001/02

BACL reported on a period of activity from 1 July 2001 to 30 June 2002. Over the entire airport, a loss after tax of \$7.1 million was reported. This result was significantly affected by interest expense of \$81.4 million.

As at 30 June 2002, BACL controlled total assets valued at \$1,559 million. Of this total, \$640 million comprised a 'lease premium', which represented the cost of acquiring the airport business in excess of the net tangible assets acquired, as calculated by BACL, at 2 July 1997, less amortisation to date.

BACL's independent auditors attest to the appropriateness of its systems and records which enables it to comply with the requirement to separate accounting information between aeronautical and non-aeronautical activities.

⁵ Phase I airports refer to Melbourne, Brisbane and Perth Airports.

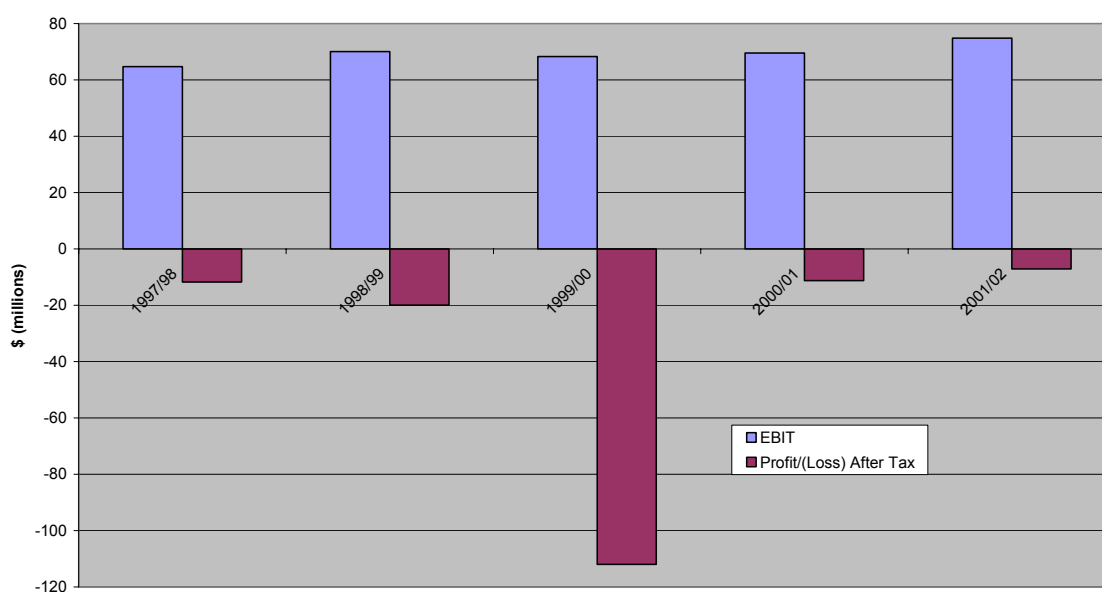
⁶ ACCC, *Regulatory Information Requirements under Part 7 of the Airports Act 1996 and Sections 21 and 27A of the Prices Surveillance Act 1983: Guideline –Version No.2, September 1998.*

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

- depreciation was allocated on the basis of the function of the relevant asset;
- services and utilities (eg. electricity) were allocated by historical metered usage;
- Australian Protective Services were allocated on a landed tonne basis; and
- other expenses included allocation by square metres for functions within the terminal, landed tonnes and by a staff function.

Chart 3 shows changes in Brisbane Airport’s before and after tax profitability over the period of reporting.

Chart 3: EBIT & Profit, 1997/98 – 2001/02



A summary of the regulatory accounts is attached at Appendix 5.

3. Price cap compliance

This section details Brisbane Airport's price cap compliance for the 2001/02 financial year.

3.1 The Commission's role – price cap

Up until 30 June 2002, certain aeronautical services at Brisbane Airport were declared under section 21 of the PS Act for price surveillance. Declaration 87 made by the Treasurer pursuant to the PS Act declared the services at Phase I airports. The declaration covered aircraft movement areas (eg. runways, aircraft parking areas) and passenger processing areas (eg. aerobridges, departure lounges).⁷

At all privatised 'core regulated' airports, declared services were subject to CPI-X price caps. The X factors were based on expected productivity improvements.⁸ The X factor for Brisbane Airport was 4.5 per cent per annum and was set for five years from

1 July 1997. The Treasurer's Direction 24 sets out details of the price cap formula, the X values and other issues relevant to the Commission's administration of the cap.⁹

Declaration required an airport operator to notify the Commission of a proposal to increase charges for the services covered by the declaration. The legislative framework did not give the Commission the discretion to object to proposed price increases that fall within the parameters set by the price cap.

3.2 Price cap compliance 2001/02

Price cap compliance is calculated on a revenue-weighted average price basis. According to this approach, increases in average charges over the year are weighted by that component's proportion of revenue for the previous period.

Aeronautical services at Brisbane Airport were subject to a price cap set at CPI less an X factor of 4.5 per cent per annum. The relevant CPI figure used to assess price cap compliance for the 2001/02 period was 2.8 per cent, meaning that BAC was required to lower its average aeronautical charges in nominal terms by 1.7 per cent. In addition Brisbane Airport had an over recovery from previous years of 3.3 per cent so that to comply it would need to lower charges by 5.0 per cent.

Using data provided by BAC, the Commission assessed whether Brisbane Airport complied with the price cap over the year ending 30 June 2002. A summary of movements in charges subject to the cap is provided below (see Table 3). Details of

⁷ A copy of Declaration 87 is available on the Commission's website, under Airports.

⁸ For a detailed explanation of the arrangements see Australian Competition and Consumer Commission, "*Administration of Airport Price Cap Arrangements*", January 1997.

⁹ A copy of Direction 24 is available on the Commission's website, under Airports.

price notifications are available from a public register maintained by the Commission pursuant to section 23 of the PS Act.

Table 3: Changes in charges subject to price cap for year ended 30 June 2002

Charge	Basis	Charges 30/6/01 (incl. GST)	Charges 30/6/02 (incl. GST)
Landing charges (domestic and international)	Per landing per 1,000kg MTOW (maximum take-off weight)	\$5.70	\$6.24
International Terminal charge	Per landing per 1000kg MTOW	\$2.94	\$4.04
Domestic Terminal			
Common User Area Level 1 & 2 (inc. Aerobridge)	Per aircraft turnaround based on the usage of Level 1 & 2 of the domestic terminal building.	\$334.46	\$358.31
Common User Area Level 1 & 2 (exc. Aerobridge)	Per aircraft turnaround based on the usage of Level 1 & 2 of the domestic terminal building.	\$229.04	\$246.37
Common User Area Level 1 (exc. Aerobridge)	Per aircraft turnaround based on the usage of Level 1 of the domestic terminal building.	\$123.60	\$134.24
Aerobridge Only Usage	Per aircraft turnaround based on the usage of aerobridges at the domestic terminal building..	\$263.58	\$280.33
RPT below minimum fixed wing	\$ per landing	\$5.70	\$6.24
GA Itinerants rotary wing	\$ per landing	\$2.97	\$2.97
Parking	\$ per day	\$11.61	\$12.35

Note: The final charges include a one-off increase and necessary new investment component, each of which is excluded from the price cap calculations.

Direction No. 24 – One-off price increase due to suspension of services by Ansett

After the suspension of services by Ansett Airlines in October 2001 the Government directed the Commission to allow a price increase for the following airports - Brisbane, Melbourne and Perth. Direction 24 specified that the price increase was to

be based on a percentage of each airport's starting point prices¹⁰. The starting points for the price cap arrangements are the Federal Airports Corporation prices introduced on 1 January 1997.

Direction 24 allowed Brisbane Airport to increase its charges by 6.7% of starting point prices for aeronautical services regulated by the price cap. For the purposes of price cap compliance the one-off increase was not included in the compliance price.

Offset in the price cap for ground facilities project

In November 2001 Brisbane Airport notified the Commission of its intention to revise aeronautical charges. This notification included an offsetting adjustment to the compliance charge to recover the costs of a ground facilities project which the Commission accepted in its final decision in January 2002¹¹. For further details of the decision visit the ACCC website at <http://www.accc.gov.au>.

For the purposes of calculating compliance with the price cap, the Commission has reduced the landing charge by \$0.20 per tonne MTOW to offset for the ground facilities project.

To assist the Commission in assessing price cap compliance at Brisbane Airport, BACL provided disaggregated revenue data for aeronautical services for the 2001/02 financial year. The information provided also included the number of units (eg. tonnes landed) and annual revenue for each category of charges. A summary of price cap compliance at Brisbane Airport is provided in Table 4 below.

¹⁰ Direction No 24 pursuant to the *Prices Surveillance Act* 1983 available on the ACCC's website at <http://www.accc.gov.au>.

¹¹ ACCC, 'Decision - Brisbane Airport – Proposal to increase aeronautical charges to recover the costs of necessary new investment', January 2002.

Table 4: Aeronautical revenue and price cap compliance for year ended 30 June 2002

Description	Number of Units	Base Charge (Price per unit)	Revenue \$32,727,427	Compliance Price (\$)	Rate Variation (% change)	Revenue Share 2000/01	Compliance (%)
<i>Landing Charges:</i>							
Domestic	3,263,783	\$5.23 per 1000kg MTOW	\$16,865,084	\$4.94 ²	-5.52%	51.8%	-2.86%
International	1,785,728	\$5.23 per 1000kg MTOW	\$9,127,738	\$4.94 ³	-5.52%	28.4%	-1.57%
International Terminal Charges	1,779,129	\$2.39 per 1000kg MTOW	\$3,961,552	\$2.23	-6.83%	12.9%	-0.88%
Landing Charge General Aviation	63,197	\$5.18 per 1000kg MTOW	\$373,764	\$5.91	14.17%	1.9%	0.27%
Domestic Terminal	10,391	\$121.32 per terminal	\$1,456,930	\$140.21	15.57%	3.1%	0.48%
Vehicle Access Charge – Taxis	1,026,583	\$0.91 per trip	\$934,191	\$0.91	0.00%	1.8%	0.00%
Actual reduction in charges 2001/02							-4.56%
Reduction required to comply with cap							
CPI-X, 2.8-4.5							-1.70%
Past over-recovery							3.31%
Required compliance							-5.01%
Over-recovery % - 2001/02							0.45%
Over-recovery 2001/02							\$148,890
Over-recovery brought forward (2000/01)							\$2,295,334
Total revenue over-recovery to 2001/02 – end							\$2,444,225

Notes: 1) Revenues and charges are exclusive of GST.

2) For the purposes of price cap compliance the domestic landing charge has been adjusted by \$0.20.

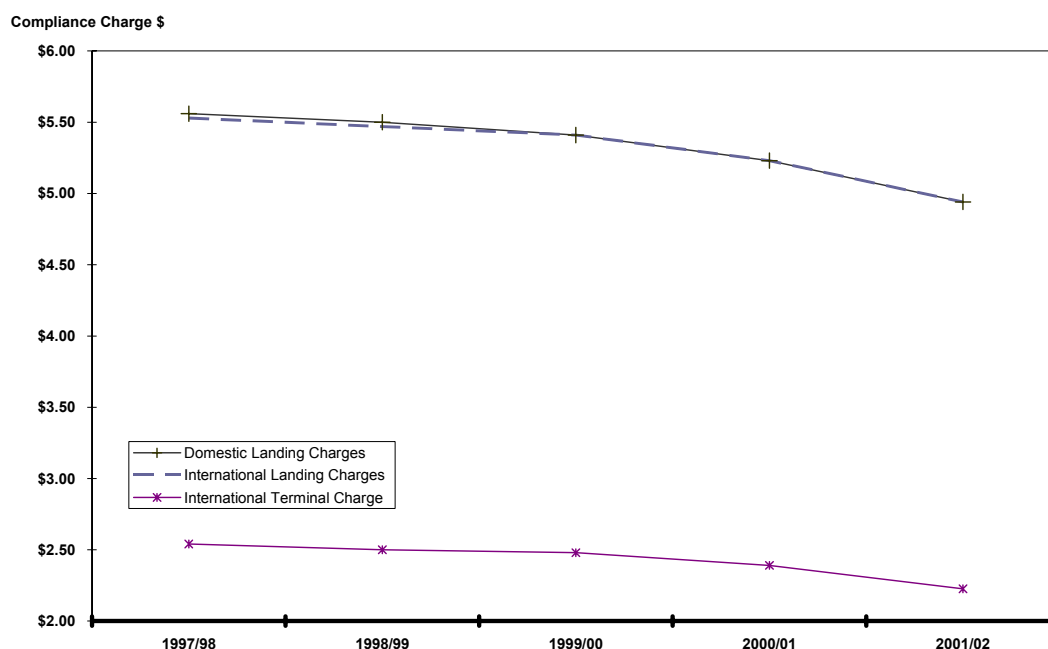
3) For the purposes of price cap compliance the international landing charge has been adjusted by \$0.20.

Based on the above reconciliation, Brisbane Airport reduced charges for the 2001/02 period by 4.56%, against a required reduction of 5.01% to comply with the cap. Combined with the revenue over-recovery carried forward from 2000/01 of \$2,295,334, Brisbane Airport's total over-recovery was \$2,444,225 at the end of 2001/02.

3.3 Price cap compliance 1997/98-2001/02

The price cap arrangements that applied to aeronautical services at Brisbane Airport concluded at the end of 2001/02. The price cap regime was a CPI-X regime that provided the flexibility for Phase I airports to decrease their charges over the five year period. A summary showing the reduction of the two main charges (landing and international terminal)¹², in each year for the period is shown in Chart 4 below.

Chart 4 – Brisbane Airport Price Cap Compliance Charges 1997/98-2001/02



Note: Revenue and prices included in this chart are adjusted actual charges as used for calculation of price cap compliance.

In 1997/98 the domestic landing charge at Brisbane Airport was \$5.56, and the international landing charge was \$5.53. In 2001/02 the domestic and international landing charges had decreased to \$4.94¹³. The greatest year-on-year decrease in landing charges during the period occurred in 2001/02 during which time the landing

¹² The international terminal and landing charges were a large proportion of total revenue collected by Brisbane Airport. In 2001/02 these charges provided Brisbane Airport with 91.50% of its price cap revenue for the year. (The landing charges accounted for 79.4% and the international terminal charge accounted for 12.1% of price cap revenue.)

¹³ Excluding necessary new investment and one-off price increase, as well as including an offsetting adjustment for a ground facilities project.

charges decreased from \$5.23 at the end of 2000/01 to \$4.94 in 2001/02 - a decrease of 5.52%.

The international terminal charge levied by Brisbane Airport in 1997/98 was \$2.54. In 2001/02 the charge had decreased to \$2.23¹⁴. The greatest year on year decrease in the terminal charge was in 2001/02 when it decreased by 6.83% from \$2.39 at the end of 2000/01 to \$2.23 at the end of 2001/02.

The reduction in the international terminal charge and landing charges in 2001/02 led to a total reduction in compliance charges of 4.6%. As a result of the over recovery brought forward from previous years of 3.3% and the required reduction in charges for 2001/02, Brisbane Airport had an over recovery of revenue of \$148,890 in 2001/02. The total over recovery in revenue terms for the period 1997/98-2001/02 was \$2,444,225 which is shown in Table 4 above.

3.4 Revenues and expenditures for security functions for 2001/02

The price cap regime allows airport operators to 'pass-through' to users 100 per cent of the costs related to Government-mandated airport security requirements, without those increases affecting compliance with the price cap. Under Direction 24 pursuant to Section 20 of the PS Act, the Commission is directed to allow the airport operator to charge sufficient to recover the direct costs of providing mandated security requirements. Any over recovery, or under recovery, of the costs incurred in providing these security functions in a particular year is factored into future charges.

The requirements cover Australian Protective Services, Checked Baggage Screening and Passenger Screening. The sections below show the costs and revenues over the year in the provision of these requirements.

Australian Protective Services

At the start of 2001/02 the charge levied by Brisbane Airport on behalf of Australian Protective Services was \$0.59 per tonne (incl. of GST). On 1 January 2002 the APS security charge was increased to \$0.94 (incl. of GST).

Based on the data provided by Brisbane Airport that is summarised in Table 5 below, Brisbane Airport had an under-recovery on APS services at the end of 2001/02 of \$376,000. The Commission is satisfied that Brisbane Airport complied with the provisions of the direction in the 2001/02 financial year.

¹⁴ Excluding necessary new investment and one-off price increase.

Table 5: Australian Protective Services revenue and costs 2001/02 (\$'000)

APS income	\$3124
APS direct expense	\$3541
<i>Over (under) recovery) 2001/02</i>	<i>(\$417)</i>
Carried forward over recovery 2000/2001	\$41
Total over (under) recovery) to 2001/02 – end	(\$376)

Note: Revenue and costs are exclusive of GST

*Includes accrued income

Checked Baggage Screening

Checked Baggage Screening was commenced pursuant to a Government direction in June 2000. At the start of 2001/02 the charge levied by Brisbane Airport for Checked Baggage Screening was \$1.32 (GST incl.). The charge was increased to \$2.54 on 1 January 2002. Table 6 below shows that Brisbane Airport under-recovered its costs by approximately \$19,000 in 2001/02. Combined with the over-recovery brought forward, the total over-recovery as at the end of 2001/02 was \$58,000.

Table 6: Checked Baggage Screening revenue and costs 2001/02 (\$'000)

CBS income	\$2,352
CBS operating expense	\$2,333
Over recovery 2001/02	\$19
Carried forward over recovery 2000/01	\$39
Total over recovery to 2001/02 – end	\$58

Passenger Screening

At the start of 2001/02 Brisbane Airport's charge for Passenger Screening was \$1.12 (incl. GST) per international departing passenger. From January 1 2002 until the end of the financial year Brisbane Airport's charge for Passenger Screening was \$1.91 (incl. GST) per international departing passenger. Table 7 below shows a summary of the relevant revenue and cost data provided by Brisbane Airport.

Table 7: Passenger Screening revenue and costs 2001/02 (\$'000)

Passenger Screening income	\$2,174
Passenger Screening costs	\$2,119
Over-recovery 2001/02	\$55
Carried forward over-recovery 2000/01	\$100
Total over recovery to 2001/02 - end	\$155

Other Mandated Security

As a result of terrorist attacks on 11 September 2001, a number of additional security measures were introduced that did not specifically relate to existing mandated security. Additional costs were incurred as a result of these security directives, and BAC introduced a new security charge as notified in the 1 January Price Notification. Table 8 below shows a summary of relevant revenue and cost data provided by Brisbane Airport.

Table 8 Other Security revenue and costs 2001/02 (\$'000)

Other Security Income	\$247
Other Security Direct Expense	\$252
Total over (under) recovery to 2001/02 - end	(\$5)

Based on the data provided, the Commission is satisfied that Brisbane Airport complied with the provisions of the directions regarding cost-recovery on security functions to the end of 2001/02.

4. Monitoring of aeronautically related services.

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

The Commission also reports on the operational statistics of Brisbane Airport. Details of these statistics can be found in Appendix 6.

4.1 The Commission's monitoring role

Direction No. 25 directs that aeronautically related services be the subject of formal price monitoring pursuant to section 27A of the PS Act.¹⁵ The monitoring covers the costs, revenues and profits of an airport. The rationale for monitoring is that airport operators may exert significant market power in relation to the monitored 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 include aircraft refuelling, aircraft maintenance sites and buildings, freight facilities, and car parking. A full list of aeronautically related services is given in Direction No. 25. For a more complete outline of the Commission's monitoring role, see the Commission publication titled *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*.

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

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 proposed imposition of fuel throughput levies at Brisbane and Perth Airports.

4.2 Price monitoring – Brisbane Airport, 2001/02

BACL provided data to the Commission for the year ending 30 June 2002. The data is summarised in Tables 8, 9, 10 and 11 below, and includes revenues and cost and some prices for services related to:

- aircraft refuelling;
- aircraft maintenance sites and buildings;
- freight equipment storage sites;
- freight facility sites and buildings;
- ground support equipment sites;

¹⁵ Minister for Financial Services and Regulation, Direction No. 25, October 2001.

- check-in counters and related facilities; and
- public and staff car parks.

Table 8: Monitored services: aero-related costs for 2000/01 and 2001/02

Description	Costs 00/01	Costs 01/02
AERO-RELATED SERVICES	\$'000	\$'000
Refuelling services	216	174
Aircraft maintenance sites & buildings	331	708
Freight equipment storage sites	5	6
Cargo facility sites & buildings	1,738	1,897
Ground facilities	290	354
Ground support equipment sites	205	138
Check-in counters and related facilities	345	393
Public car parking	2,933	3,387
Staff car parking	340	513
TOTAL AERO-RELATED COSTS	6,403	7,570

Notes:

1. Costs exclude amortisation of intangibles and interest.

Table 9: Monitored services: aero-related revenue for 2000/01 and 2001/02

Description	Basis of Charge(s)	Revenue 00/01	Revenue 01/02
AERO-RELATED SERVICES		\$'000	\$'000s
Refuelling services	\$ per square metre	573	552
Fuel throughput	\$0.004 per litre	2,664	2,521
Aircraft maintenance sites & buildings	\$ per square metre	1,481	2,873
Freight equipment storage sites	\$ per square metre	0	0
Cargo facility sites & buildings	\$ per square metre	4,757	4,175
Ground facilities	Various	(843)	2,245
Ground support equipment sites	\$ per square metre	1,861	559
Check-in counters and related facilities ¹⁶	\$26.75 per hour for check-in counters & \$18 per hour for desks	2,709	2,467
Public car parking ¹⁷	Staggered time parking rates	16,757	17,867
Staff car parking	Various	1,157	1,206
TOTAL AERO-RELATED REVENUE		31,116	34,465

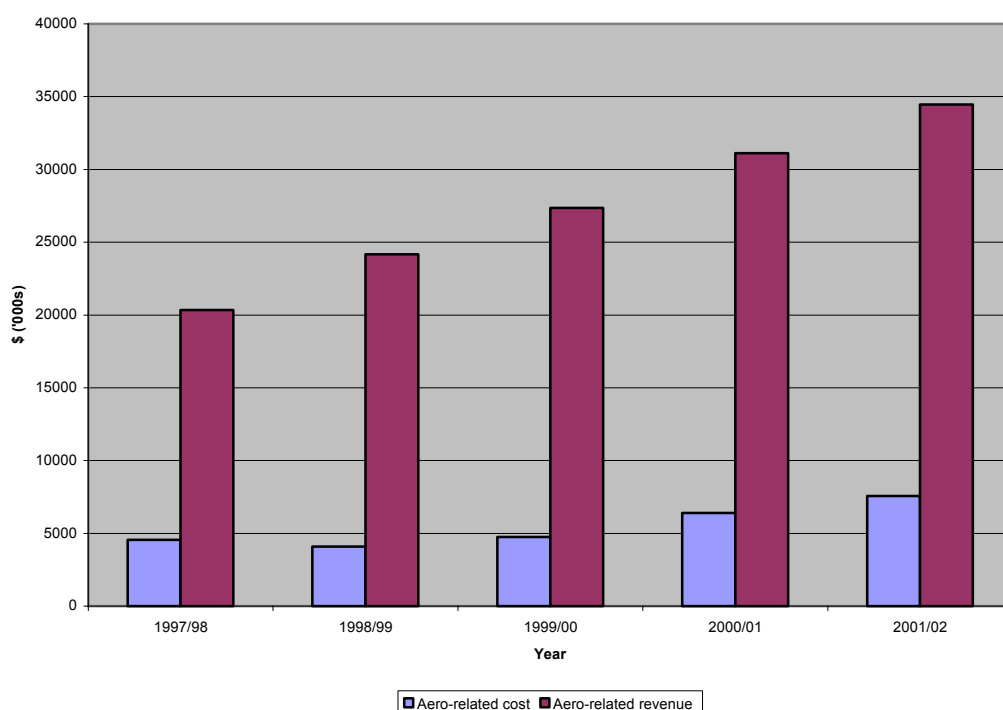
¹⁶ At terminals operated by airport-operator companies.

¹⁷ Car parking rates are provided in Tables 10 & 11.

While Tables 8 and 9 indicate that revenues exceeded costs, it is important to note that the costs did not include amortisation of intangible assets or interest. These were significant, amounting to \$88.2 million in 2001/02 (\$80.7 million in 2000/01) across the whole corporation, or approximately 55 per cent of total expenses. The Commission asked that these items be excluded for the purposes of the monitoring reports because (a) their allocation to services would have involved a degree of subjectivity, and (b) there would be risk of circularity if an allocation of the cost of the lease premium were included. However, the Commission acknowledges that an allocation that recognises a cost of capital would be appropriate in any detailed analysis.

Chart 4 shows the movement in total aero-related costs and revenues over the period of monitoring.

Chart 4: Aero-related costs and revenues, 1997/98 – 2001/02



Tables 10 and 11 below give the short-term and long-term parking rates for car parking at Brisbane Airport, over the period 1998/99 to 2001/02 (1997/98 figures are not available). Chart 5 shows the change in short-term parking prices over the same period.

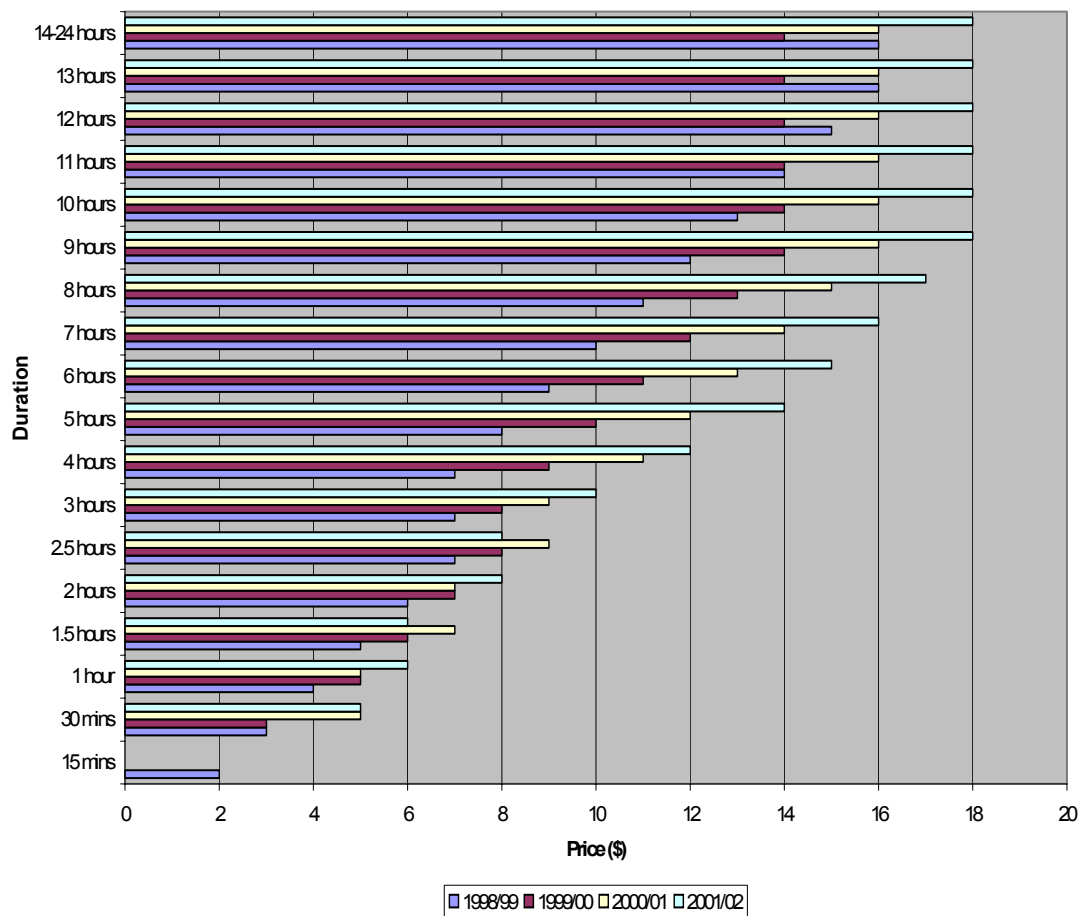
Table 10: Short-term Car Parking Rates (International), 1998/99 – 2001/02

Time parked	1998/99	1999/00	2000/01	2001/02
15 mins	2			
30 mins	3	3	5	5
1 hour	4	5	5	6
1.5 hours	5	6	7	6
2 hours	6	7	7	8
2.5 hours	7	8	9	8
3 hours	7	8	9	10
4 hours	7	9	11	12
5 hours	8	10	12	14
6 hours	9	11	13	15
7 hours	10	12	14	16
8 hours	11	13	15	17
9 hours	12	14	16	18
10 hours	13	14	16	18
11 hours	14	14	16	18
12 hours	15	14	16	18
13 hours	16	14	16	18
14-24 hours	16	14	16	18

Table 11: Long-term Car Parking Rates (Domestic), 1998/99 – 2001/02

Number of days	1998/99	1999/00	2000/01	2001/02
1	12	18	20	22
2	24	28	35	38
3	36	42	50	54
4	48	56	65	70
5	48	56	72	78
6	54	63	79	86
7	60	70	79	86
8	66	77	86	94
9	72	84	93	102
10	78	91	100	110
11		98	107	118
12		105	114	126
13		112	121	134
14	102	119	121	134
15		126	128	142 *
16				
17				
18				
19				
20				
21	144			
22				
23				
24				
25				
26				
27				
28	186			
29				
30	198			

* \$8.00 per day thereafter, every 7th day free.

Chart 5: Short-term Parking Rates (International), 1998/99 – 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 is given in Table 12 below.

Table 12: Quality of service indicators

Service / Infrastructure	Type of indicator	Source of data
Runways and taxiways	<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 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 Airport Operator Survey of airlines Passenger perception survey
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

Service / Infrastructure	Type of indicator	Source of data
Baggage trolleys	<ul style="list-style-type: none">• Passenger satisfaction with ability to locate 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: Passenger perception survey indicators

Descriptions of each indicator and the service aspects surveyed are given below in the 'Indicator Summary' table.

A number of facility and service ratings are grouped together and an average rating is provided in the chart on page 6.

Table 13: Indicator Summary

- The **airport access** rating refers to passenger satisfaction with: the suitability of the area allocated for kerbside car pick-ups and drop-offs; the space provided for kerbside car pick-ups and drop-offs; the suitability of area for taxi pick-ups and drop-offs; the suitability of area for bus pick-ups and drop-offs; and the space provided for bus pick-ups and drop-offs.
- The **washroom** rating indicates passenger satisfaction with the overall standard of toilets and washroom facilities at the terminal.
- The **car parking** rating indicates passenger satisfaction with: the waiting time to get in the car park; the overall standard of car parking; and the availability of parking spaces at the airport.
- The **information display** rating indicates the level of satisfaction associated with the terminal's flight information display and signs.
- The **baggage trolleys** rating indicates the ease of finding baggage trolleys.
- The **baggage** rating refers to passenger satisfaction with: the waiting time at the baggage reclaim carousel; the size of the baggage reclaim area for the number of passengers using it; and the information display signs at the baggage reclaim.
- The **gate lounge** rating indicates passenger satisfaction with: the availability of seating in the departure lounge; the comfort of seating in the departure lounge; the cleanliness of seating in the departure lounge; and the size of the departure lounge for the number of people using it.
- **Government inspection** waiting time refers to passenger satisfaction with: the waiting time in the inbound immigration queues; the waiting time in customs; and the waiting time in the outbound immigration queue.
- The **security clearance** measure refers to the perceived quality of passenger screening at the baggage x-ray area.
- **Check-in** waiting time refers to the waiting time of the respondent in the check-in queue.

Appendix 3: 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 Brisbane Airport over the 2001/02 period. Responses were received from the following eight airlines: Qantas, Cathay Pacific, Japan Airlines, Royal Brunei, Singapore Airlines, Air New Zealand, Malaysian Airlines and Eva Airways Corporation.

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, its reliability, and the possibility of breakdown.

A summary of the ratings provided by the airlines is given in Table 14, below. This indicates that ratings for Brisbane Airport were mostly ‘satisfactory’ to ‘good’, with a number of ‘excellent’.

Table 14: Responses from airline survey

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

Appendix 4: Static indicators at 30 June, 1998-2002

Table 15: Static Indicators

Indicators provided by the airport operator	1998	1999	2000	2001	2002
Number of (international) aircraft parking bays	11	11	11	13	13
Number of aerobridges	8	8	8	8	10
Percentage of passengers (embarking) using an aerobridge	98.5%	98.3%	98.6%	99.2%	99.2%
Percentage of passengers (disembarking) using an aerobridge	98.5%	98.5%	98.6%	98.1%	99.1%
Number of check-in desks	54	54	54	54	54
No. of international passengers per check-in desk	45,478	46,975	48,315	49,635	47,699
Number of baggage inspection desks	19	19	19	23 (including 3 scan positions)	24 (including 7 scan positions)
Number of inbound immigration desks	26	26	26	26	26
Number of outbound immigration desks	20	20	20	20	20
Number of security clearance systems	3	3	3	3	4
Number of seats in gate lounges	1,216	1,246	1,246	1,246	1,522
No. of international passengers per seat in gate lounges	2,020	2,036	2,094	2,151	1,692
Capacity of outbound baggage handling equipment (bags per hour)	6,000	6,000	6,000	6,000	6,000
Capacity of inbound baggage reclaim system (bags per hour)	9,000	9,000	9,000	9,000	9,000
Throughput of car park per year	1,713,085	1,745,402	1,779,470	2,079,805	1,916,264

Appendix 5: Brisbane Airport regulatory accounts (summary)

Statement of Financial Performance - year ended 30 June 2002¹⁸

Description	Audited financial statements	Aero services	Non-Aero services
	\$'000	\$'000	\$'000
Revenue			
Aeronautical revenue	45,258	45,258	0
Non-Aeronautical revenue	101,609	0	101,609
Total Revenue	146,867	42,258	101,609
Expenditure			
Salaries and wages	9,765	7,065	2,700
Depreciation	28,138	19,496	8,642
Services and utilities	7,887	1,988	5,899
Property maintenance	104,98	6,809	3,689
Government Mandated Security costs	7,520	7,520	0
Other costs	8,308	4,447	3,862
Total Expenditure	72,116	47,325	24,792
Earnings Before Interest and Tax (EBIT)	74,751	(2,067)	76,817
Interest Expense	81,369	30,626	50,743
Amortisation – Borrowing Costs & Lease Premium	6,806	0	6,806
Profit/(Loss) Before Tax	(13,424)	(32,693)	19,268
Tax benefit/charge	6,300	0	6,300
Profit/(Loss) after Tax	(7,124)	(32,693)	25,568
Dividends Paid	0		
Profit/(Loss) after tax and dividends	(7,124)	(32,693)	25,568

¹⁸ The Commission does 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 - year ended 30 June 2001¹⁹

Description	Audited financial statements	Aero services	Non-Aero services
	\$'000	\$'000	\$'000
Revenue			
Aeronautical revenue	43,832	43,832	0
Non-Aeronautical revenue	92,220	1,499	90,721
Total Revenue	136,052	45,331	90,721
Expenditure			
Salaries and wages	9,244	6,493	2,751
Depreciation	25,381	17,412	7,969
Services and utilities	8,088	2,014	6,074
Property maintenance	9,722	6,487	3,235
Government Mandated security costs	6,508	6,508	0
Other costs	7,619	3,581	4,038
Total Expenditure	66,562	42,495	24,067
Operating Profit/(Loss)	69,490	2,836	66,654
Earnings Before Interest and Tax (EBIT)	69,490	2,836	66,654
Interest Expense	73,925	29,470	44,455
Amortisation	6,806	0	6,806
Profit/(Loss) Before Tax	(11,241)	(26,634)	15,393
Tax charge	0	0	0
Profit/(Loss) after Tax	(11,241)	(26,634)	15,393
Dividends paid	0	0	0
Profit/(Loss) after tax and dividends	(11,241)	(26,634)	15,393

¹⁹ The Commission does 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 as at 30 June 2002

Description	Audited financial statements	Aero services	Non-Aero services
	\$'000	\$'000	\$'000
CURRENT ASSETS			
Cash	8,548		
Receivables	9,710	5,043	4,667
Inventories	483	483	0
Accrued revenue	6,300	0	6,300
Other	227	99	128
Total current assets	25,268	5,625	11,095
NON-CURRENT ASSETS			
Lease Premium	639,763	0	639,763
Leasehold Land	188,265	36,747	151,517
Property, plant and equipment	695,886	533,704	162,182
Other – Borrowing Costs	10,160	3,823	6,337
Total non-current assets	1,534,074	574,274	959,799
TOTAL ASSETS	1,559,342		
CURRENT LIABILITIES			
Creditors	14,543		
Interest bearing liabilities	1,175		
Other	2,717		
Provisions	2,100	1,556	544
Total current liabilities	20,535		
NON-CURRENT LIABILITIES			
Bank Loan	485,000		
Domestic Bonds	350,000		
Mezzanine Bonds	121,000		
Shareholder Loans	280,500		
Convertible Notes	10,000		
Finance Lease	3,439		
Provisions	191	142	49
Other	6,510		
Total non-current liabilities	1,256,640		
TOTAL LIABILITIES	1,277,175		
NET ASSETS/(LIABILITIES)	282,167		
SHAREHOLDER'S EQUITY			
Share capital	281,095		
Reserves	0		
Accumulated profits/(losses)	1,072		
TOTAL SHAREHOLDER'S EQUITY	282,167		
Accumulated profits at the start of the year	8,196		
Movements:			
Transfer of Reserves to Retained Profits	0		
Loss for the year	(7,124)		
Accumulated profits at the end of the year	1,072		

Statement of Financial Position as at 30 June 2001

Description	Audited financial statements	Aero services	Non-Aero services
	\$'000	\$'000	\$'000
CURRENT ASSETS			
Cash	5,502		
Receivables	6,256	4,777	1,479
Inventories	442	429	13
Accrued revenue	972	(27)	999
Other	323	88	235
Total current assets	13,495	5,267	2,726
NON-CURRENT ASSETS			
Lease Premium	646,569	0	646,569
Leasehold Land	184,376	34,753	149,623
Property, plant and equipment	685,530	522,287	163,243
Other – Borrowing Costs	11,621	4,599	7,022
Total non-current assets	1,528,096	561,639	966,457
TOTAL ASSETS	1,541,591		
CURRENT LIABILITIES			
Creditors	7,787		
Interest bearing liabilities	1,026		
Other	3,326		
Provisions	2,094	1,503	591
Total current liabilities	14,233		
NON-CURRENT LIABILITIES			
Bank Loan	470,000		
Domestic Bonds	350,000		
Mezzanine Bonds	117,800		
Shareholder Loans	280,500		
Convertible Notes	10,000		
Finance Lease	4,762		
Provisions	205	147	58
Other	4,800		
Total non-current liabilities	1,238,067		
TOTAL LIABILITIES	1,252,300		
NET ASSETS/(LIABILITIES)	289,291		
SHAREHOLDER'S EQUITY			
Share capital	281,095		
Reserves	0		
Accumulated profits/(losses)	8,196		
TOTAL SHAREHOLDER'S EQUITY	289,291		
Accumulated losses at the start of the year	(144,421)		
Movements:			
Transfer of Reserves to Retained Profits	163,858		
Loss for the year	(11,241)		
Accumulated profits at the end of the year	8,196		

Cash flow statements for years ending June 2001 and June 2002

Description	Audited financial statements 2000-01 \$'000	Audited financial statements 2001-02 \$'000
Cash at beginning of operating year	23,550	5,502
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Inflows:</i>		
Receipts from customers	141,294	148,777
Interest received	1,063	647
<i>Outflows:</i>		
Payments to suppliers and employees	(50,200)	(52,379)
Interest paid	(71,300)	(70,134)
Net cash flows provided by operating activities	20,857	26,911
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Inflows:</i>		
Proceeds from sale of property, plant and equipment	125	139
<i>Outflows:</i>		
Payments for property, plant and equipment	(41,181)	(40,558)
Other	-	-
Net cash flows used in investing activities	(41,056)	(40,558)
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Inflows:</i>		
Proceeds from share issue	-	-
Proceeds from borrowings	3,200	18,200
Shareholder loans	-	-
<i>Outflows:</i>		
Share issue costs	-	-
Bank loans repayment	-	-
Finance lease payments	(875)	(1,507)
Borrowing costs	(174)	0
Net cash flows provided by financing activities	2,151	16,693
Net increase(decrease) in cash held	(18,048)	3,046
Cash at end of reporting year	5,502	8,548

Significant Accounting Policies

The significant policies which have been adopted in the preparation of the Regulatory Accounting Statements are:

(A) 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 27 A of the *Prices Surveillance Act 1983* – Guideline Version No. 2 – September 1998”.

This special purpose 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.

Accounting policies have been consistently applied and are consistent with those of the previous year.

(B) Revenue recognition

Revenues are recognised on an accruals basis at the fair value of the consideration received net of the amount of Goods and Services Tax (GST) payable to the taxation authority.

Aeronautical revenue

Aeronautical revenue comprises landing fees and international terminal charges, based on the maximum take-off weight (MTOW) of aircraft.

Government mandated security revenue

Government mandated security revenue comprises recharges of expenditure incurred by the Company in respect of Australian Protective Services, passenger screening and checked baggage screening.

Retail revenue

Retail revenue comprises concessionaire rent and other charges received.

Landside transport revenue

Landside transport revenue comprises income from public car parks, ground facilities fees and car rental operators.

Property revenue

Property revenue comprises rental income from Company owned terminals, buildings and other leased areas.

Other revenue

Other revenue includes recharges of expenditure to third parties and income from fuel throughput fees and advertising.

Proceeds from sale of property, plant and equipment

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Interest received – other parties

Interest revenue is recognised as it accrues.

(C) Taxation

Income tax

The Company adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits related to tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

(D) Receivables

Trade debtors

Trade debtors are generally settled within 30 days and are carried at amounts due.

The collectability of debts is assessed at balance date and specific provision is made for any doubtful debts. A general provision for doubtful debts is also maintained.

(E) Inventories

Inventories comprise spares for equipment utilised in the operation of the airport and are carried at the lower of cost and net realisable value.

(F) Borrowing costs

Borrowing costs include interest, amortisation of deferred borrowing costs and finance charges on capitalised leases. Ancillary costs incurred in connection with the arrangement of borrowings and renegotiation of interest rate swap agreements are capitalised and amortised on a straight-line basis over the anticipated term of the applicable borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which generally take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is that incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

(G) Recoverable amount of non-current assets valued on the cost basis

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Current valuations for land and buildings valued on the cost basis are carried out at least once every three years.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cash flows have not been discounted to their present value.

(H) Acquisition of right to operate Brisbane Airport

On 2 July 1997, the Company acquired the right to operate Brisbane Airport for a period of 50 years with a 49 year option.

Lease premium

The Lease premium is the amount paid for the right to operate Brisbane Airport and is carried at cost. As the Directors intend to renew the lease after the initial 50 year period for a further 49 year period, the lease premium is amortised over 99 years.

The Lease premium is amortised on a straight-line basis.

Leasehold land

Leasehold land has been recorded at cost and is amortised on a straight-line basis over the expected term of the lease, being 99 years.

(I) Property, plant and equipment*Acquisitions of assets*

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the Company if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

The costs of assets constructed or internally generated by the Company, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets as set out in Note (F).

Expenditure, including that on internally generated assets is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Useful lives

All assets, including intangibles, have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives, with the exception of finance lease assets which are amortised over the term of the relevant lease, or where it is likely that the Company will obtain ownership of the asset, the life of the asset.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed.

The depreciation/amortisation rates used for each class of asset are as follows:

Runways, taxiways and aprons	1% to 20%
Roads and car parks	2.5%
Buildings	2.5% to 15%
Plant and equipment	5% to 40%
Leased plant and equipment	20%

(J) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received at balance date, whether or not billed to the Company. Trade accounts payable are normally settled within 30 days from the end of the month in which the invoice is received, unless prior contractual arrangements have been entered into.

(K) Interest bearing liabilities

Interest bearing liabilities are carried at their principal amount. Interest expense is accrued at the contracted rate and included in "Trade creditors and accruals".

Leased assets

Leases under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed.

(L) Derivatives

Interest rate swaps

The Company is potentially exposed to changes in interest rates from its activities although it uses interest rate swaps to hedge these risks. Derivative financial instruments are not held for speculative purposes.

Interest payments and receipts under interest rate swap contracts are included in interest expense during the year.

(M) Employee entitlements

Annual leave

Provisions for employee entitlements to annual leave represent the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date, calculated at undiscounted amounts based on current wage and salary rates and include related on-costs.

Long service leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows by the Company resulting from employees' services provided up to the balance date.

Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to the latest available wage and salary rates, and the Company's experience with staff departures. Related on-costs have also been included in the liability.

Superannuation fund

The Company contributes to a combined defined benefit/accumulation superannuation plan. Contributions are charged as an expense in the period in which they are incurred. Further information is set out in Note 24.

(N) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(O) *Unearned revenue*

Revenue received in advance is recorded as a liability in the statement of financial position and brought to account in the statement of financial performance over the period in which the benefit will be derived.

Change of accounting policy

(A) *Earnings per share*

The Company has applied the revised AASB 1027 *Earnings Per Share* (issued June 2001) for the first time from 1 July 2001.

Basic and diluted earnings per share ("EPS") for the comparative period ended 30 June 2001 have been adjusted so that the basis of calculation used is consistent with that of the current period.

Basic EPS earnings are now calculated as net profit or loss, rather than excluding extraordinary items.

Diluted EPS earnings are now calculated by only adjusting the basic EPS earnings for the after tax effect of financing costs and the effect of conversion to ordinary shares associated with dilutive potential ordinary shares, rather than including the notional earnings on the funds that would have been received by the Company had the potential ordinary shares been converted.

(B) *Segment reporting*

The Company has applied the revised AASB 1005 *Segment Reporting* (issued in August 2000) for the first time from 1 July 2001.

Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns. The business segments reported are: aeronautical and non-aeronautical.

Appendix 6: Operational statistics

Operational statistics for the years ended 30 June 1998-2002

Description	1997/98	1998/99	1999/00	2000/01	2001/02
PASSENGERS					
Domestic passengers	7,636,013	7,730,099	8,133,185	10,170,397	9,307,700
International passengers (excluding transit)	2,455,789	2,536,627	2,609,009	2,680,299	2,575,738
International transit passengers	317,085	279,181	253,347	232,626	237,597
Domestic on-carriage	175,739	166,922	205,854	201,102	199,079
TOTAL PASSENGERS	10,584,626	10,712,829	11,201,395	13,284,424	12,320,114
AIRCRAFT MOVEMENTS					
Regular Public Transport aircraft movements	129,746	131,316	130,714	143,468	128,768
General Aviation aircraft movements	24,356	27,444	30,050	34,892	21,982
TOTAL AIRCRAFT MOVEMENTS	154,102	158,760	160,764	178,360	150,750
TOTAL TONNES LANDED	5,134,422	5,020,245	5,069,217	5,659,109	5,126,455
AVERAGE STAFF EQUIVALENTS					
Aeronautical services	93	88	89	86	96
Non-aeronautical services	28	28	29	34	33
TOTAL AVERAGE STAFF EQUIVALENTS	121	116	118	120	129
AREA (HECTARES)					
Aeronautical services	2,196	2,195	2,195	1,840	1,840
Non-aeronautical services	504	505	505	860	860
TOTAL AREA (HECTARES)²⁰	2,700	2,700	2,700	2,700	2,700

²⁰ BACL commented that "In 2000/01 the allocation of land areas between aeronautical and non-aeronautical activities changed from previous years due to a more detailed analysis BACL undertook to the activities that took place per allotment rather than per a larger precinct analysis".