



REGULATORY REPORT

PERTH INTERNATIONAL AIRPORT 2000/01

January 2002

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Summary of Price Cap Compliance, Operating Financial Results and Quality of Service for Phase I and Sydney Airports 2000/01

Price Cap Compliance

The Commission conducted price cap reconciliations for Phase I airports for the 2000/01 period. Sydney Airport is not subject to a price cap. Table 1 summarises the price cap reconciliations for the three Phase I airports for 2000/01.

Table 1: Price Cap Compliance Phase I Airports 2000/01

Airport	CPI-X	Past (Over) /Under Recovery	Required reduction	Actual reduction	Over/(under) recovery
Brisbane Airport	-2.3%	-2.72%	-5.02%	-1.71%	3.31%
Melbourne Airport	-1.8%	-0.04%	-1.84%	-1.51%	0.33%
Perth Airport	-3.3%	-1.98%	-5.28%	-3.35%	1.93%

Brisbane Airport has over recovered for the past three financial years and now has a large revenue over-recovery. It is imperative that it lowers its charges so that by the end of the 2001/02 year it eliminates the over recovery. Perth Airport lowered its charges to meet its CPI-X for the year but still has an over recovery from prior years and must also lower charges in 2001/02 to eliminate its over recovery. Melbourne Airport slightly over recovered for the 2000/01 year but previously had a small under recovery.

Operating & Financial Performance

All the Phase 1 airports and Sydney Airport made positive earnings before interest and tax (EBIT) in 2000/01 but, with the exception of Sydney Airport, made losses after the deduction of interest and amortisation of lease premiums.

Table 2 summarises the operating financial results for the Phase I airports and for Sydney Airport in 2000/01.

Table 2: Summary of selected financial results of the Phase I airports and Sydney Airport 2000/01.

Airport	EBIT \$million	Interest \$million	Amortisation \$million	Profit / Loss after interest and tax \$million
Brisbane	\$69.5	\$73.9	\$6.8	(\$11.2)
Melbourne	\$103.8	\$135.7	\$6.2	(\$9.4)
Perth	\$34.9	\$55.3	\$7.4	(\$20.4)
Sydney	\$131.0	\$79.4	\$0	\$22.8

Quality of service

Quality of service for the three Phase I airports and Sydney Airport are generally quite satisfactory. Brisbane Airport has continued to achieve a high quality of service. Perth International Airport generally achieved satisfactory results although some facilities continue not to be well rated by airlines. Melbourne Airport achieved improved results compared to the previous year and overall its results were quite good and more consistent with the results achieved during the first two years of monitoring. Sydney Airport also achieved improved results that seemed to reflect the completion of new infrastructure at the airport.

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

Introduction

The Australian Competition and Consumer Commission (the Commission) has 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 comprises measures under the *Trade Practices Act 1974* (TPA), the *Prices Surveillance Act 1983* (PS Act) and the *Airports Act 1996* (Airports Act). It includes access arrangements, and a price cap on aeronautical services for the privatised Phase I and II airports. The framework also includes a range of measures designed to complement the price cap and increase transparency of certain aspects of the airport business.

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

The report

This report relates to Perth International Airport and is divided into four sections. The first section addresses quality of service at Perth International Airport and provides a summary of results. The second section provides information on Perth International Airport's financial accounts. The third section provides details on Perth International Airport's price cap compliance, and the fourth section addresses the formal monitoring requirements under section 27A of the PS Act.

It should be noted that this report is for information only and does not provide recommendations in relation to the matters covered.

Perth International Airport

Perth International Airport is owned and operated by Westralia Airports Corporation Limited (Westralia), who took over its operation from the Federal Airports Corporation (FAC) on 2 July 1997. Westralia in turn is owned by Hastings Fund Management and BAA. An amount of \$639 million was paid for a 50-year lease of the airport, with an option for a further 49-year lease at the end of that period.

This is the fourth regulatory report for Perth International Airport. The Commission would like to acknowledge the cooperation received from Westralia 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 monitoring at Perth International Airport. It begins by providing an overview of the Commission's role in quality of service monitoring. Following this is a summary of the 2000/01 quality of service results for Perth International Airport and a review of results 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.¹ Under the regulations to the Airports Act, airport operators are required to provide the Commission with information on a range of indicators. These indicators cover various aspects of an airport's service quality 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 focused on the standard and availability of facilities and services provided by, or which could be influenced by, the airport operator. These facilities and services included airside facilities such as runways, taxiways and aprons; terminal facilities, such as 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:

- passengers of the airport, through passenger perception surveys conducted by the airport operator;

¹ For a detailed description see *Quality of service Monitoring Post Leasing*, ACCC February 1997 available on the Commission's web site at www.accc.gov.au

passengers, the number of aerobridges and the size of aprons. Details of the 'static indicators' for Perth International Airport are provided in Appendix 4.

Australian Customs Service and Airservices Australia

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

Airservices Australia was unable to provide data on aircraft movements for the busiest 30 minute and 60 minute periods as it had done for the previous year. The Commission is working with Airservices Australia to develop similar data to what has been provided for Sydney Airport.

Issues

In assessing the quality of service at Perth International Airport, it is important to note that there were a variety of factors outside the immediate control of Westralia, which may have influenced the quality of service results obtained. The first of these is the staffing of check-in services by airlines, and similarly, staffing of immigration services by Customs. These aspects may have affected the quality results obtained for related services. Secondly, airlines, Airservices Australia and other service providers might have contributed to quality outcomes at Perth International Airport.

Another point to consider when viewing results is that it takes time to implement changes and to make improvements in quality monitoring areas. In general, airport operators may not have had sufficient time to make improvements in areas where deficiencies have been identified in one year's report, before the next year's monitoring report is completed. For example, there may be a lag between an increase in passenger and flight numbers and an increase in the capacity of terminal infrastructure. Given that investment in terminal infrastructure is 'lumpy', there may be increased crowding in the lead up to new investment which could reflect adversely in the results of some quality of service indicators. Also, improvements in quality may not be made where the costs do not justify the expected benefits.

1.2 Quality of service results 2000/01 and review, 1997/98-2000/01

The assessment of quality of service results is made having regard to the passenger perception survey, the airline survey, the ACS survey, and the additional comments and data provided by Westralia.

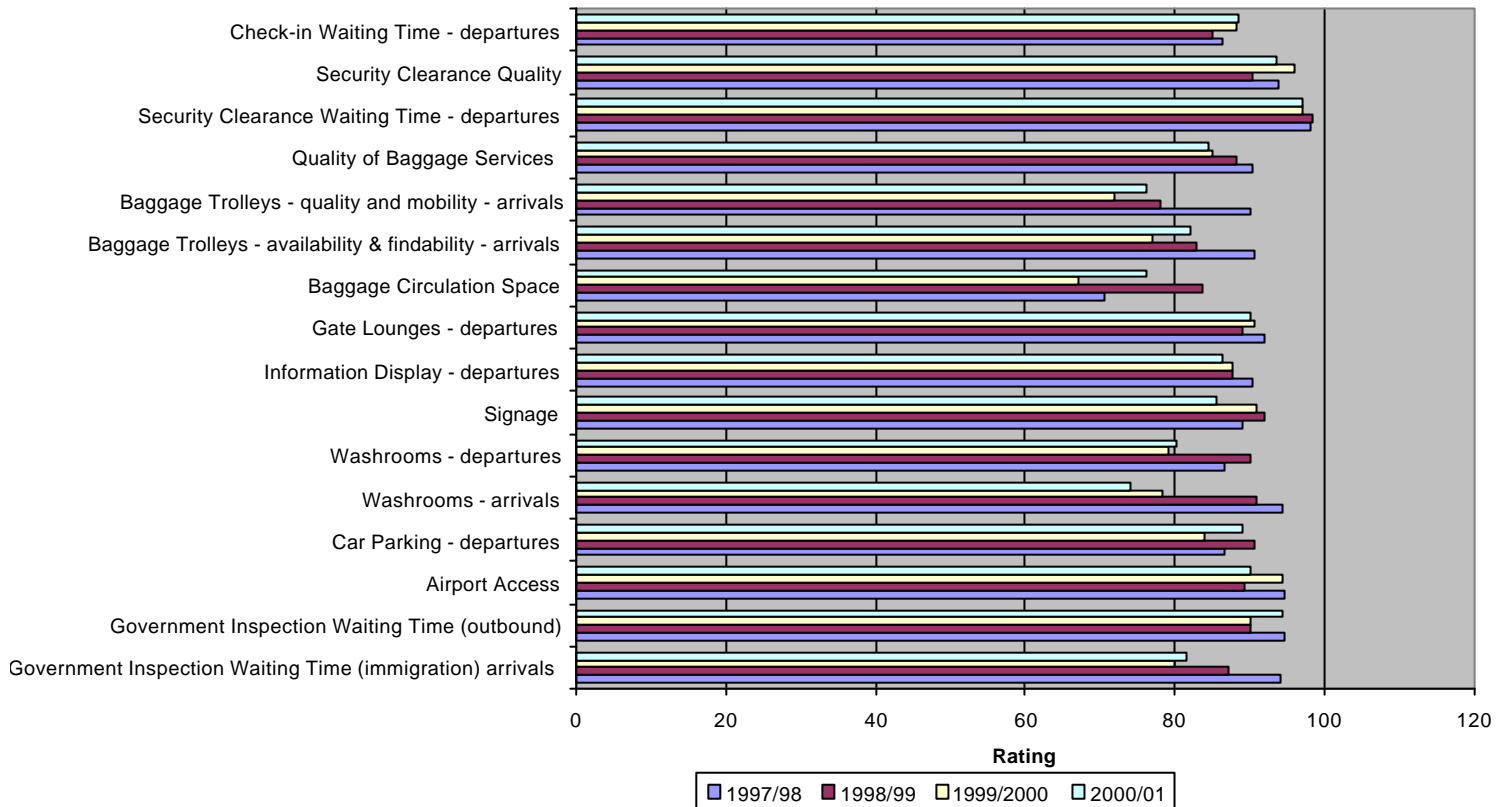
Overall, results for 2000/01 suggest that airport users and passengers were reasonably satisfied with the availability and standard of the facilities and services provided at Perth International Airport.

Over the four years of monitoring from 1997/98 the quality of service has generally been maintained.

The assessments were made having regard to the surveys conducted and other information provided. An overview of the survey results is given below.

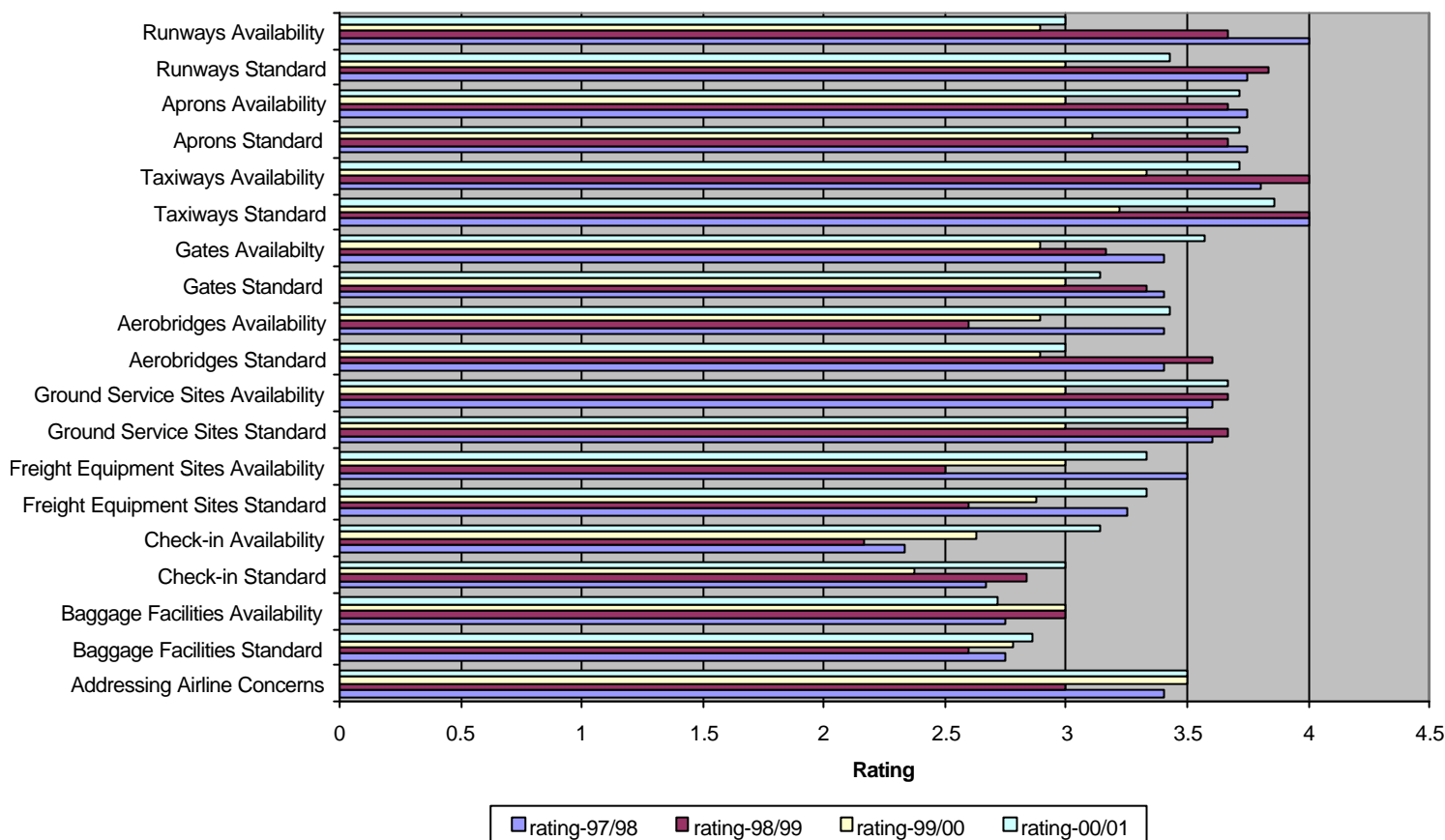
The Passenger Perception Survey results show that for 2000/01 most services were rated by over 80% of respondents at 5 or above out of 7. These ratings indicate that passengers are satisfied with the quality of services and facilities at Perth International Airport. Over the four years of monitoring results have generally indicated a maintenance of good levels of satisfaction. Appendix 2 provides explanations of the indicators covered in the surveys and Chart 1 below compares the results over the four years of monitoring.

Chart 1: Comparison of Passenger Surveys, 1997/98-2000/01



The airline survey results indicate that airlines were slightly more satisfied with the availability and standard of facilities in 2000/01 compared to the previous year. Over the four years of monitoring the results indicate that airlines have been reasonably satisfied with the availability and standard of facilities although in some cases results have been poor. A summary of results is presented in Chart 2. More details of the results of the 2000/01 airline survey are given in Appendix 3.

Chart 2: Results of Airline Surveys, 1997/98-2000/01



Runways, aprons and taxiways

The quality of runways, aprons and taxiways at Perth International Airport were assessed using the results obtained from the airline surveys.

2000/01

The availability of runways was generally rated from 'satisfactory' to 'excellent' by airlines, although one airline gave a rating of 'very poor'. Overall, the ratings were higher than for the previous year, although the number of aircraft movements reported was 10% lower than in the previous year.

The standard of runways was rated as 'good' or 'excellent' by three airlines and as 'poor' by two airlines. One airline commented that runway 06/24 is closed to aircraft larger than B737 and A320 due to surface deterioration.

Perth International Airport had seven international apron positions for aircraft parking at 30 June 2001, the same as at the end of the previous year. Overall, aprons were rated similarly to the previous year, from 'satisfactory' to 'good' both for availability and standard. One airline commented that presently capacity is only just sufficient. Westralia has noted that it has plans to provide additional positions from 2002/03.

Taxiway availability at Perth International Airport was generally rated as 'satisfactory' to 'good'. One airline commented that there is only one taxiway to

access the international terminal although it was not suggested that there are presently problems with availability.

The standard of taxiways was rated slightly higher. No comments were received from airlines.

1997/98-2000/01

Over the period of monitoring since 1997/98, runway availability has generally been rated as 'satisfactory' to 'good' while the number of aircraft movements in 2000/01, after being higher in the two preceding years, were similar to the number occurring in the first year of monitoring. For 1998/99 and 1999/2000, some airlines have commented that large aircraft have not been well catered for particularly in relation to runway 06/24.

Aprons have been rated as 'satisfactory' to 'good'. A comment was received in 1997/98 that lighting was insufficient. Westralia proposed to improve this for General Aviation aprons and no comments have been received in subsequent surveys. Over 1998/99 and 1999/2000 criticism has been made of early morning congestion on aprons.

Taxiways have been rated as 'satisfactory' to 'good' since 1997/98. A comment has been that there is the potential for delays arising from there being only one access point to the taxiway.

Overall, the Commission does not consider the availability and standard of the runway, apron and taxiway infrastructure has deteriorated since 1997/98.

Gates

The quality of gates at Perth International Airport was assessed using information obtained from the airline surveys.

2000/01

The availability of gates at Perth International Airport was rated from 'satisfactory' to 'good'. In the previous year there were some low ratings for availability. One airline commented that there are plans to extend the international terminal allowing for an increase in facilities.

Perth International Airport had seven aircraft bays servicing international aircraft at 30 June 2001, the same as at the end of the previous year.

The standard of gates was rated generally from 'satisfactory' to 'good'. No comments were received on the standard of gates from airlines.

1997/98-2000/01

Over the four years of monitoring, Perth International Airport has had seven international aircraft parking bays. The availability and standard of gates has generally been rated as 'satisfactory' or 'good'. A criticism has been that there are only five gates equipped with aerobridges to service seven parking bays. Westralia has noted however, that almost all passengers use aerobridges for embarkation and disembarkation. It also proposes additional gates in a redevelopment of the international terminal.

Overall, the Commission considers that the availability and standard of the facilities has been maintained.

Ground service equipment storage sites

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

2000/01

Ground service equipment storage sites were rated from 'satisfactory' to 'good' by airlines for both availability and standard. The ratings indicate some improvement from the previous year when some ratings were 'poor'.

A comment received indicated that sufficient space is available.

1997/98-2000/01

Ratings have been 'satisfactory' to 'good' with the only comments received relating to some lack of dedicated space and some common user facilities not being lockable.

The Commission considers that the availability and standard of the facilities has been maintained since 1997/98.

Freight equipment storage sites

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

2000/01

The standard and availability of freight equipment storage sites were rated from 'satisfactory' to 'good' by airlines which was similar to the previous year.

A comment from one airline was that more storage sites were required. Another airline commented that sufficient space was available whereas, in the previous year, the comment had been made that space was insufficient.

1997/98-2000/01

Freight equipment storage sites have been rated as 'satisfactory' or slightly above since 1997/98. Comments have been received concerning the facility being some distance from aircraft operational areas and having insufficient space.

Overall the Commission considers the availability and standard of facilities has been maintained over the period.

Aerobridges

The quality of aerobridges at Perth International Airport was assessed using airline surveys and information provided by Westralia.

2000/01

Airlines rated the availability of aerobridges at Perth International Airport from 'satisfactory' to 'good' which was slightly higher than for the previous year. No comments were received concerning the availability of aerobridges whereas in the previous year it was commented that availability was a problem in peak periods.

Perth International Airport had five aerobridges for international aircraft at 30 June 2001, the same as at the end of the previous year. For the latest year, over 99 per cent of all passengers embarking or disembarking used an aerobridge while the number of international passengers was four percent higher than the previous year.

The standard of aerobridges was rated by airlines from 'poor' to 'good'. Again airlines commented that aerobridges are hot in summer and cold in winter. Westralia has commented that air-conditioning in aerobridges depends on notice being given for it to be activated and that it will work with ground handlers to ensure a satisfactory temperature.

Other comments concerned aerobridges malfunctioning, being dirty and having poor access for wheel chair confined passengers and that to access some aerobridges required walking down four flights of stairs. Westralia considers that there have been few instances of mechanical failure and that these can be attributed to operator error. It states that it is working to provide a better level of training for ground handlers. The planned re-development of the international terminal would remove the need to access aerobridges via stairs. It also notes that substantial maintenance has been conducted.

Westralia has stated that it has sought airline support to re-develop facilities which has as yet not been forthcoming.

1997/98-2000/01

Over the period of monitoring, Perth International Airport has had five aerobridges with consistently in excess of 99% of passengers using an aerobridge for embarkation and disembarkation.

The availability of aerobridges has been rated as generally rated as 'poor' to 'satisfactory'. In 1997/98 and 1999/2000 airlines commented that at peak times there can be a lack of aerobridges although availability was rated slightly higher in 2000/01.

The standard of aerobridges was rated 'satisfactory' to 'good' in 1997/98 but has since been rated from 'poor' to 'good'. Comments have been made each year that aerobridges were not well air-conditioned.

Overall the Commission considers that the availability and standard of aerobridges has been maintained although there appears to be scope for improvement in terms of their standard. Although not acted upon to date, Westralia notes that improvements are included in plans for a re-development of the international terminal.

Check-in facilities

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

2000/01

Airlines generally rated the availability of check-in desks as 'satisfactory' compared to 'poor' to 'satisfactory' for the previous year. One airline commented that while availability was generally satisfactory, this was not so on weekends. In the previous year availability was also a concern in peak periods. Of passengers surveyed, 88% rated the waiting time at check-in as 'good' to 'excellent'.

Perth International Airport had 24 check-in desks at 30 June 2001, the same number as at the end of the previous year. As an indication of availability, Westralia reported that over 80% of desks are in use for on average of less than 30 hours per month, which is higher than in previous years.

The standard of check-in facilities was generally rated as 'satisfactory' compared to 'poor' to 'satisfactory' for the previous year. Comments were received that facilities are cramped and of a poor design, that there are breakdowns of the baggage conveyor belt and that desks are in need of replacement. Similar comments were made in the previous year regarding the design of desks. As for aerobridges, Westralia has sought support from airlines to re-develop facilities and is keen for these works to proceed.

1997/98-2000/01

The availability of check-in desks has been rated by airlines as 'poor' to 'satisfactory', although the ratings appear to be higher for the latest year. A comment made by a number of airlines until the current year was the lack of availability of desks at peak periods. Westralia has plans for additional desks in a planned redevelopment of the international terminal.

The standard of desks has also been generally rated as 'poor' to 'satisfactory'.

While the rating of the facilities for availability and standard have not been high, the Commission notes that Westralia plans to make improvements.

Government inspection

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

2000/01

Approximately 95% of passengers rated the waiting time at Government inspection (outbound) as 'good' to 'excellent'. Government inspection waiting time (inbound) was rated as 'good' to 'excellent' by about 82% of passengers.

ACS rated the availability of adequate areas for circulation and queuing at immigration (arrivals) as 'satisfactory'. The standard of this facility was rated as 'good'. ACS also rated the availability of lighting, signage, desks and passenger facilities for immigration (arrivals) at Perth International Airport as 'satisfactory'. The standard of these facilities was rated as 'good'. All these ratings were the same in the previous year.

As in the previous year, ACS has again commented on the area for queuing as being poor, which it notes is due to the design of the building. It also again commented that the area for baggage reclaim and examination is insufficient at peak times due to the design of the building.

With regards to immigration/departure facilities, ACS again rated the availability of circulation space to avoid congestion, signage, and appropriate provision of desks as 'poor'. The standard of these facilities however, was rated as 'good'. ACS commented that the departure hall is small and can become congested at peak times.

Perth International Airport had 16 inbound immigration desks and 10 outbound immigration desks at 30 June 2001, the same as at the end of the previous year.

Westralia states it has plans to increase the number of outbound desks by 2009 and that its surveys of peak hour activity indicate national standards are being met.

Westralia commented that it has sought airline support to re-develop facilities.

1997/98-2000/01

Survey results from ACS have been available since 1998/99. Facilities for processing arriving passengers have been rated as 'satisfactory' to 'good' both in terms of availability and standard. At peak times however, there is a lack of space for queuing. Westralia proposes to address this in the planned redevelopment of the international terminal.

For departing passengers, the circulation space has been rated as 'poor' for each year surveyed. In 1998/99, ACS commented that an additional two desks were required to process passengers at peak times.

Security

The quality of security at Perth International Airport was assessed using passenger perception surveys and information provided by Westralia.

2000/01

As for 1999/2000, about 95% of passengers rated the quality of this facility as 'good' to 'excellent'.

Perth International Airport had two security systems at 30 June 2001.

1997/98-2000/01

For each year of monitoring, over 90% of passengers have rated the quality of this function as 'good' to 'excellent'.

Gate lounges

The quality of gate lounges at Perth International Airport was assessed using passenger perception surveys and information provided by Westralia.

2000/01

As for the previous year, around 90% of passengers rated gate lounges at Perth International Airport as 'good' to 'excellent'. Aspects of gate lounges covered in the customer perception survey were availability and comfort of seating and circulation space.

At 30 June 2001, there were 355 seats provided in the gate lounges at Perth International Airport, two seats less than the same time last year. For the 2000/01 year, international passenger numbers were four percent higher than for the previous year.

1997/98-2000/01

In each survey, over 80% of passengers have rated gate lounges as 'good' to 'excellent'.

Overall, the Commission considers that the quality of gate lounges has been maintained over the monitoring period.

Baggage processing facilities and trolleys

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

2000/01

Airlines rated the availability of the baggage processing facilities as 'poor' to 'satisfactory'. Two airlines commented that there are only three belts for arriving baggage while there are five arrivals bays which can lead to congestion with several arrivals within a short period.

Westralia responded to the airlines' comments by stating that it considers the number of belts to be satisfactory. It considers that an additional outwards belt is not required until 2004 and that an additional reclaim belt for arriving baggage is not required until 2009.

While this may indicate a problem with availability, 86% of surveyed arriving passengers rated waiting time for baggage as 'good' to 'excellent' which was similar to the two preceding years.

At 30 June 2001, Perth International Airport had a baggage system with a capacity of 5,760 bags per hour for outbound baggage, and 8,640 bags per hour for inbound baggage. This was the same capacity as the previous two years. In terms of baggage handled, there was an increase in outbound baggage items of 25,587 items, or 2.3%.

Airlines rated the standard of facilities as 'poor' to 'satisfactory', the same as in the previous year.

The percentage of passengers rating the quality of baggage circulation space as 'good' to 'excellent' was 76%, an increase from 67% reported for 1999/00 but below the 84% for 1998/99.

Airlines rated the standard of baggage processing facilities as 'poor' to 'satisfactory'. One airline commented that belts tend to be unreliable, although Westralia commented that it has upgraded belts and systems over the year.

About 76% of passengers rated the quality and mobility of baggage trolleys at Perth International Airport as 'good' to 'excellent'. About 82% of passengers rated the availability and findability of trolleys as 'good' to 'excellent'. These results represented an increase in the levels of passenger satisfaction when compared to the previous year.

ACS rated the availability of facilities such as space to avoid congestion, provision of passenger privacy and security at baggage inspection (arrivals) as 'satisfactory', the same as in the previous year. The standard of these facilities was rated as 'good'.

While ACS again commented that seating, signage and lighting were good, it considers the area too small for queuing at peak periods.

1997/98-2000/01

The capacity of the baggage system both for outbound and inbound baggage has remained unaltered since monitoring commenced in 1997/98.

Airlines have generally rated the system 'satisfactory'. There were comments in the first year of monitoring that congestion occurred at peak times and that jamming and breakdowns occurred regularly. These comments were not made in following years. In 1999/2000 however, several airlines commented on congestion in the baggage make-up area.

ACS has rated the system as 'satisfactory' but also commented on insufficient space at peak times.

Overall, the Commission considers that the availability and standard of baggage processing facilities has been maintained although there appears to be scope for improvement both in terms of availability and standard.

Flight information displays

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

2000/01

As for 1999/2000, nearly 90% of passengers rated the quality of these facilities as 'good' to 'excellent'.

1997/98-2000/01

The facilities have consistently been rated highly over the period of monitoring.

Washrooms

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

2000/01

About 77% of passengers rated the overall standard of washrooms at Perth International Airport as 'good' to 'excellent', compared to 80% in 1999/00.

1997/98-2000/01

The washrooms have been consistently rated highly over the period of monitoring. Westralia has refurbished some facilities and improved cleaning around busy periods.

Car parking and kerbside access

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

2000/01

For those passengers surveyed who used the car park, about 89% rated the quality of the facilities at Perth International Airport as 'good' to 'excellent' compared to 84% in 1999/00.

Perth International Airport had 1,077 international car parking positions at 30 June 2001. There were also 1,064 domestic car parking spaces as at 30 June 2001.

Kerbside access is required to allow passengers to be dropped off and picked up by taxis, busses and other vehicles. About 90% of passengers rated the quality of airport access at Perth International Airport as 'good' to 'excellent' and maintains the similar high rating from the previous year.

1997/98-2000/01

Passengers have consistently rated the car parking facilities and kerbside access as 'good' to 'excellent'.

Consultation with airlines

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

2000/01

The Commission asked airlines to rate and comment on Westralia's performance in addressing airline concerns on quality related issues. The responses were generally 'satisfactory' to 'good'.

As in previous year it was commented that concerns are addressed promptly and that the airport operator is aware of shortcomings and keen to make improvements.

ACS rated the overall responsiveness of Westralia as 'good'.

1997/98-2000/01

Westralia has been rated consistently as 'satisfactory to 'good'. It was commented in 1999/2000 that it has addressed concerns promptly.

2 Regulatory accounts reporting

This section reports on Perth International Airport's financial accounts. First an outline of the financial reporting requirements is given, followed by a summary of figures from the financial accounts of Perth International Airport for the 2000/01 financial year.

2.1 The Commission's Approach

Under Part 7 of the Airports Act, operators of the Phase I airports are required to provide the Commission with annual financial accounts within 90 days after 30 June of that year.² The accounts include a Profit and Loss Statement and Balance Sheet, and a 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 guidelines, the Airports Act, and the regulations made pursuant to that Act.

Westralia completed its audited regulatory accounts in the required 90 days following the end of the financial year. The Commission concluded that Westralia had prepared its accounts in accordance with the guidelines.

2.2 Westralia Airports Corporation, regulatory accounts 2000/01

Westralia reported on a period of activity from the 1 July 2000 to 30 June 2001. Over the entire airport, a loss after tax of \$20.4 million was reported. This result was significantly affected by interest expense which, at \$55.3 million, represented 56 percent of total expenses.

As at 30 June 2001, Westralia controlled total assets valued at \$666.3 million. Of this total, \$413.2 million (approximately 62%) comprised a 'lease premium', which represented the cost of acquiring the airport business in excess of the net tangible assets acquired.

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

Westralia used an Activity Based Costing (ABC) system to determine the disaggregation of costs and fixed assets between aeronautical and non-aeronautical services.

² Phase I airports refer to Melbourne, Brisbane and Perth airports.

Some examples of the allocation methods used in Westralia's ABC system included:

- the allocation of salaries and related on-costs was conducted at the individual employee level, based on the employee's role or function;
- depreciation expenses were derived from the cost allocation of the underlying assets. Where possible, assets were allocated to final activities, which were linked to the services that were most influenced by the level of output from that activity;
- maintenance is allocated to activities most closely linked to the asset being maintained (eg. runway maintenance to aircraft movements);
- overheads associated with employees (such as staff training and motor vehicle costs) were allocated consistently with the associated staff costs.

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

3 Prices Surveillance and Price Cap Compliance

This section details Perth International Airport's price cap compliance over the 2000/01 financial year.

3.1 The Commission's Role

Certain aeronautical services at leased airports are declared under section 21 of the PS Act for price surveillance. Declaration 87 made by the Treasurer pursuant to the PS Act declares the services at Phase I airports. The declaration covers aircraft movement areas (eg. runways, aircraft parking areas) and passenger processing areas (eg. aerobridges, departure lounges).³

Declaration requires airport operators to notify the Commission of a proposal to increase charges on the services covered by the declaration. The legislative framework does not give the Commission the discretion to object to proposed price increases that fall within the parameters set by the price cap.

At all privatised 'core regulated' airports, declared services are subject to CPI-X price caps. The X factors are based on expected productivity improvements.⁴ The X factor for Perth International Airport is 5.5 per cent and has been set for five years from 1 July 1997. The Treasurer's Direction number 24 sets out details of the price cap formula, the X values and other issues relevant to the Commission's administration of the cap.⁵

3.2 Price Cap Compliance 2000/01

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

Aeronautical services at Perth International Airport are subject to a price cap set at CPI less an X factor of 5.5 per cent per annum. The relevant CPI figure used to assess price cap compliance in the 2000/01 period was 2.2 per cent, meaning that Westralia was required to lower its average aeronautical charges by 3.3 per cent.

A summary of movements in charges subject to the cap is provided in Table 3 below.

³ A copy of declaration 87 is available on the Commission's website, under airports.

⁴ For a detailed explanation of the arrangements see Australian Competition and Consumer Commission, "Administration of Airport Price Cap Arrangements", January 1997

⁵ A copy of direction 24 is available on the Commissions website, under airports

Table 3: Changes in charges subject to price cap for year ended 30 June 2001

Charge	Basis	Charges 30/6/00	Price adjusted / charge introduced	Charges 30/6/01 (incl. GST)
Landing charge, Domestic	Per landing \$/tonne MTOW	\$5.06	Westralia increased the charge for TNTS on 1 July 2000 after first deducting amounts for price cap compliance and TNTS savings. Not included in this charge is the 'pass through' new investment charge of \$0.98 per tonne.	\$5.44
Landing charge, International	Per landing \$/tonne MTOW	\$5.06	The charge was adjusted on 1 July as referred to above and lowered on 1 January 2001 in a restructure of international charges.	\$2.23
International Terminal charge	Per landing \$/tonne MTOW	\$2.48	After a deduction for price cap compliance, the charge was increased on 1 July for TNTS. It was also increased from 1 January under the restructure of international charges.	\$4.27
Aircraft Waste	Per landing		The charge was discontinued prior to 30 June 2000.	
Parking	Per day in General Aviation area	\$10.00		\$10.95
Vehicle Access Charges	Taxis unbooked	\$1	Taxis unbooked	\$1.10
	Taxis pre-booked,	\$2	Taxis pre-booked	\$2.20

To assist the Commission in assessing price cap compliance at Perth International Airport, Westralia provided disaggregated revenue data for aeronautical services for the 2000/01 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 Perth International Airport is provided in Table 4, below.

In order to calculate compliance the effects of adjustments to prices on 1 July 2000 to take account of The New Tax System (TNTS) were excluded. This involved taking

revenue on an exclusive of the Goods and Services Tax (GST) basis and also deducting savings that were assumed to arise from TNTS.

Table 4: Aeronautical revenue and price cap compliance for the period ended 30 June 2001

Description	Number of Units	Base Charge (Price per unit)	Revenue 00/01	Average Charge	Rate Variation	Revenue Share 99/00	Compliance %
Landing Charges:							
- Domestic	1,545,574	\$5.06 per 1000kg MTOW (1)	7,711,066	4.99	-1.39	43.48%	-0.60
International	1,134,282	\$5.06 per 1000kg MTOW (1)	4,093,676	3.61	-28.76	35.51%	-10.21
International Terminal Charges	1,660,275	\$1.932 per passenger (2)	4,745,815	2.85	47.26	17.57%	8.30
Aircraft Waste	0	\$5.14 per landing (3)	0	0	-100.00	0.84%	-0.84
Vehicle access charges – taxis		\$1/\$2 per passenger	416,773	\$1/\$2	0.00	2.50%	0.00
Parking Charges	1,056	\$10.256 per aircraft	10,522	\$9.96	-2.84	0.1%	0.00
Actual reduction in charges 00/01							-3.35%
Required reduction to comply with cap							-3.3%
CPI-X, 2.2-5.5							-1.98%
Past Over Recovery, 1.98%							-5.28%
Over-recovery of revenue							1.93%
Total Over-recovery of revenue 99/00 (brought forward)							\$560,280
Over-recovery of revenue 2000/01							\$327,278
Total Over-recovery of revenue 00/01 (end)							\$887,900

1. Base charges re-stated to exclude the pro rata allocation of taxi revenue included in 1999/2000.
2. WAC restructured charges during 2000/01 and moved from a weight based charge to a passenger based charge for the international terminal. The base charge on a weight basis was converted to an equivalent passenger charge for purposes of assessing compliance.
3. The charge for aircraft waste was discontinued prior to the end of the 1999/2000 year.

Based on the above reconciliation, Perth International Airport reduced charges for the 2000/01 period by 3.35%, against a required reduction of 5.28% to comply with the cap. Taken with the over-recovery of revenue carried forward from 1999/00 of

\$560,280, this has led to a total over-recovery of \$887,900 at the end of the 2000/01 year.

Under the price cap arrangements Perth Airport must fully pass back the over recovery during the 2001/02 year being the fifth year of the arrangements.

Revenues and expenditures for security functions for year ended 30 June 2001

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 for 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

Westralia provided revenue and expenses aggregates for the year showing that it under recovered costs by \$50,790 for Australian Protective Services (APS), as shown in Table 5 below.

Westralia set a charge for APS of \$0.953 (incl. GST) per tonne, or \$0.866 (excl. GST).

Table 5: Australian Protective Services revenue and costs, 2000/01

APS revenue	\$2,247,989
APS expenses	(\$2,298,779)
Under recovery of costs, 2000/01	(50,790)

Based on the data provided, the Commission is satisfied that Westralia complied with the provisions of the direction for the 2000/01 financial year.

Checked Baggage Screening

Westralia under-recovered costs of \$88,884 on providing Checked Baggage Screening (CBS) over the year to 30 June 2001 as shown in Table 6 below.

Over the year a charge of \$0.57 (incl. GST) per departing international passenger, or \$0.52 (excl. GST) was set.

Table 6: Checked Baggage Screening revenue and costs, 2000/01

CBS revenue	\$448,251
CBS expenses	(\$537,135)
Under recovery of expenses, 2000/01	(\$88,884)

Based on the data provided, the Commission is satisfied that Westralia complied with the provisions of the direction for the 2000/01 financial year.

Passenger Screening

Westralia under-recovered costs of \$119,558 on providing passenger screening as shown in Table 7 below. Over the year a charge of \$0.898 (incl. GST) per departing international passenger, or \$0.0.816 (excl. GST) was set.

Table 7: Passenger Screening revenue and costs, 2000/01

Passenger Screening revenue	\$776,494
Passenger Screening expenses	(\$896,052)
Under recovery of expenses, 2000/01	(\$119,558)

Based on the data provided, the Commission is satisfied that Westralia complied with the provisions of the direction for the 2000/01 financial year.

4. Monitoring of aeronautically related services.

This section covers the Commission's role in the monitoring of aeronautically related services which are 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 Perth International Airport for the 2000/01 financial year.

4.1 The Commission's monitoring role

In May 1998 the Treasurer directed that aeronautically related services be the subject of formal price monitoring pursuant to section 27A of the PS Act. The monitoring 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 the Treasurer's Direction no. 25, available on the Commission's web site. For a more complete outline of the Commission's monitoring role, see the Commission publication titled "*Aviation*", May 2000.

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 International Airports.

These issues, as they have applied to the airport for 2000/01, are reported on and discussed below.

4.2 Price monitoring –Perth International Airport, 2000/01

Westralia provided the Commission with data for the year ending 30 June 2001. The data is summarised in tables 8 and 9 below, and includes revenues and costs for services related to:

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

Table 8: Monitored services: Aero-related costs for the period ended 30 June 2001

Description	Aero-related services 1999/00	Aero-related services 2000/01
	\$'000	\$'000
AERO-RELATED SERVICES		
Refuelling services	201	249
Fuel Throughput	86	19
Aircraft maintenance sites & buildings	912	1,131
Cargo facility sites & buildings	237	294
Ground support equipment sites	105	130
Check-in counters and related facilities(1)	197	179
Public car parking	1,962	1,977
Staff car parking	55	51
TOTAL AERO-RELATED COSTS	3,755	4,030

Note: The cost of land has not been included in the cost of aeronautical related costs.

Table 9: Monitored services: Aero-related revenue for the period ended 30 June 2001

Description	Basis of Charge(s)	Revenue 1999/00	Revenue 2000/01
		\$'000	\$'000
AERO-RELATED SERVICES			
Refuelling services	\$ per square metre	360	352
Fuel throughput	litres	727	677
Aircraft maintenance sites & buildings	\$ per square metre	1,474	1,680
Cargo facility sites & buildings	\$ per square metre	408	447
Ground support equipment sites	\$ per square metre	105	107
Check-in counters and related facilities	Number of counters	491	479
Public car parking ⁶	Number of cars	7,908	7,816
Staff car parking	Number of licensed bays	419	422
TOTAL AERO-RELATED REVENUE		11,892	11,980

While revenues tended to exceed costs, it is important to note that the costs did not include amortisation of intangible assets or interest. These were significant, amounting to \$62.7 million in 2000/01, or 64 per cent of total costs. 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.

⁶ Car parking rates are provided in Table 10, on page 25.

Table 10: Car Parking Rates, at 30 June 2001

Time	Price
First 5 mins	Free
Over 5 mins to 35 mins	\$3
Over 35 mins to 1 hour	\$4
Over 1 hour to 2 hours	\$5
Over 2 hours to 3 hours	\$6
Over 3 hours to 4 hours	\$7
Over 4 hours to 5 hours	\$8
Over 5 hours to 6 hours	\$9
Over 6 hours	\$12
First 3 days	\$12 per day
From day 4	\$6 per day

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 11 below.

Table 11: 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 • Airlines and Airservices Australia questionnaire regarding adequacy of facilities. 	Airservices Australia Airservices Australia Survey of airlines
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 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

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

Appendix 2: Passenger survey indicators

Descriptions of each indicator and the service aspects surveyed are given below in the 'Indicator Summary' table. For ease of compilation and interpretation, a number of facilities and service ratings have been grouped together and an average rating is provided in Chart 1 on page 6. In all instances, the average score is representative of the individual service/facility ratings that make up the group.

Table 12: Indicator summary

- *Check-in waiting time* refers to the passenger's satisfaction with the waiting time during check-in. Only departing passengers were surveyed.
- *Government inspection waiting time (inbound)* refers to the satisfaction with waiting time during the government inspection process at immigration for arriving passengers.
- *Government inspection waiting time (outbound)* refers to the level of satisfaction associated with the waiting time at customs for departing passengers.
- *Security clearance waiting time* refers to passenger satisfaction with the waiting time at security.
- *Security clearance quality* refers to the adequacy of security clearance in making a passenger feel safe for travelling.
- *Gate lounge* refers to an average figure which combines the survey results obtained for the following scale categories: the availability of seating; the amount of circulation; and the amount of seating space in the departure lounge. Departing passengers were surveyed.
- *Quality of baggage services* refers to the waiting time for baggage and passenger satisfaction with baggage information display for arriving passengers.
- *Baggage circulation space* covers the space around the particular carousel that carried baggage.
- *Baggage trolleys availability and findability* deals with the passenger satisfaction with this service.
- *Baggage trolley quality and mobility* section refers to the passenger satisfaction with this service.
- *Information display* refers to passenger satisfaction with availability of signage and the clarity and usefulness of directional and general information signs at the airport. Only departing passengers were surveyed.
- *Signage* refers to passenger satisfaction with directional and general information signs. Only arriving passengers were surveyed.
- *Washrooms arrivals* refers to the satisfaction of arriving passengers with the overall standard of facilities. Only those using the facility were included in the survey results.
- *Washrooms departures* refers to the satisfaction of departing passengers with the overall standard of facilities. Only those using the facility were included in the survey results.
- *Car parking* refers to the satisfaction of facilities and availability of car parking for departing passengers.

Airport access refers to the satisfaction of passengers with the amount of congestion in the front terminal when being dropped off and the satisfaction with the amount of kerbside space available. An average of the two ratings is provided.

Appendix 3: Airline survey results

The Commission received surveys from seven airlines that used Perth International Airport over the 2000/01 period. These airlines were Ansett Australia, Qantas, Cathay Pacific, Royal Brunei Airlines, Singapore Airlines, Malaysian Airlines and Air New Zealand. Ratings were given with regard to both the availability and standard of facilities. Under availability, the Commission sought from airlines an assessment of the absence of delays in being able to use infrastructure and equipment. Under standard, the Commission sought an assessment of the capability of equipment to perform the functions intended and its reliability.

A summary of the ratings provided by airlines is given in Table 13 below. This indicates that ratings were generally 'satisfactory' to 'good' and slightly higher than the results received in 1999/2000.

Table 13: Responses from airline surveys

Facility	Aspect	Very Poor	Poor	Satisfactory	Good	Excellent
Runways	Availability	1	1	1	3	1
	Standard		2	1	3	1
Aprons	Availability			2	5	
	Standard			2	5	
Taxiways	Availability		1	1	4	1
	Standard			2	4	1
Gates	Availability			3	4	
	Standard		2	2	3	
Aerobridges	Availability			4	3	
	Standard		2	3	2	
Ground service equipment storage	Availability			2	4	
	Standard			3	3	
Freight equipment storage sites	Availability			4	2	
	Standard			4	2	
Check-in facilities	Availability		2	2	3	
	Standard		2	3	2	
Baggage processing facilities	Availability		3	3	1	
	Standard		2	4	1	
Addressing airline concerns			1	1	4	

* Not all airlines responded to all questions.

Appendix 4: Static indicators at 30 June, 1998-2001

Indicators provided by the airport operator	1998	1999	2000	2001
Number of (international) aircraft parking bays	7	7	7	7
Number of aerobridges	5	5	5	5
Percentage of passengers (embarking) using an aerobridge	Over 99%	99.6%	99.7%	99.5
Percentage of passengers (disembarking) using an aerobridge	Over 99%	99.6%	99.7%	99.6
Number of check-in desks – managed by Westralia	24	24	24	24
International Passengers/Check-in desks	62,977	64,148	66,488	69,178
Number of baggage inspection desks	20	20	20	19
Number of inbound immigration desks	16	16	16	16
Number of outbound immigration desks	10	10	10	10
Number of security clearance systems	2	2	2	2
Number of seats in gate lounges	435	359	357	355
International Passengers/Seats in gate lounges	3,475	4,288	4,470	4,677
Capacity of outbound baggage handling equipment (bags per hour)	5,760	5,760	5,760	5,760
Capacity of inbound baggage reclaim system (bags per hour)	Na	Na	8,640	8,640
Throughput of the car park per year	Na	Na	1,570,133	1,526,985
Number of car parking spaces (international)	927	853	1077	1077

Appendix 5: Perth International Airport regulatory accounts (Summary)

Profit and Loss Account for the year ended 30 June 2001⁷

Description	Audited financial statements	Aero services	Non-Aero services
<i>Description</i>	\$	\$	\$
Revenue			
Aeronautical revenue	20,835,614	20,835,614	
Non-Aeronautical revenue	56,431,981		56,431,981
Total Revenue	77,267,595	20,835,614	56,431,981
Expenditure			
Salaries and wages	7,024,706	4,192,417	2,832,289
Depreciation	7,810,271	4,885,632	2,924,639
Amortisation	7,385,361		
Services and utilities	9,841,357	1,803,474	8,037,883
Maintenance	2,311,163	1,312,155	999,008
Australian Protective Service costs	2,298,779	2,298,779	-
Passenger Screening	896,052	896,052	-
Checked Baggage Screening	537,135	537,135	-
Other costs	4,247,180	2,082,087	2,165,093
Total Expenditure	42,352,004	18,007,731	16,958,912
Operating Profit/(Loss)	34,915,591	2,827,883	39,473,069
Earnings Before Interest and Tax (EBIT)			
Interest Expense	55,335,535		
Loss Before Tax	(20,419,944)		
Tax charge	0		
Loss after Tax	(20,419,944)		
Dividends paid	0		
Loss after tax and dividends	(20,419,944)		
Opening Accumulated loss	(76,908,664)		
Closing Accumulated loss	(97,328,608)		

⁷ 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.

Profit and Loss Account for the year ended 30 June 2000⁸

Description	Audited financial statements 1999/00	Aero services	Non-Aero services
<i>Description</i>	\$	\$	\$
Revenue			
Aeronautical revenue	20,471,419	20,471,419	
Non-Aeronautical revenue	49,206,730		49,206,730
Total Revenue	69,678,149	20,471,419	49,206,730
Expenditure			
Salaries and wages	6,648,923	4,585,099	2,063,824
Depreciation	7,872,044	5,417,511	2,454,533
Amortisation	7,359,753		
Services and utilities	8,847,441	1,580,473	7,266,968
Maintenance	1,937,001	1,176,961	760,040
Australian Protective Service costs	2,213,483	2,213,483	0
Passenger Screening	486,122	486,122	0
Check Bag Screening	41,144	41,144	0
Other costs	3,979,808	2,095,352	1,884,456
Total Expenditure	39,385,719	17,596,145	14,429,821
Operating Profit/(Loss)	30,292,430	2,875,274	34,776,909
<i>Abnormal items</i>			
Redundancy costs	(373,834)	(337,150)	(36,684)
Adjustment to depreciation RTAs	0	0	0
Adjustment to amortisation Lease	0	0	0
Franchise Fee			
GST readiness costs	(388,924)	(155,436)	(233,488)
Y2K readiness costs	(125,809)	(73,341)	(52,468)
Disposal of Assets	(43,605)	13,208	(56,813)
	(932,172)	(552,719)	(379,453)
Earnings Before Interest and Tax (EBIT)	29,360,258	2,322,555	34,397,456
Interest Expense	(51,758,240)		
Loss Before Tax	(22,397,982)		
Tax charge	0		
Loss after Tax	(22,397,982)		
Dividends paid	0		
Loss after tax and dividends	(22,397,982)		

⁸ 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.

Balance sheet as at 30 June 2001

Description	Audited financial statements	Aero services	Non-Aero services
	\$	\$	\$
CURRENT ASSETS			
Cash	2,203,096		
Receivables	3,892,605	1,010,737	2,881,868
Inventories	73,995	0	73,995
Accrued revenue	5,106,837	75,525	5,031,312
Other	2,247,542	1,775,607	471,935
Total current assets	13,524,075	2,861,869	8,459,110
NON-CURRENT ASSETS			
Lease Franchise Fee	413,220,503		
Property, plant and equipment	209,460,133	88,906,101	120,554,034
Expenditure carried forward	26,149,487		
Other	3,972,750	2,216,850	1,755,900
Total non-current assets	652,802,873	91,122,951	122,309,934
TOTAL ASSETS	666,326,948	93,984,820	130,769,045
CURRENT LIABILITIES			
Creditors	15,467,074		
Borrowings	0		
Provisions	1,703,945	1,016,932	687,013
Total current liabilities	17,171,019		
NON-CURRENT LIABILITIES			
Borrowings	601,817,494		
Provisions	102,266	61,033	41,233
Total non-current liabilities	601,919,760		
TOTAL LIABILITIES	619,090,779		
NET ASSETS/(LIABILITIES)	47,236,169		
SHAREHOLDER'S EQUITY			
Share capital	144,564,774		
Accumulated profits/(losses)	(97,328,605)		
TOTAL SHAREHOLDER'S EQUITY	47,236,169		
Accumulated loss at the start of the year:	(76,908,662)		
Loss for the current financial year	(20,419,944)		
Accumulated loss at the end of the year	(97,328,605)		

Balance sheet as at 30 June 2000

Description	Audited financial statements	Aero services	Non-Aero services
	1999-00 \$	1999-00 \$	1999-00 \$
CURRENT ASSETS			
Cash	7,968,886		
Receivables	3,494,309	1,575,661	1,918,648
Inventories	72,381	0	72,381
Accrued revenue	2,886,754	75,525	2,811,229
Other	1,698,284	946,978	751,306
Total current assets	16,120,614	2,598,164	5,553,564
NON-CURRENT ASSETS			
+ Receivables	0		
Investments	0		
Property, plant & equipment	197,076,228	92,217,554	104,858,677
Lease Franchise Fee	417,570,193		
Expenditure carried forward	36,286,122		
Other	3,972,750	2,216,850	1,755,900
Total non-current assets	654,905,293	94,434,404	106,614,577
TOTAL ASSETS	671,025,907	97,032,568	112,168,141
CURRENT LIABILITIES			
Creditors	14,344,675		
Borrowings	0		
Provisions	1,504,839	1,037,737	467,102
Total current liabilities	15,849,514		
NON-CURRENT LIABILITIES			
Borrowings	587,418,015		
Provisions	102,266	70,523	31,743
Total non-current liabilities	587,520,281		
TOTAL LIABILITIES	603,369,795		
NET ASSETS	67,656,112		
SHAREHOLDER'S EQUITY			
Share capital	144,564,774		
Accumulated losses	(76,908,662)		
TOTAL SHAREHOLDER'S EQUITY	67,656,112		
Accumulated loss at the start of the year:	(54,510,680)		
Loss for the current financial year	(22,397,982)		
Accumulated loss at the end of the year	(76,908,662)		

Cash Flow Statement for year ended 30 June 2001

Description	Audited financial statements	Audited financial statements
	2000 \$	2001 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Inflows:</i>		
Receipts from customers	68,465,376	81,535,686
Interest received	528,527	508,935
<i>Outflows:</i>		
Payments to suppliers and employees	(23,716,041)	(28,114,540)
Interest paid	(43,214,439)	(46,041,096)
GST paid	0	(3,738,795)
Net cash flows provided by operating activities	2,063,423	4,150,190
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Inflows:</i>		
Proceeds from sale of property, plant and equipment	20,678	102,477
Proceeds from reserve accounts released	1,945,972	(324,879)
Other		
<i>Outflows:</i>		
Acquisition of property, plant and equipment	(11,089,805)	(15,249,467)
Net cash flows used in investing activities	(9,123,155)	(15,741,869)
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Inflows:</i>		
Proceeds from borrowings	8,047,167	5,555,891
Net cash flows provided by financing activities	(8,047,167)	5,555,891
Net increase/(decrease) in cash held	987,435	(5,765,788)
Cash at beginning of reporting period	6,981,451	7,968,884
Cash at end of reporting year	7,968,886	2,203,096

Summary of significant accounting policies

This special purpose financial report has been prepared in accordance with the Regulatory Information Requirements under Part 7 of the Airports Act, Section 21 and 27A of the PS Act, Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the Corporations Law. It is prepared in accordance with the historical cost convention.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous period. Comparative information is reclassified where appropriate to enhance comparability.

(a) Principles of Consolidation

The consolidated accounts comprise the accounts of Westralia Airports Corporation Pty Ltd and all of its controlled entities. A controlled entity is any entity controlled by Westralia Airports Corporation Pty Ltd. Control exists where Westralia Airports Corporation Pty Ltd has the capacity to dominate the decision making in relation to the financial and operational policies of another entity so that the other entity operates with Westralia Airports Corporation Pty Ltd to achieve common objectives.

All inter-company balances and transactions between the entities in the consolidated entity, including any unrealised profit or losses, have been eliminated on consolidation.

(b) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the profit and loss account is matched with the accounting profit after allowing for permanent differences. The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

The income tax expense for the year is calculated using 34% tax rate however, the deferred tax balances have been adjusted for the decreased corporate tax rate of 30% for the tax year 2001/02 and thereafter. The adjustment recognises that reversal of timing differences will occur during income tax years, at which time tax will be attributed at a lower rate. The corresponding adjustment has been charged to income tax expense.

(b) Foreign Currency Translation

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit and loss for the year.

(ii) Specific Commitments

Hedging is undertaken to avoid possible exposure to financial effects of movements in exchange rates. Gains or losses on hedging transactions intended to hedge monetary items are brought to account in the year in which the exchange rates change. Gains or costs arising at the time of entering into such hedging transactions are brought to account in the profit and loss account over the lives of the hedges. Any receivable or payable at balance date is netted against foreign currency borrowing's as the timing of closing out hedge transactions matches the term to maturity of related borrowings and it is intended that they will be settled on a simultaneous basis.

(d) Revenue Recognition

- (i) Aeronautical charges comprise Landing Fees and International Terminal charges, based on the maximum take-off weight (MTOW) and passenger numbers of aircraft, and a security charge for the recovery of charges imposed by Australian Protective Services and other government security requirements.
- (ii) Trading comprises concessionaire rent and other charges received.
- (iii) Grounds transport services comprises operation of public and leased car parks, car rental concessions, grounds transport services and traffic management.
- (iv) Property revenue comprises income from company owned terminals, buildings and other leased areas.
- (v) Recharge Property Service costs comprises recharged service and utility expenditure.
- (vi) Interest Revenue comprises earnings on funds deposited with financial institutions to provide for reserve requirements as part of the financing documents.
- (vii) Asset Sales comprise revenue on disposal of assets bought to account at the transaction date.

Gross revenue is raised when there is an unconditional right to receive that revenue and it can be measured reliably.

(e) Receivables

All trade debtors are recognised as the amount receivable as they are due for settlement no more than 30 days from the date of recognition.

Recoverability of trade debtors is reviewed on an ongoing basis. Debts, which are known to be unrecoverable, are written off. A general provision for doubtful debts is raised together with a specific provision for debts where recoverability is deemed to be doubtful.

(f) Inventories have been stated at the lower of cost and net realisable value.

(g) Acquisition of Assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition. Where shares are issued on acquisition, the value of the shares is determined by reference to the fair value of the assets acquired, including goodwill and other intangible assets where applicable.

The lease franchise fee, arising from the acquisition of the Perth International Airport lease, is brought to account on the basis described in note 1 (i)(i).

(h) Recoverable amounts

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount. To the extent that a revaluation decrement reverses a revaluation increment previously credited to, and still included in the balance of, the asset revaluation reserve, the decrement is debited directly to that reserve. Otherwise the decrement is recognised as an expense in the profit and loss account.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market determined, risk adjusted discount rate.

(i) Infrastructure, Plant and Equipment

(i) *Cost and valuation*

Infrastructure, Plant and equipment are valued at historical cost. WAC obtained independent valuations for aeronautical assets based on Optimised Depreciated Replacement Cost which at 30 June 2001 valued these \$88.8 million above the value in the balance sheet. For non-aeronautical assets a market based approach valued these assets \$7.9 million below the value in the balance sheet.

(ii) *Depreciation and amortisation*

Infrastructure, plant and equipment (including infrastructure assets under lease) have been depreciated using the straight-line method based upon the estimated useful life of the assets to the WAC.

Depreciation and amortisation rates used are as follows:

Operational Land	1.01%
Investment Land	0.00%
Plant and Equipment	15.00%
Buildings	6.25-15%
Fixed Plant and Equipment	5-15%
Runway's, Taxiway's and Apron's	1.00-6.67%
Other Infrastructure	6.25-20%

(iii) *Leasehold improvements*

Leasehold improvements have been amortised over the shorter of the unexpired period of the lease and estimated useful life of the improvements.

(iv) *Major repairs and maintenance*

Major asset maintenance costs incurred on runways, taxiways and aprons are capitalised and are written off over the period between major asset maintenance projects. This recognises that the benefit is to future periods and also apportions the cost over the period of the related benefit.

(v) *Non-current assets under construction*

The cost of non-current assets constructed by the company includes the cost of all materials used in construction, direct labour on the project and consultancy and professional fees associated with the project.

(j) Lease Franchise Fee and Expenditure Carried Forward

(i) *Lease franchise fee*

The franchise paid on acquisition of the Perth International Airport lease, which represents the difference between the Perth International Airport purchase price and the fair value of the net tangible assets acquired, will be amortised on a straight line basis over the life of the lease, 99 years.

(ii) *Capitalised bid costs*

The costs incurred in relation to the Perth International Airport bid and acquisition have been capitalised and will be amortised on a straight-line basis over the life of the lease, 99 years.

(iii) *Capitalised finance costs & capitalised US note issue finance costs*

All fees and costs incurred in establishing the funding facilities for the acquisition of the Perth International Airport lease and in refinancing the debt structure have been capitalised and are amortised on a straight line basis according to the term to maturity of the relevant debt issue. This principle has been amended from the prior year when these capitalised costs were amortised over a period of five years.

(iv) *Capitalised masterplan costs*

All fees and costs incurred in the development of the masterplan have been capitalised and will be amortised on a straight-line basis over five years. This represents the statutory period over which the masterplan is valid.

(v) *Capitalised property, terminal and regional development costs*

All fees and costs incurred relate to constructions or feasibility analysis and are currently in progress. These costs will be amortised from the completion of these projects.

(k) Accounts payable

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except as noted in note (j)(iii). Borrowing costs include:

- interest on bank overdraft and long term borrowings;
- interest on short and long term subordinate debt;
- interest on bonds payable (including capitalised interest component); and
- ancillary costs incurred in connection with the ongoing conduct of borrowings.

(m) Derivative financial instruments

The company has entered into interest rate and currency swap agreements. These derivative financial instruments are not recognised in the financial statements on inception.

The net amount receivable or payable under interest rate swap agreements is brought to account when due and payable under the terms of each contract. The amount recognised is accounted for as an adjustment to interest expense during the period.

The accounting policy for currency swaps is detailed in note (c)(ii).

(n) Maintenance and repairs

Maintenance, repair costs and minor renewals, excluding maintenance on runways, taxiways and aprons, are charged as expenses as incurred.

Maintenance on runways, taxiways and aprons is treated in accordance with note (i)(iv).

(o) Employee entitlements

Provision has been made for long service leave and annual leave payable to employees on the basis of statutory and contractual requirements. Vested entitlements are classified as current liabilities.

A liability for long service leave is recognised based on employees' current pay rates and associated on costs in respect of services provided by employees up to the reporting date. When assessing the adequacy of the provision, consideration is given to the present value of these payments after assessing expected future wage and salary levels, experience of employee departure and period of service.

The company meets its superannuation and enterprise bargaining obligations for employer's superannuation through contributions to resident accumulation complying superannuation funds selected by employees. If an employee makes no choice, then those contributions are sent

monthly to the resident complying superannuation scheme operated by Westscheme Pty Ltd. Contributions made to superannuation funds are charged against profits.

(p) Cash

For the purposes of the statement of cashflows, cash includes deposits at call, which are readily convertible to cash on hand and are subject to an insignificant risk of change in value, net of outstanding bank overdrafts.

Appendix 6: Perth International Airport operational statistics

Operational statistics for the years ended 30 June, 1998-2001

Description	1997/98	1998/99	1999/00	2000/01
PASSENGERS				
Domestic passengers	3,210,006	3,264,459	3,385,825	3,560,565
International passengers (excluding transit)	1,511,450	1,539,550	1,595,701	1,660,275
International transit passengers	105,653	124,946	124,679	28,065
Domestic on-carriage	34,436	39,363	49,141	15,706
TOTAL PASSENGERS	4,861,545	4,969,318	5,155,346	5,264,611
AIRCRAFT MOVEMENTS				
Regular Public Transport aircraft movements	59,419	61,046	60,868	57,680
General Aviation aircraft movements	28,386	37,434	34,028	27,648
TOTAL AIRCRAFT MOVEMENTS	87,805	98,480	94,896	85,328
TOTAL TONNES LANDED	2,495,184	2,560,638	2,740,651	2,682,492
AVERAGE STAFF EQUIVALENTS				
- Aeronautical services	74	69	61	69
- Non-aeronautical services	29	25	25	30
TOTAL AVERAGE STAFF EQUIVALENTS	103	94	86	99
AREA (HECTARES)				
- Aeronautical services	1,280	1,280	1,280	1,280
- Non-aeronautical services	825	825	825	825
TOTAL AREA (HECTARES)	2,105	2,105	2,105	2,105