



# **REGULATORY REPORT**

## **SYDNEY AIRPORT 2000/01**

**November 2001**



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# **1 Introduction**

The Australian Competition and Consumer Commission (the ACCC) administers the economic regulatory measures applying to the core regulated airports and to Sydney Airport (Kingsford Smith). The measures include access arrangements at the privatised airports and prices oversight arrangements relating to certain airport services.

The regulatory framework also includes a range of measures designed to complement the prices oversight arrangements and increase the transparency of certain aspects of the airport business. The ACCC reports annually on airport accounts, quality of service, and prices monitoring at the regulated airports.

## ***The report***

This report first addresses quality of service monitoring at Sydney Airport and provides a summary of results for the 2000/01 year and a review of results since monitoring commenced in 1998/99. The second section provides information on Sydney Airport's financial accounts, and the third section addresses the formal price monitoring requirements under section 27A of the *Prices Surveillance Act* 1983 (PS Act).

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

## ***Sydney Airport***

Sydney Airport is owned by the Commonwealth Government and operated by Sydney Airports Corporation Limited (SACL). Sydney Airport is subject to similar regulatory arrangements to the privatised airports, including accounts reporting pursuant to Part 7 of the *Airports Act* 1996 (Airports Act) and prices monitoring arrangements pursuant to section 27A of the PS Act. Unlike the privatised airports, Sydney Airport is not subject to a price cap on aeronautical services or to section 192 of the Airports Act.



## **2 Quality of service monitoring**

This section deals with quality of service monitoring. It begins by providing an overview of the Commission's role in quality of service monitoring at Sydney Airport. Following this is a summary of the 2000/01 quality monitoring results for Sydney Airport and a review of results over the period of monitoring since 1998/99. For the first time, results are included for the Domestic Express Terminal.

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

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

Quality of service monitoring is aimed at:

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

#### ***The Commission's approach***

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

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

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

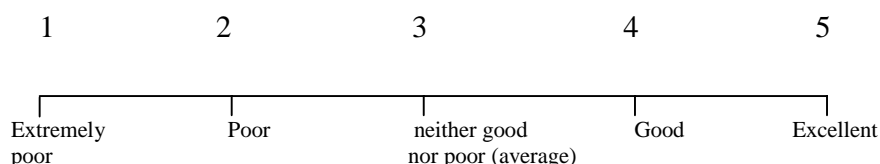
#### ***Passenger perception surveys***

Passenger perception surveys were used as a source of information in assessing the quality of various services and facilities at Sydney Airport. SACL in conjunction with a market research firm (Marketshare Pty Ltd) designed the passenger perception survey and administered it from 15 to 28 June 2001 inclusive. The interviews took place between 6.00am and 10.00pm each day at Sydney Airport's International and Domestic Terminals.

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

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

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



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

### ***Airline surveys***

In order to gain information on the quality of airside facilities and terminal facilities, the ACCC conducted a survey of the airlines that used Sydney Airport. A total of 18 surveys were received from the following airlines: Qantas, Ansett Australia, Air Vanuatu, Polynesian Airlines, Japan Airlines, Gulf Air, China Eastern, Cathay Pacific, Air Calin, Air Canada, British Airways, Egyptair, United Airlines, Singapore Airlines, Asiana Airlines, Lauda Air, Olympic Airways and Air New Zealand.

As part of the survey, airlines were requested to rate the availability and standard of particular facilities and services on a five-point scale ranging from 'very poor' to 'excellent'. Under the availability category, the ACCC 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 ACCC sought information on the ability of equipment to perform the function intended, and the reliability of the equipment. See Appendix 2 for results of the airline survey.

### ***Airport Operators***

SACL was required to provide the ACCC with information on the 'static indicators' at the airport for the 2000/01 period. These indicators include the number of passengers, the number of aerobridges, and the size of aprons. Details of the 'static indicators' for Sydney Airport are provided in Appendix 3.

### ***Australian Customs Service and Airservices Australia***

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

For the first year, Airservices Australia provided the ACCC with data on runway movements, capacity utilisation and aircraft delays for domestic flights for morning peak periods. In future years, comments will be made on any trends in these indicators.

### ***Issues***

In assessing the quality of service at Sydney Airport, there were a variety of factors outside the immediate control of SACL, which may have influenced the quality of service results.

Firstly, when comparing results for 2000/01 with 1999/00 period, some improvement in ratings may be expected given that during the previous year Sydney Airport was undergoing major restructuring and building works in the lead up to the Olympics. Such restructuring had the capacity to cause short-term disruptions to airline operations and the general day to day running of the airport. Of course the completion of new facilities could also be expected to account for part of any improvement in ratings.

Secondly, staffing of check-in services by airlines, and similarly staffing of immigration services by Customs, may have affected the quality results obtained for related services.

Thirdly, airlines, Airservices Australia and other service providers might have contributed to quality outcomes at Sydney Airport.

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

## **2.2 Quality of service results, 2000/01 and review, 1998/99-2000/01**

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

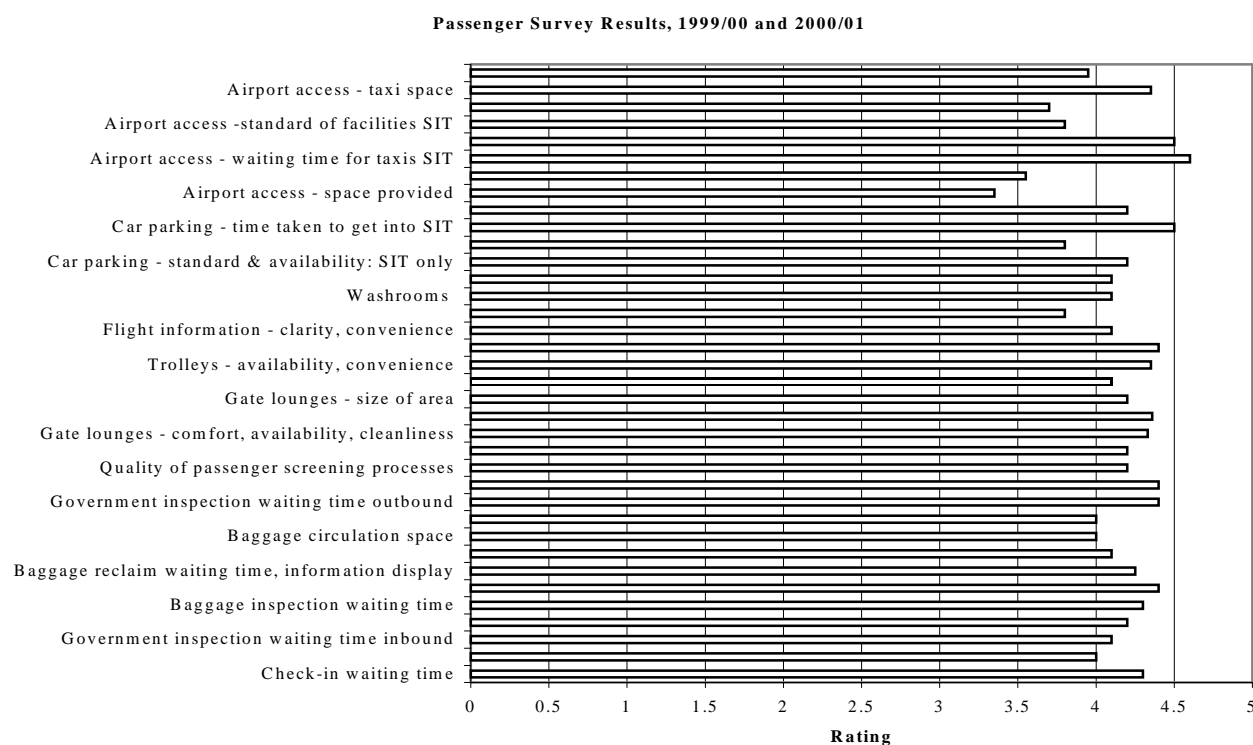
Overall results for 2000/01 suggest that airport users and passengers were generally satisfied with the availability and standard of facilities and services provided at Sydney Airport.

Over the three years of monitoring from 1998/99 the quality of service has shown reasonable improvement.

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

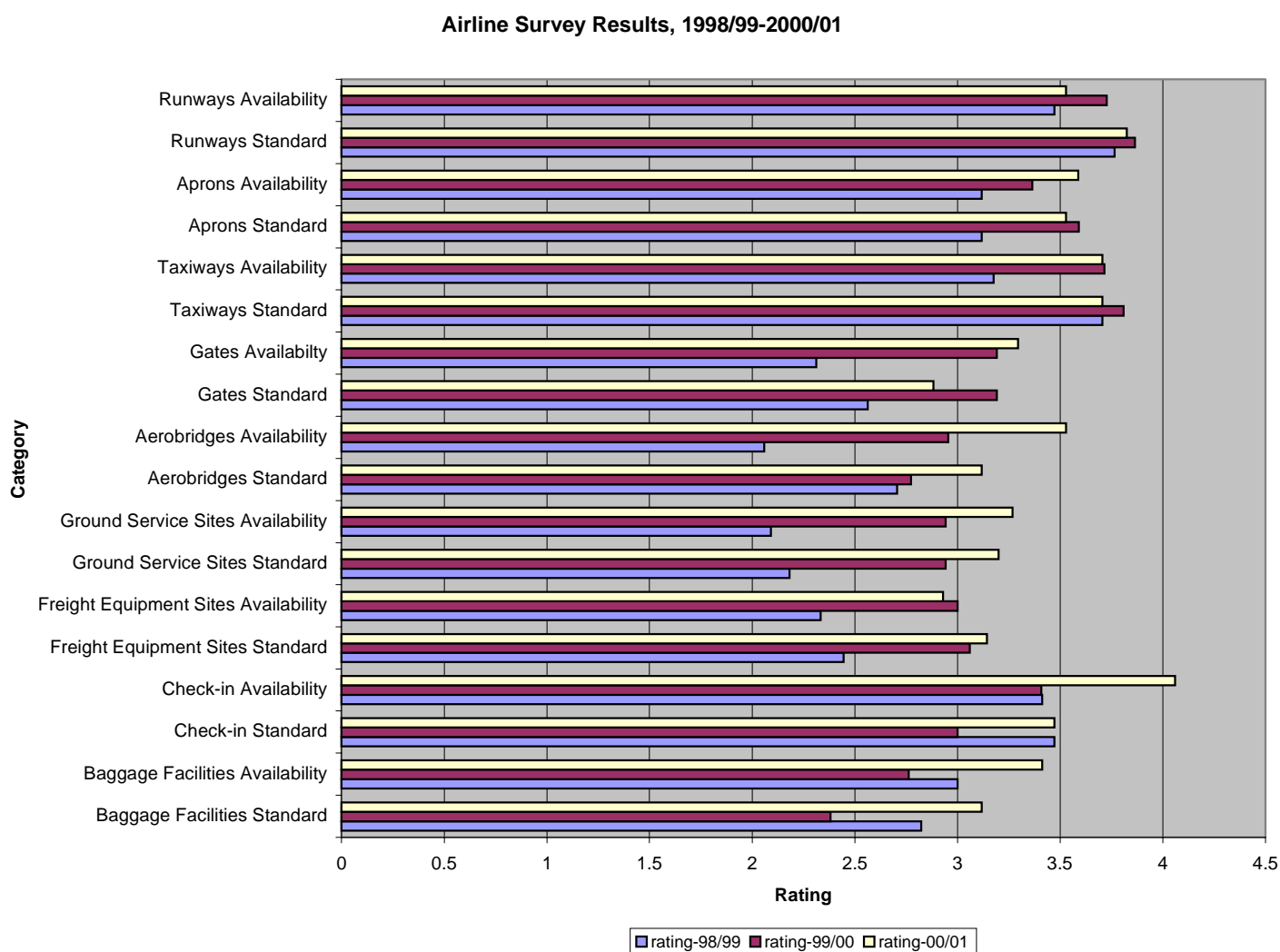
The Passenger Perception Survey shows that most services were rated higher than the previous year and achieved a rating of 4 or above out of 5. These ratings indicate that passengers were 'somewhat satisfied' with the quality of services/facilities at Sydney Airport. Chart 1 below compares the results for 2000/01 with 1999/00.



*Chart 1: Comparison of Passenger Surveys, 1999/00 and 2000/01*

The airline survey results also indicated that airlines are generally more satisfied with the availability and standard of facilities in 2000/01 than in the first year of monitoring. A summary of results is presented in Chart 2. More details of the results of the 2000/01 airline survey are given in Appendix 2.

Chart 2: Results of Airline Surveys, 1998/99-2000/01



A discussion of the various aspects of quality of service covered is given in the sections below.

### ***Runways, aprons and taxiways***

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

#### ***2000/01***

Airlines generally rated the availability of runways as 'good'. Overall, the ratings are similar to the 1999/00 year despite an 8.2% increase in the reported number of aircraft movements.

For the first time, Airservices Australia reported on runway movements for the 0700-1000 and 1700-1900 periods, capacity utilisation and delays at Sydney Airport. It reported that typically, for each month, around 90% of slots assigned were actually used between 0700 and 0900, which indicates that runways were operated within capacity.

Airservices Australia provided data on arrivals delays of domestic aircraft between 0700 and 1000 for each day of the week for March to June inclusive. For weekdays, depending on the day of the week, between 12.6% and 15.0% of flights were more than 15 minutes late. On Saturdays, the rate was 8.7% and Sundays only 3.3%. In future it is expected that delay data including international flights will also be available.

One airline commented however, that delays occur for outbound flights when only one runway is in use and that this occurs for policy reasons and not weather. The airline noted that three to four flights per month could be affected and that the delays could be for up to 20 minutes.

Another commented that the 0600 to 0700 period is extremely congested. When providing data on various quality indicators, SACL commented that, due to the curfew on flights between 2300 and 0600, there is a very busy period from 0600 to 1000.

The standard of runways was also rated as 'good'. There was less variation in the ratings from the previous year but overall airlines appear to have remained satisfied with the standard of runways. A comment was made by one airline that the length was insufficient on a crosswind runway.

Airlines rated the availability of aprons as 'satisfactory' to 'good'. Two airlines commented that they experienced problems with availability and congestion although, for one airline, it was acknowledged the curfew contributed to the problem. Another considered that empty aircraft on aprons should not be allowed to delay aircraft with passengers.

Airlines rated the standard of aprons as 'satisfactory' to 'good'. The overall rating was higher than for the previous year when some 'poor' ratings were given. A comment again made was that aprons are small for some aircraft being used.

Airlines generally rated the availability of taxiways as 'satisfactory' to 'good'. One airline commented on problems created by the curfew.

Airlines also rated the standard of taxiways as 'satisfactory' to 'good'. No comments were received regarding the standard of taxiways.

In response to the above comments made by airlines, SACL stated that single runway operations are used for periods when crosswind conditions are such that other runways are unusable.

SACL also noted that they are required to comply with government directions regarding the implementation of the Long Term Operating plan, however the noise sharing modes depicted generally involve the use of two or three runways simultaneously.

#### *1998/99-2000/01*

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

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

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

Overall, the Commission considers that the availability and standard of these facilities has been maintained or slightly improved over the period of monitoring.

### ***Gates***

The quality of gates at Sydney Airport was assessed using results obtained from the airline surveys.

#### ***2000/01***

Sydney Airport had 40 aircraft bays servicing international aircraft at 30 June 2001 compared to 39 at the end of the previous year. These comprised 27 with aerobridges, three with bus access, two freighter bays, four parking positions, three spare bays and one walk up bay.

Airlines generally rated the availability of gates from 'satisfactory' to 'good'. In comparison to the previous year, there were fewer ratings below 'satisfactory' suggesting that overall airlines were more satisfied with the availability of gates despite the number of Regular Public Transport aircraft movements being 10% higher than for the previous year. In the previous year, construction works adversely affected gate availability.

Comments received from airlines referred to availability being tight on Wednesdays and that on occasions it was necessary for aircraft to be towed to remote gates.

SACL responded that this may be the case and any such requirement is covered by the Bay Allocation Guidelines that have been agreed by the industry.

Airlines rated the standard of gates from 'poor' through to 'good'. A comment was made that some gates are too small and not suitable for particular types of aircraft, an example given being Gate 51 for B747s. Again there were fewer low ratings and adverse comments than were received for the previous year, which may reflect the completion of works that were in progress in 1999/2000.

In response to airline comments, SACL noted that, in its view, Gate 51 is capable of facilitating B747s, and that for the reporting period there were 1,680 B747 movements on gate 51. SACL further comment that some airlines do not like to use Gate 51 with long haul flights, as they believe the pushback line places undue pressure on the aircraft bogey of a fully laden departure

#### ***1998/99-2000/01***

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

The standard of gates has been rated similarly over the monitoring period, and airlines have confined comments to issues of availability.

Overall, the Commission considers that the availability of gates has improved and that the standard of gates has been maintained over the monitoring period.

### ***Ground service equipment storage sites***

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

*2000/01*

Ground service equipment storage sites were mostly rated from 'poor' to 'good'. The results were similar to the previous year.

Comments again included that the area is small and congested and one airline also commented that the area was dirty.

SACL had previously stated that from August 2000 the space available for storage equipment had been increased. It commented that it provides over 43,000 m<sup>2</sup> of ground service equipment storage space for the international terminal. To address the concerns of insufficient storage space, SACL have recently implemented a system to identify the amount of area utilised on a daily basis. From this system, overall occupancy of the available space at the international terminal ranges from 30% to 47%. SACL contends that these figures indicate it has provided adequate ground service equipment storage for all tenants to meet current and near-future needs.

In response to comments made about the cleanliness of the storage areas, SACL note that this is affected by a number of factors including the general use of the area, oil spillages originating from poorly maintained sites, airline waste products and packaging products not returned to the freight area.

SACL has stated that although they have an effective cleaning/maintenance schedule in place, SACL as a corporation does not engage in any of these activities. All of these factors that contribute to the cleanliness of the GSE storage areas stem from Airline and Ground Handling activities.

*1998/99-2000/01*

Airlines were quite critical of ground service equipment and storage sites in 1998/99, the first year of monitoring. Comments referred to a lack of space and sites available for use. Ratings were generally 'very poor' and 'poor'.

It was noted that while a similar number of airlines rated the facility as 'very poor' or 'poor' in 1999/2000, overall the ratings were a little higher. Similar comments regarding space were also received in that year but SACL responded that it had made some additional space available. Despite this however, comments were still made regarding congestion in the 2000/01 year.

Overall, the Commission notes that the facility has not rated well although there have been some indications of improvement in that SACL increased the amount of space in 1999/2000.

### ***Freight equipment storage sites***

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

*2000/01*

Freight facilities were rated from 'satisfactory' to 'good' by airlines compared with 'very poor' to 'good' ratings in 1999/2000. The ratings for 2000/01 suggest that the availability and standard of the facilities have improved.

Fewer comments were received than for the previous year. One airline commented that availability is good for on airport carriers, but is poor and congested for off airport cargo handlers.

#### *1998/99-2000/01*

Over the first two years of monitoring ratings have been 'very poor' to 'good'. A consistent comment by airlines has been that the areas provided were congested and that there was insufficient space for aircraft.

SACL have noted that the comments for freight equipment storage sites for the period 1998/89 to 2000/01 appear a fair reflection of the situation, although some upgrading occurred prior to the Olympics. It previously stated it will develop a site to accommodate freight handling terminals and container storage sites which will become available in 2003/04.

SACL acknowledges that space remains a significant constraint for the airport to manage in cooperation with the key freight stakeholders. A Sydney Airport Freight Facilitation Committee was formed in October 2001 with key industry representatives to improve information sharing and decision processes.

Overall, the Commission notes that the facilities have not rated well but have shown some improvement. SACL is addressing the concerns of users and there has been a decline in the number of negative comments from airlines.

#### *Aerobridges*

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

#### *2000/01*

Sydney Airport had 27 aerobridges available to service international aircraft at 30 June 2001. Over the 2000/01 year, 97% of embarking passengers and 98% of disembarking passengers used an aerobridge. This is a significant increase from the previous year when 77% of embarking passengers and 75% of disembarking passengers used an aerobridge, although this was largely due to disruption arising from construction and refitting works being conducted on aerobridges during 1999/2000.

Airlines rated the availability of aerobridges as 'satisfactory' to 'good'. In the previous year there were a number of ratings of 'very poor' and 'poor' suggesting that availability has improved over the latest year with the introduction of new facilities.

Airlines rated the standard of aerobridges as generally 'poor' to 'satisfactory' although there were ratings of 'good' and 'excellent'. Comments from airlines referred to incidents where an aerobridge dropped on to an aircraft, a door was ripped off an aircraft, mechanical problems were experienced with aerobridges including shutters jamming and that new aerobridges were slow to secure into position and were unstable. Four airlines commented that there is often rubbish in aerobridges. Another comment was that with fixed aerobridges, aircraft can overshoot the stopping point and require push back delaying off loading. Overall, the ratings and some comments were similar to the previous year.

SACL expressed the view that the majority of incidents and serviceability issues are related to operator competence. Over the last six months it has been working closely with airlines in an effort to raise operator competencies, however this has not been achieved as yet.

With regards to comments on rubbish, SACL note this is an airline to service supplier issue as the majority of rubbish is generated from the aircraft.

Finally, regarding the concern of fixed aerobridges not being capable of facilitating overshoot arrivals, SACL comment that this depends on the distance the pilot overshoots the stop mark. With fixed aerobridges, there is some tolerance to compensate for overshoots and re-positioning is only required where the pilot error is greater than the tolerance level.

#### *1998/99-2000/01*

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

As part of the redevelopment of the international terminal the number of aerobridges was increased during the 1999/2000 year to 27. Not surprisingly the number of airlines rating the availability of aerobridges as 'very poor' or 'poor' decreased from 13 to seven in 1999/2000.

The standard of aerobridges has been rated from 'poor' to 'good'. A particular issue commented on over the three years of monitoring has been a lack of cleanliness, although SACL stated it has been working with airlines to find a solution to the problem.

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

Overall, the Commission considers that there has been an improvement in the availability of aerobridges with the addition of new facilities and that, while there appears to be room for improvement with the standard, it is at least being maintained.

#### ***Check-in facilities***

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

#### *2000/01*

Sydney Airport had 214 check-in desks, including service desks, as at 30 June 2001. This represented an increase from the previous year of 22 desks, although some of these desks had in previous years been included as service desks. The increase in desk numbers in 2000/01 compares with an 8% increase in the number of international passengers. This would indicate that the facilities have increased ahead of the growth in passenger numbers.

Airlines rated availability of check-in desks as 'satisfactory' to 'good'. In comparison to the previous year, there were fewer ratings of 'poor' and 'very poor'.

As further indications of availability, over 80% of desks were in use for 2.08% of the time that desks were used compared to 1.7% in the previous year. Also, of passengers surveyed, 84% rated the waiting time for check in as either 'good' or 'excellent'.

In addition, no adverse comments were received regarding the availability of check-in desks whereas in the previous year a comment had been that availability was tight during peak periods. What appears to be an improvement in availability therefore, may in part at least be explained by the increase in the number desks.

Airlines also rated the standard of check-in facilities as 'satisfactory' to 'good'.

A comment received from one airline was that the system did not appear to be designed for the amount of baggage throughput. Another airline considered that more telephone lines were required and that queuing space was insufficient at check-in islands. One airline commented that SACL is very accommodating with requests.

With regards to the airline comment about telephone lines, SACL note that all dedicated service positions have telephones and all check-in positions have an intercom system with the capacity to be used as a phone line. SACL also allow a limited number of extra phones to be installed at the user's expense should they be required for operational reasons.

SACL note the queuing space allocated to airlines is a standard that has been adopted and approved by the industry. Terminal Operations is not aware of any problem with this aspect of the check-in procedure.

With regards to comments on the baggage system, SACL considers that the baggage system can meet demand.

At the new Domestic Express Terminal, 67% of passengers surveyed considered waiting time at check-in to be 'excellent' and a further 27% considered it to be 'good'.

#### *1998/99-2000/01*

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

Over the past three years there has been a significant increase in the number of check-in desks from 130 in 1998/99 to 214 in 2000/01. Although the number of international passengers have risen steadily over the three years, the increased number of check-in desks has meant a decrease in the average passenger per check-in desks ratio from around 57,000 in 1998/99 to just under 41,000 in 2000/01. During this time there have been fewer airlines rating the availability of facilities as 'poor' or 'very poor', while passengers have rated the waiting time at check-in as 'good' or 'excellent'.

In terms of the standard of check-in facilities, airlines have commented that there have been problems with phones, flight information displays and Occupational Health and Safety issues concerning the knockdown devices at takeaway belts.

Overall, the Commission considers that the availability of check-in facilities has improved over the monitoring period and that the standard of facilities has been maintained.

#### ***Government inspection***

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

#### *2000/01*

Sydney Airport had 62 inbound immigration desks and 54 outbound immigration desks at 30 June 2001, the same as at the end of the previous year. There were 62 inbound baggage inspection desks compared to 45 at 30 June 2000.

Of passengers surveyed, 80% and 88% respectively rated waiting times for inbound and outbound services as 'good' to 'excellent'.



ACS rated the adequacy of areas provided for circulation and queuing at immigration (arrivals) as 'satisfactory' to 'good'. ACS also rated signage, lighting, desks and passenger facilities for immigration (arrivals) at Sydney Airport as 'satisfactory' to 'good'. The ratings were lower than for the previous year and ACS referred to crowding during the peak period from 0600 to 0730. It considered the crowding, however, to be due to passenger growth, which SACL reported to be up 8% from the previous year.

Of passengers surveyed, 90% rated waiting time at inbound baggage inspection as 'good' or 'excellent'.

The quality of immigration facilities for departing passengers was again rated as 'good'.

#### *1998/99-2000/01*

Over the monitoring period ratings from passengers on waiting time and the ratings of the ACS have been good. The Commission considers that the availability and standard of facilities has been maintained over the three years of monitoring.

### ***Security***

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

#### *2000/01*

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

Passengers again rated the quality of passenger screening at Sydney Airport as 'good' to 'excellent'.

For the Domestic Express Terminal at 30 June 2001, there was one security system. Of passengers surveyed, 80% rated the quality of passenger screening as 'good' or 'excellent'.

#### *1998/99-2000/01*

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

### ***Gate lounges***

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

#### *2000/01*

At 30 June 2001, there were 4,109 seats in gate lounges in the international terminal at Sydney Airport compared to 3,169 seats at the end of the previous year, an increase of nearly 30% which is well in excess of recent growth in international passenger numbers of around 8%.

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

The new Domestic Express Terminal had 441 seats at 30 June 2001. Passengers rated seating comfort in the new terminal as 'average' to 'good', cleanliness as generally 'good', and availability and size as 'good' to 'excellent'.

*1998/99-2000/01*

Over the period of monitoring the number of seats in gate lounges has been significantly increased. Passengers have rated the availability and comfort of seating from 'somewhat satisfied' to 'satisfied' in the first year of monitoring to 'good' to 'excellent' in the second and third years.

The Commission considers that the availability and standard of facilities has improved over the period of monitoring.

***Baggage processing facilities and trolleys***

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

*2000/01*

At 30 June 2001, the international terminal at Sydney Airport had a baggage system with a capacity of 7,128 bags per hour for outbound baggage, and 11,325 bags per hour for inbound baggage. Capacity is unchanged compared to the previous year. In terms of the number of bags handled, SACL estimated there was an increase of 15% over the previous year.

Airlines rated the baggage handling system at Sydney Airport from 'poor' through to 'excellent' but generally 'satisfactory' or 'good'.

Two airlines commented on problems experienced with baggage mishandling and baggage being left behind. A comment was that there are insufficient belts in the baggage make up area that particularly affects airlines with on carriage destinations. Another airline commented that the need to conduct baggage screening, which is a mandated security requirement, can lead to delays in departures or some baggage being left behind.

Other comments related to bags taking a long time to travel through the system and that the damage rate for baggage is high.

In contrast to the previous year, no comments were received regarding breakdowns in the baggage system.

For arrivals, one airline commented that there was constant congestion in winter and a reluctance to move carriers to Pier B was noted.

In relation to outbound baggage capacity, SACL state the current baggage system has been designed to meet the schedule demand for the year 2003.

SACL consider the Airline comments regarding mishandling of baggage are too general to invoke a specific response. If the comments refer to the sortation system then this is rejected as sufficient capacity exists within the total baggage system.

Similarly, with regard to checked baggage screening, SACL consider the statement is too general to respond specifically. It commented that while baggage travel time will extend when baggage is subjected to extra screening checks, it should not be perceived that baggage screening leads to flight delays or baggage.

Finally, SACL is not aware of any increase or high damage rate for baggage compared to last year.

ACS rated the adequacy of space, signage, position, security and passenger inspection facilities as again as 'good' in terms of standard. It noted some additional queuing, but that increased controls in response to the Foot and Mouth Disease outbreak in the UK have been a factor. It also noted plans to reconfigure and refurbish the secondary examination areas and for work to commence in December 2001.

For the Domestic Express Terminal, 42% of passengers surveyed considered waiting time at baggage reclaim as neither 'good' nor 'poor' and 38% considered it be 'good'. Circulation space was rated as 'good' by 43% and as neither 'good' nor 'poor' by 34%.

#### *1998/99-2000/01*

The capacity of the baggage system for both outbound and inbound baggage has been increased during the period of monitoring. SACL has also been required to install check baggage screening facilities for outbound baggage that has affected the operation of the system.

While there has been a range in the ratings, airlines have rated the availability of baggage processing facilities as 'satisfactory' over the first two years of monitoring although for the latest year there were as many 'good' ratings as 'satisfactory' ratings, suggesting some improvement.

The standard of facilities has been generally rated lower. Airlines have commented that the system is prone to breakdowns and is unreliable. Passengers surveyed have generally rated the waiting time for baggage reclaim as 'good' to 'excellent'. In regard to circulation space and trolleys, passengers have consistently rated these as 'good' to 'excellent'.

The ACS has rated baggage facilities as 'good' and noted plans for further works.

Overall, the Commission considers that the availability and standard of baggage processing facilities has improved slightly, or at least been maintained, over the three years of monitoring. In 2000/01, SACL seems to have effectively addressed reliability problems identified in previous reports.

#### ***Flight information displays***

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

#### *2000/01*

Passengers again rated the clarity and convenience of location of flight information displays in the international terminal as 'good' to 'excellent'. For the Domestic Express Terminal, displays were generally rated as 'good' for clarity and location.

#### *1998/99-2000/01*

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

#### ***Washrooms***

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

*2000/01*

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

*1998/99-2000/01*

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

***Car parking and kerbside access***

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

*2000/01*

Sydney Airport had 2,068 international and 2,692 long-term car parking spaces at 30 June 2000. Compared to the 1999/2000 period, Sydney Airport increased the number of international car parks by 48 and the number of long term car parking spaces by 825.

Parking spaces for 308 cars was provided for at the new Domestic Express Terminal at 30 June 2001.

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

Kerbside access at Sydney Airport was also surveyed. Kerbside access is required to allow passengers to be dropped off and picked up by taxis, buses and other vehicles. Passengers surveyed again rated waiting time for taxis as 'good' to 'excellent'. Passengers also rated the space provided for taxis as 'good' to 'excellent' which was an improvement on the rating for the previous year.

*1998/99-2000/01*

Over the three years of monitoring the number of car parking spaces has increased from 2,684 in 1998/99 to 4,760 in 2000/01.

Passenger ratings for the car park appear to have improved over the period.

Passengers have consistently rated the waiting time for taxis at kerbside access points and the space provided for taxis as 'good' to 'excellent'.

Overall, the Commission considers that the quality of car parking and kerbside access facilities have been maintained or improved over the three years of monitoring.

***Consultation with airlines***

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

*2000/01*

Airlines rated SACL's responsiveness to their concerns as generally 'satisfactory' or 'good'.

Although comments did not indicate any particular problems, they did indicate that there is a lack of appreciation for the need to respond quickly to concerns and that results of actions to address concerns were not what airlines always wanted. Another airline noted that, in its view, there had been an improvement over the past year.

ACS rated SACL's responsiveness to concerns as 'good'.

*1998/99-2000/01*

In each year of the monitoring period, while airlines have given a range of ratings for SACL's responsiveness in addressing their concerns, the overall level of ratings has improved.

The ACS has consistently rated SACL's responsiveness as 'excellent'.

Overall, the Commission considers that SACL's responsiveness to the concerns of users over the three years of monitoring has improved slightly, or at least been maintained.

### **3. Regulatory accounts reporting**

This section reports on Sydney Airport's financial accounts. It begins by outlining the financial reporting requirements under the Airports Act and is followed by a summary of figures from the Sydney Airport financial accounts for the 2000/01 period.

#### **3.1 The ACCC's approach**

Part 7 of the Airports Act requires SACL to provide the ACCC with annual financial accounts for Sydney Airport within 90 days after 30 June for any given year. The accounts required include a Profit and Loss Statement, a Balance Sheet, and a Statement of Cash Flows. In addition to this, other supporting information, such as statements on accounting policies and cost disaggregations between aeronautical and non-aeronautical costs are required.

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

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

#### **3.2 Sydney Airports Corporation Limited, regulatory accounts 2000/01**

SACL reported on a period of activity from 1 July 2000 to 30 June 2001. Over the entire airport, a profit after interest and tax of \$22.8 million was reported.

As at 30 June 2000, SACL controlled total assets valued at \$3,240.8 million. Property, Plant and Equipment represented most of this total at \$3,160.7 million. SACL's independent auditors attested to the appropriateness of its systems and records which enabled it to comply with the requirement to separate accounting information between aeronautical and non-aeronautical activities. SACL employed an activity based costing model for this purpose and described it as follows:

The ABC model relies on a three-stage process to allocate expenses, initially to activities and ultimately to Aeronautical and Non-Aeronautical services. Over 2,800 split rules are used to allocate expenses to activities and services. In line with changes to its activities and organisational structure during the past 12 months, SACL has enhanced its ABC model to incorporate additional activities and services to better reflect the nature of its business operations in the 2000/2001 financial year.<sup>1</sup>

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

- Depreciation was based on the nature and specific purpose of each asset;
- Salaries and wages were based on staff numbers and how individual departments support the various airport business sectors;

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<sup>1</sup> SACL's Regulatory Accounting Statements for the Financial year ended June 2001 p 10.

- Maintenance was based on the type of maintenance and the nature and use of the asset benefiting from the maintenance;
- Australian Protective Services were allocated on a landed tonne basis; and
- Other expenses were allocated on the nature of the expense and the primary reason for the expenditure.

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

## **4. Monitoring of aeronautically related services.**

This section covers the ACCC's role in the monitoring of aeronautically related services. The section begins with an outline of the ACCC's approach to monitoring and is followed by a report on the activities of Sydney Airport for the 2000/01 financial year.

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

### **4.1 The ACCC'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. 21, available on the ACCC's web site. For a more complete outline of the ACCC's monitoring role, see the publication titled "Economic Regulation of Airports".

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

In exercising its role in this area, the ACCC 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.

### **4.2 Price monitoring –Sydney Airport, 2000/01**

SACL provided data to the ACCC for the year ending 30 June 2001. The data is summarised in tables 1 and 2 below, and includes revenues and costs for services related to:

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



**Table 1: Monitored services: aero-related costs for the periods ended 30 June 2000 and 30 June 2001**

Costs	Aero-Related services 1999-00 Total <sup>(1)</sup>	Aero-Related services 2000-01 Total <sup>(1)</sup>
<b>AERO-RELATED SERVICES</b>	<b>\$'000</b>	<b>\$'000</b>
Refuelling services	806	834
Aircraft maintenance sites & buildings	6,541	7,377
Freight equipment storage sites	69	84
Cargo facility sites & buildings	1,560	1,648
Ground support equipment sites	-	-
Check-in counters and related facilities <sup>(2)</sup>	2,464	3,596
Public car parking and staff parking	16,511	19,085
<b>TOTAL AERO-RELATED COSTS</b>	<b>27,951</b>	<b>32,624</b>

Notes:

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

**Table 2: Monitored services: aero-related revenue for the periods ended 30 June 2000 and 30 June 2001**

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

It is important to note that the costs do not include borrowing costs or interest expense. Interest costs were significant, amounting to \$79.4 million for the airport. The ACCC asked that interest costs be excluded because their allocation to services would have involved a degree of subjectivity. However, the ACCC notes that an allocation that recognises a cost of capital would be appropriate in any detailed analysis.

<sup>2</sup> Car Parking Rates: First 30 minutes \$6, 31-60 mins \$11, 1 – 2 hours \$16, 2 – 3 hours \$18, 3 – 4 hours \$20, 4 – 5 hours \$26, 5 – 6 hours \$28, 6-7 hours \$30 and 7-24 hours \$34. Long stay car park: first 2 days \$34 per day, everyday thereafter \$13 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 are given in Table 3 below.

**Table 3: Quality of service indicators**

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

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

## Appendix 2: Airline survey results

The Commission received surveys from 18 airlines that used Sydney Airport over the 2000/01 year. These airlines were: Qantas, Ansett, Air Vanuatu, Polynesian Airlines, Japan Airlines, Gulf Air, China Eastern, Cathay Pacific, Air Calin, Air Canada, British Airways, Egyptair, United Airlines, Singapore Airlines, Asiana Airlines, Lauda Air, Olympic Airways and Air New Zealand.

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

**Table 4: Responses from airline survey**

Facility	Aspect	Very Poor	Poor	Satisfactory	Good	Excellent
Runways	Availability		1	7	10	
	Standard		1	3	12	2
Aprons	Availability		1	6	10	1
	Standard		1	6	10	1
Taxiways	Availability			6	11	1
	Standard			6	11	1
Gates	Availability	1	1	9	6	1
	Standard	2	4	6	6	
Aerobridges	Availability		1	9	6	2
	Standard	1	4	7	4	2
Ground service equipment storage	Availability		4	5	6	1
	Standard		4	4	6	1
Freight equipment storage sites	Availability	2	2	7	5	
	Standard	2	2	7	4	
Check-in facilities	Availability		1	4	10	3
	Standard		2	6	10	1
Baggage processing facilities	Availability	1	2	6	7	2
	Standard	2	3	5	7	1
Addressing airline concerns			1	9	7	1



## Appendix 3: Static indicators provided by SACL

Airport operators are required to report on the 'static indicators' of an airport for each year. The 'static indicators' as they relate to Sydney Airport are given in Table 5 below, and will be used in future years monitoring reports to assess changes in quality of service.

**Table 5: Static indicators as provided by SACL**

Indicator	At 30 June  1999	At 30 June  2000	At 30 June  2001
Number of (international) aircraft parking bays at 30 June 2001	24	39	40
Number of aerobridges at 30 June 2001	8	27	27
Percentage of passengers (embarking) using an aerobridge	80.8%	77.1%	97.3%
Percentage of passengers (disembarking) using an aerobridge	76.2%	74.7%	97.7%
Number of check-in desks	130	192	214
International Passengers/Check-in desks	56,981	41,918	40,760
Number of baggage inspection desks	35	45	62
Number of inbound immigration desks	62	62	62
Number of outbound immigration desks	54	54	54
Number of security clearance systems-international terminal	7	11	11
Number of security clearance systems-domestic express terminal	NA	NA	1
Number of seats in gate lounges-international terminal	2,167	3,169	4,109
International Passengers/Seats in gate lounges	3,418	2,539	2,123
Number of seats in gate lounges-domestic express terminal	NA	NA	441
Capacity of outbound baggage handling equipment (bags per hour)	4,940	7,128	7,128
Capacity of inbound baggage reclaim system (bags per hour)	7,350	11,325	11,325
Number of car park spaces – International	1,364	2,020	2,068
- Domestic	2,763	2,519	2,559
- Long Term Car Park	1,320	1,867	2,692
- Domestic Express	NA	NA	308
Throughput of the car park – International	1,685,585	1,720,975	1,684,095
- Domestic	1,152,527	1,162,890	1,026,970
- Long Term	59,564	70,445	81,046
- Domestic Express	NA	NA	93,744

## Appendix 4: Sydney Airports Corporation Limited accounts summary

Profit and loss account for the period ended 30 June 2001<sup>3</sup>

Description	Audited financial statements	Aero services	Non-Aero services
<i>Description</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<b>Revenue</b>			
Aeronautical revenue	152,622	152,622	
Non-Aeronautical revenue	221,330		221,330
Interest and dividend revenue	3,649	189	80
<b>Total Revenue</b>	<b>377,601</b>	<b>152,811</b>	<b>221,410</b>
<b>Expenditure</b>			
Salaries and wages	48,913	32,153	16,760
Depreciation	95,450	66,060	29,390
Services and utilities	40,915	25,455	15,460
Property Maintenance	16,618	11,957	4,661
Australian Protective Service costs	8,030	8,030	-
Other costs	36,666	18,055	18,611
<b>Total Expenditure</b>	<b>246,592</b>	<b>161,710</b>	<b>84,882</b>
<b>Operating Profit/(Loss)</b>	<b>131,009</b>	<b>(8,899)</b>	<b>136,528</b>
Abnormal items	-	-	-
<b>Earnings Before borrowing costs and Tax</b>	<b>131,009</b>	<b>(8,899)</b>	<b>136,528</b>
Borrowing Costs	79,405		
<b>Operating profit before tax</b>	<b>51,604</b>		
Tax charge	28,761		
<b>Operating profit after tax</b>	<b>22,843</b>		
Transfer from asset revaluation reserve	51,600		
Dividends paid or provided	(110,475)		
Decrease in Retained Earnings	(36,032)		
<b>Retained Earnings</b>	<b>-</b>		

\* Note: costs do not include amortisation of intangible assets or borrowing costs.

<sup>3</sup> The Commission did not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.

**Profit and loss account for the period ended 30 June 2000<sup>4</sup>**

Description	Audited financial statements	Aero services	Non-Aero services
	1999-00	1999-00	1999-00
<i>Description</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<b>Revenue</b>			
Aeronautical revenue	120,052	120,052	
Non-Aeronautical revenue	190,001		190,001
Other	2,649		
<b>Total Revenue</b>	<b>312,702</b>	<b>120,052</b>	<b>190,001</b>
<b>Expenditure</b>			
Salaries and wages	37,293	27,712	9,581
Depreciation	70,203	46,654	23,549
Services and utilities	29,022	14,871	14,151
Property Maintenance	17,268	13,031	4,237
Australian Protective Service costs	6,515	6,515	0
Other costs	32,242	17,220	15,022
<b>Total Expenditure</b>	<b>192,543</b>	<b>126,003</b>	<b>66,540</b>
<b>Operating Profit/(Loss)</b>	<b>120,159</b>	<b>(5,951)</b>	<b>123,461</b>
Abnormal items	-	-	-
<b>Earnings Before borrowing costs and Tax</b>	<b>120,159</b>	<b>(5,951)</b>	<b>123,461</b>
Net borrowing Costs	57,463		
<b>Operating profit before income tax</b>	<b>62,696</b>		
Income tax	19,854		
<b>Operating profit after income tax</b>	<b>42,842</b>		
Dividends paid or provided	25,744		
<b>Increase to Retained Earnings</b>	<b>17,098</b>		
<b>Total revenue including interest income</b>	<b>313,992</b>		

\* Note: costs do not include amortisation of intangible assets or borrowing costs.

<sup>4</sup> The Commission did not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.



**Balance sheet as at 30 June 2001**

Description	Audited financial statements	Aero services	Non-Aero services
	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>			
Cash	6,706		
Receivables	34,507	28,851	5,127
Inventories	-		
Accrued revenue	9,578	857	8,721
Other	3,999		
<b>Total current assets</b>	<b>54,790</b>		
<b>NON-CURRENT ASSETS</b>			
Receivables	-		
Investments	127		
Property, plant & equipment	3,160,660	1,625,504	1,535,156
Work in progress	16,553		
Other	8,623		
<b>Total non-current assets</b>	<b>3,185,963</b>		
<b>TOTAL ASSETS</b>	<b>3,240,753</b>		
<b>CURRENT LIABILITIES</b>			
Accounts payable	58,566		
Borrowings	861,462		
Provisions	59,081	5,091	2,654
<b>Total current liabilities</b>	<b>979,109</b>		
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	400,000		
Provisions	27,480	636	332
<b>Total non-current liabilities</b>	<b>427,480</b>		
<b>TOTAL LIABILITIES</b>	<b>1,406,589</b>		
<b>NET ASSETS/(LIABILITIES)</b>	<b>1,834,164</b>		
<b>SHAREHOLDER'S EQUITY</b>			
Share capital	794,000		
Reserves	1,040,164	274,340	765,824
Retained profits	-		
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>1,834,164</b>		
Accumulated profit/loss at the start of the year	36,032		
<b>Movements:</b>			
Profit/loss for the year	22,843		
Transfer from asset revaluation reserve	51,600		
Dividends provided or paid	(110,475)		
Accumulated profit/loss at the end of the year	-		

**Balance sheet for the period ended 30 June 2000**

Description	Audited financial statements	Aero services	Non-Aero services
	1999-00 \$'000	1999-00 \$'000	1999-00 \$'000
<b>CURRENT ASSETS</b>			
Cash	7,382		
Receivables	23,266	9,360	7,808
Inventories	-		
Accrued revenue	7,757	96	7,661
Other	7,705		
<b>Total current assets</b>	<b>46,110</b>		
<b>NON-CURRENT ASSETS</b>			
Receivables	10,000		
Investments	34,190		
Property, plant & equipment	3,061,503	1,574,081	1,487,422
Work in progress	90,357		
Other	8,841		
<b>Total non-current assets</b>	<b>3,204,891</b>		
<b>TOTAL ASSETS</b>	<b>3,251,001</b>		
<b>CURRENT LIABILITIES</b>			
Accounts payable	68,961		
Borrowings	9,000		
Provisions	24,346	4,813	1,665
<b>Total current liabilities</b>	<b>102,307</b>		
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	1,216,000		
Provisions	14,873	684	236
<b>Total non-current liabilities</b>	<b>1,230,873</b>		
<b>TOTAL LIABILITIES</b>	<b>1,333,180</b>		
<b>NET ASSETS/(LIABILITIES)</b>	<b>1,917,821</b>		
<b>SHAREHOLDER'S EQUITY</b>			
Share capital	794,000		
Reserves	1,087,789	274,340	813,449
Retained profits	36,032		
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>1,917,821</b>		
Retained profits at the start of the year	18,934		
<b>Movements:</b>			
Profit for the year	17,098		
Retained profits at the end of the year	36,032		

**Cash Flow Statement for the periods ending 30 June 2001 & 30 June 2000**

	Audited Financial Statements 1999-00	Audited Financial Statements 2000-01
	\$'000	\$'000
Cash flows from operating activities		
Inflows:		
<b>Receipts from customers</b>	<b>309,945</b>	<b>403,571</b>
<b>Interest received</b>	<b>1,290</b>	<b>1,131</b>
<b>Dividends received</b>	<b>755</b>	<b>364</b>
Outflows:		
<b>Payments to suppliers and employees</b>	<b>(126,504)</b>	<b>(170,005)</b>
<b>Borrowing costs paid</b>	<b>(50,921)</b>	<b>(82,539)</b>
<b>Income tax paid</b>	<b>(47,193)</b>	<b>(22,865)</b>
<b>Goods and Services tax paid</b>	<b>-</b>	<b>(21,660)</b>
Net cash flows provided from operating activities	87,372	107,997
Cash flows applied to investing activities		
Inflows:		
<b>Proceeds from short term deposits</b>	<b>13,955</b>	<b>-</b>
<b>Proceeds from sale of property, plant and equipment</b>	<b>194</b>	<b>269</b>
<b>Liquidation of investments in subsidiaries</b>	<b>628</b>	<b>2,527</b>
<b>Advances to related parties</b>	<b>1,089</b>	<b>-</b>
<b>Other</b>	<b>-</b>	<b>-</b>
Outflows:		
<b>Acquisition of property, plant and equipment</b>	<b>(382,605)</b>	<b>(124,218)</b>
<b>Advances to related parties</b>	<b>-</b>	<b>(146)</b>
<b>Capitalised borrowing costs</b>	<b>(11,667)</b>	<b>(2,628)</b>
Net cash flows from investing activities	(378,406)	(124,196)
Cash flows from financing activities		
Inflows:		
<b>Proceeds from borrowings</b>	<b>375,000</b>	<b>45,462</b>
Outflows:		
<b>Repayment of borrowings – bank loans</b>	<b>(49,000)</b>	<b>(9,000)</b>
<b>Dividends paid</b>	<b>(29,571)</b>	<b>(20,939)</b>
Net cash flows provided from financing activities	296,429	15,523
<b>Net Increase/(Decrease) in cash held</b>	<b>5,395</b>	<b>(676)</b>
<b>Add opening cash brought forward</b>	<b>1,987</b>	<b>7,382</b>
Closing Cash	7,382	6,706

## ***Sydney Airports Corporation Limited regulatory accounts***

### ***Significant Accounting Policies***

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

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

The financial statements have been prepared on a going concern basis. Borrowing facilities maturing in March 2002 were re-classified from non-current to current liabilities during the financial year. Negotiations for renewing the facilities have not been concluded, pending completion of the sale process and change in SACL's ownership.

The ability of SACL to pay its debts as and when they fall due depends on the renewal and/or refinancing of the current facilities which is expected to occur as part of the sale process now in progress. If the sale does not proceed prior to March 2002, the directors have a reasonable expectation that SACL's current financial projections and financial standing will enable the renewal or extension of credit facilities. Accordingly, the directors are satisfied that the going concern basis adopted for the preparation of this financial report is appropriate.

#### ***Subsequent events***

- a. Included in current assets are debts due from Ansett of \$9.2m less provision of \$0.7m of which at 21 September 2001, \$2.6m was still outstanding. The recoverability of these amounts and any further amount due from trading with Ansett is dependent on the outcome of the administration of Ansett.
- b. The attacks on the World Trade Centre on 11 September 2001 have brought about disruption in world travel and economic markets. The impact of this disruption on SACL's operations, insurances, asset values and the recoverability of amounts owed to SACL cannot readily be determined.

#### ***Changes in accounting policies***

The accounting policies adopted are consistent with those of the previous financial year, except for the accounting policy with respect to revaluation of non-current assets.

SACL has adopted the revised Accounting Standards AASB 1041 "Revaluation of Non-Current Assets" and AASB 1010 "Recoverable Amount of Non-Current Assets. Under the transitional provisions of these standards, the directors have made the following elections:

- Property, plant and equipment, previously carried at revalued amount, will be measured at their deemed cost, being the carrying value of these assets at 1 July 2000;
- Investments in controlled entities, which were previously measured at cost, will be carried at their fair value; and
- Other classes of non-current assets will continue to be carried at cost.

#### ***Revenue recognition***

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

##### ***Aeronautical revenue***

Aeronautical revenue is recognised based on aircraft runway movements (take-off or landing) at the invoiced amount of runway charges based on the maximum take off weight of aircraft for fixed wing aircraft.

Aeronautical revenue in relation to rotary wing aircraft is recognised on a charge per landing based on maximum take off weight of the aircraft.

Aeronautical revenue also includes domestic common user passenger terminal and international terminal use charges which are based on the number of arriving and departing passengers and time-based aircraft parking charges.

Aeronautical security recovery revenue includes charges for the recovery of counter terrorist first response costs which are charged per landing and are based on the maximum take off weight of aircraft over a certain size. It also includes international passenger and checked baggage screening charges levied per departure and based on the maximum take off weight of aircraft.

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

#### *Non-Aeronautical revenue*

Non-Aeronautical revenue represents the following classes of revenue:

##### *Retail revenue*

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

##### *Property revenue*

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

##### *Commercial trading revenue*

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

##### *Asset sales*

Asset sales revenue in relation to non-aeronautical assets, is recorded as the proceeds from sale. The profit on sale is recognised as the difference between the proceeds and the carrying value of the assets sold, net of selling costs. Asset sales revenue is recorded at the date proceeds from the sale are receivable.

#### ***Income Tax***

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

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

The deferred tax balances have been adjusted for the decreased corporate tax rate of 34% for the year ended 30 June 2001 and 30% thereafter. The corresponding adjustment has been charged to income tax expense.

#### ***Cash***

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

#### ***Receivables***

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

### ***Investments***

Investments in controlled entities are measured on a fair value basis. Other non-current investments are valued at the lower of cost and recoverable amount. Dividend income is taken into profit once the receipt of revenue is controlled.

### ***Property, plant and equipment***

#### ***Carrying value***

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

Property, plant and equipment which were previously revalued are stated at deemed cost as described above.

#### ***Depreciation and amortisation***

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

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

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

### ***Assets acquired***

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

### ***Recoverable amount***

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

### ***Maintenance***

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

### ***Borrowing costs***

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

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

Where borrowings are specifically incurred in relation to qualifying assets, the actual borrowing costs are capitalised to those assets. Where borrowings are not specifically incurred in relation to qualifying assets the capitalisation rate is determined as the proportion of the total borrowing costs which relate to the capital

development. Borrowing costs are capitalised up to the date when the asset is substantially complete and ready for use and are subsequently amortised over the useful life of the asset.

### ***Employee entitlements***

In respect of Sydney Airports defined benefits superannuation plans, any contributions made to the superannuation funds by the company are charged against profits when due.

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

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

### ***Foreign currencies***

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

### ***Liabilities***

Amounts payable to other parties are recorded at the principal amount. Trade payables are normally settled within 30 days. Settlement terms for other liabilities are set out in the respective notes.

### ***Dividends payable***

Dividends payable are recorded when declared.

### ***Derivative financial instruments***

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

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

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

### ***Contributed equity***

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

### ***Fair value***

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

### ***Comparatives***

Comparative information is not required under the Regulatory Information Requirements Part 7 of the Airports Act 1996 and Sections 21 and 27A of the Prices Surveillance Act 1983 – Guideline Version No.2 – September 1998 for Sydney Airport.

## Appendix 5: Sydney Airport operational statistics

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

Description	Number	Number	Number
	1998-99	1999-00	2000-01
<b>PASSENGERS</b>			
Domestic passengers (includes regional)	14,162,607	15,405,739	17,304,786
International passengers (excluding transit)	7,407,506	8,048,190	8,722,667
International transit passengers	577,686	517,080	487,536
Domestic on-carriage	306,069	346,522	409,050
<b>TOTAL PASSENGERS</b>	<b>22,453,868</b>	<b>24,317,531</b>	<b>26,924,039</b>
<b>AIRCRAFT MOVEMENTS</b>			
Regular Public Transport aircraft movements	254,323	262,171	290,492
General Aviation aircraft movements	26,978	30,939	26,847
<b>TOTAL AIRCRAFT MOVEMENTS</b>	<b>281,301</b>	<b>293,110</b>	<b>317,339</b>
<b>TOTAL TONNES LANDED</b>	<b>12,466</b>	<b>12,925</b>	<b>13,892</b>
<b>AVERAGE STAFF EQUIVALENTS</b>			
- Aeronautical services	338	352	346
- Non-aeronautical services	89	122	136
<b>TOTAL AVERAGE STAFF EQUIVALENTS</b>	<b>427</b>	<b>474</b>	<b>482</b>
<b>AREA (HECTARES)</b>			
- Aeronautical services	718.6	669.37	669.37
- Non-aeronautical services	167.9	216.68	228.68
<b>TOTAL AREA (HECTARES)</b>	<b>886.5</b>	<b>886.05</b>	<b>898.05</b>