



REGULATORY REPORT

BRISBANE 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 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 regime, 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 Brisbane Airport and is divided into four sections. The first section addresses quality of service at Brisbane Airport and provides a summary of results. The second section provides information on Brisbane Airport's financial accounts. The third section provides details on Brisbane Airport's price cap compliance, and the fourth section addresses the formal 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.

Brisbane Airport

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

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

1 Quality of service monitoring

This section details quality of service at Brisbane Airport. It begins by providing an overview of the Commission's role in quality of service monitoring. Following this is a summary of the 2000/01 quality of service results for Brisbane 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 Airport operators must provide the Commission with information on a range of indicators listed in the regulations to the Airports Act (the regulations).² These indicators cover various aspects of an airport's quality of service performance and are detailed in Appendix 1.

Generally, quality of service monitoring is aimed towards:

- providing transparency about airport performance;
- discouraging airport operators from providing unsatisfactory standards for services which are associated with significant market power; and
- assisting in the assessment 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 include airside facilities such as runways, taxiways and aprons; terminal facilities, such as international departure lounges and baggage claim; car parking; and taxi and bus pick up and drop off points. Domestic terminals owned and/or operated by airlines were not included as part of the quality monitoring report.

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

¹ For a detailed description see Australian Competition and Consumer Commission, *Quality of service monitoring for airports post-leasing*, February 1997, available on the Commission's website at <<http://www.accc.gov.au>>.

² See Schedule 2, *Airports Regulations 1997 (Cth)*.

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

Passenger perception surveys

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

BAC commissioned a market research firm, Marketshare, to conduct the passenger perception survey at Brisbane Airport. The survey was conducted over a one week period from 22 June to 28 June inclusive. Passengers were asked to rate their level of satisfaction with terminal aspects and facilities at Brisbane Airport on a scale from one to five:

1	2	3	4	5	6
Extremely Poor	Poor	Neither Good nor Poor	Good	Excellent	Don't Know*

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

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

Respondents were asked to rate quality aspects such as reasonableness of waiting times; clarity of information provided, such as airport signage; and the comfort of gate lounges. Descriptions of each indicator and the service aspects surveyed are provided in Appendix 2. A summary of results from the passenger perception surveys is presented in section 1.2 below.

Airline surveys

In order to gain information on the quality of airside facilities and terminal facilities, the Commission conducted a survey of the airlines that used Brisbane Airport over the 2000/01 period. Eleven surveys were received, from the following airlines: Qantas, Cathay Pacific, Japan Airlines, Royal Brunei, Nauru Air Corporation, Air Vanuatu, Singapore Airlines, Air New Zealand, Australian Airsupport Services, Malaysian Airlines and Eva Airways Corporation.

As part of the survey, airlines were requested to rate the availability and standard of particular facilities and services on a five-point scale ranging from 'very poor' to 'excellent'. Under the availability category, the Commission sought information from airlines regarding the availability of infrastructure and equipment and the occurrence of delays in gaining access to it. Under the standard category, the Commission sought information on the ability of equipment to perform the function intended, the reliability of the equipment and the

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

Airport operators

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

Australian Customs Service (ACS) and Airservices Australia

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

1.2 Quality of service results 2000/01 and review, 19997/98-2000/01

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

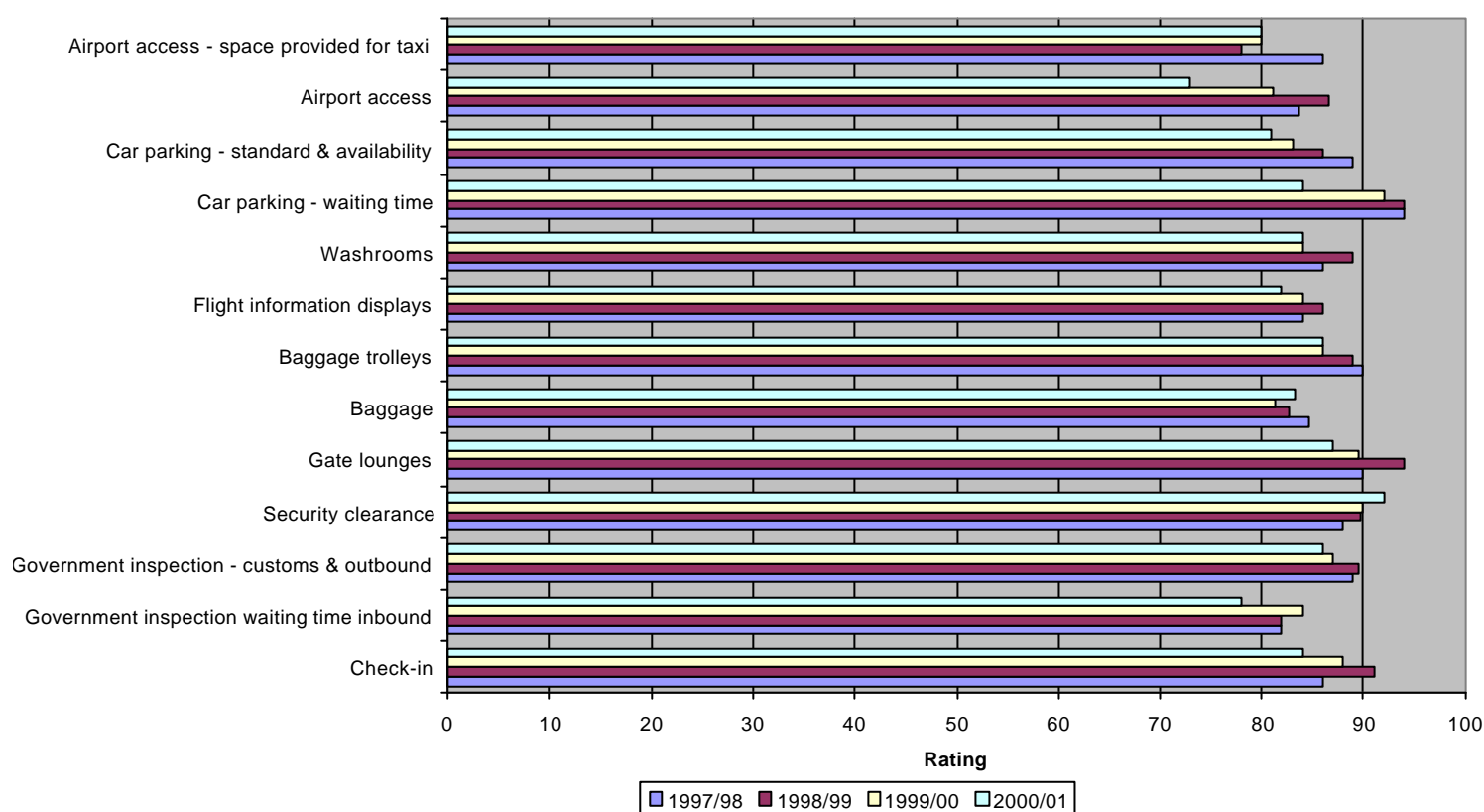
Overall, results for 2000/01 suggest that airport users and passengers were quite satisfied with of the availability and standard of facilities and services provided at Brisbane Airport and that in some areas service has improved compared to the previous year.

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

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

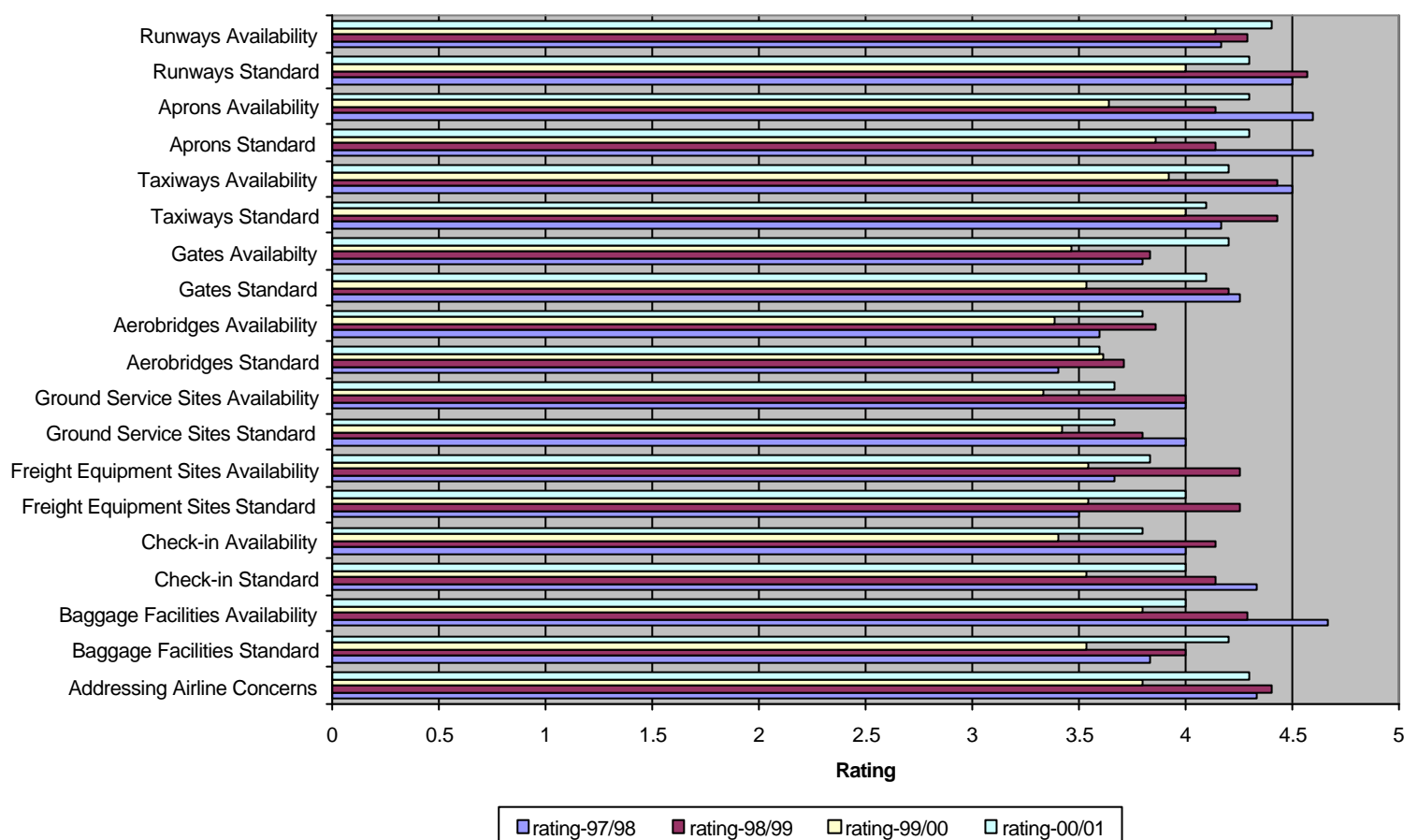
The passenger perception survey results show that although some ratings declined in 2000/01, consistently high ratings have been achieved over the four years of monitoring. These ratings indicate that passengers have been generally quite satisfied. Chart 1 compares the results over the four years of monitoring, while Appendix 2 provides a description of the indicators used.

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



The airline survey results indicate that airlines have generally considered the availability and standard of facilities at the airport as 'good'. A summary of results is presented in Chart 2. More details 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 Brisbane Airport was assessed using the results obtained from airline surveys. For the 2000/01 year there were 178,360 aircraft movements at the airport compared to 160,764 for the previous year, an increase of 11%.

2000/01

The availability of runways was rated from 'good' to 'excellent'. While giving an excellent rating, one airline commented that availability is tight between 0800 and 1000 hours. Another airline commented that it does not experience delays. Overall availability appears to have been maintained while the number of aircraft movements was reported to have increased by 11% compared to the previous year.

The standard of runways was rated from 'satisfactory' to 'excellent', with four of the six ratings being 'excellent'. No comments were received.

Airlines rated the availability of aprons as 'good' to 'excellent'. The only comments received were that there can be delays in peak periods of up to five minutes. BACL has commented that the delays arise from there being only eight aerobridges and airlines

preferring to wait rather than use a stand-off bay. It is planned to have 10 aerobridges in March 2002.

Brisbane Airport had 13 international apron positions for aircraft parking at 30 June 2001, an increase of two from the end of the previous year.

The standard of aprons was also rated 'good' to 'excellent'. A comment received was that aprons have been widened, improving the separation of aircraft. One airline commented that, in its view, the sweeping of aprons is inadequate, although BACL states that aprons are swept three times per week. Overall, the ratings and comments indicated an improvement in both availability and standard from the previous year.

Airlines rated the availability and standard of taxiways at Brisbane Airport as generally 'good' to 'excellent'. One airline commented that congestion on taxiways has eased.

1997/98-2000/01

Runways have been consistently rated over the period of monitoring as 'good' to 'excellent' both in terms of availability and standard. Over the same period, annual aircraft movements were 16% higher in 2000/01 than 1997/98, the first year on monitoring. A comment made in both 1998/99 and 1999/2000 regarding availability raised the issue of congestion when weather conditions are adverse.

Aprons were generally rated 'good' to 'excellent' both in terms of availability and standard over the first two years of monitoring. In the third year, 1999/2000, the overall ratings declined to 'satisfactory' to 'good' but increased to 'good' to 'excellent' in 2000/01. Extensions to aprons lead to some problems with availability, although BAC noted works did not commence until 2000/01. In terms of the standard of aprons, it was commented that the apron area adjacent to the international terminal only allowed one aircraft to be pushed back at a time, although this had been improved upon over the 2000/01 year. BACL commented that there are five push back positions on the apron and that Airservices plans how push backs will occur to ensure no delays.

Taxiways were rated as 'good' to 'excellent' for both availability and standard for the first year of monitoring, 1997/98. Over the two subsequent years ratings were in the 'satisfactory' to 'good' range but increased for the 2000/01 year. A comment was made that the taxiway between the domestic and international terminal should be completed to avoid congestion. BACL agrees with this but states that it has not received support from airlines to proceed with the works.

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

Gates

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

2000/01

The availability of gates was rated from 'good' to 'excellent' by airlines, which was an improvement on the ratings given in the previous year. A comment that has been made in previous years, and was again made for 2000/01, was that during peak periods aircraft may be towed to off-bay parking. One airline commented that on occasions it is necessary to wait for 10-20 minutes for a gate. BACL considers that the wait may only be five minutes and that aircraft towed to off-bay parking will be on the ground for over seven hours.

Brisbane Airport had 13 gates at 30 June 2001 compared to 11 at the end of the previous year.

The standard of gates was generally rated as 'good' with one rating of 'excellent', which appears to be an improvement on the previous year. No comments were received from airlines.

1997/98-2000/01

Gates were rated generally as 'good' for both availability and standard in the first year of monitoring, but in later surveys were rated 'satisfactory' to 'good' before improving in the latest year. During the 2000/01 year two additional gates were made available. A comment that has been made consistently over the period of monitoring has been that aircraft sometimes needed to be towed from the terminal on account of other aircraft requiring access to aerobridges, although BACL's response to this is noted above.

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

Ground service equipment storage sites

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

2000/01

Ground service storage sites were generally rated as 'good' for both availability and standard by airlines. The ratings appeared to be higher than for the previous year. One comment received was that sites are located close to apron positions but that access is currently disrupted by apron and terminal expansion works.

1997/98-2000/01

The availability of the storage sites has been rated from 'satisfactory' through to 'excellent' over the period of monitoring. A comment was received in the first year that there was congestion and BACL responded it was prepared to extend the area.

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

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

Freight equipment storage sites

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

2000/01

Freight equipment storage sites were rated from 'satisfactory' to 'good' by airlines which was similar to the previous year's ratings. No comments were received from airlines.

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

1997/98-2000/01

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

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

Aerobridges

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

2000/01

Airlines rated the availability of aerobridges as generally 'good', although there was a rating of 'poor' and a rating of 'excellent'. Overall, the ratings were slightly higher than for the previous year while the number of international passengers was 2.7% higher than for the previous year.

Brisbane Airport had eight aerobridges for international aircraft at 30 June 2001, the same as at the end of the previous year. For the 2000/01 year, over 98% of all passengers embarking or disembarking used an aerobridge, which was similar to the previous year.

One airline commented that availability is poor on Tuesdays and Saturdays which, according to BACL, are the busiest days of the week. While availability is already 'good', two additional aerobridges are to become operational in March 2002.

The standard of aerobridges was rated by airlines as generally 'good'. One airline commented that there were breakdowns and that they are slow to operate. Another comment was that cleanliness could be improved and this concern has been noted to the contractor by BACL.

1997/98-2000/01

Over 98% of passengers have used an aerobridge for embarking or disembarking in each year over the monitoring period. The standard of aerobridges was been rated as 'good' in 1997/98 but over the years 1998/99 and 1999/2000 the ratings were more 'satisfactory' to 'good'. A comment made in 1999/2000 was that aerobridges were fixed and could not be manoeuvred making aircraft difficult to park.

The availability of aerobridges was rated 'satisfactory' to 'good' in the first year of monitoring but in later years ratings were more 'poor' to 'good'. While it was commented in the first year that availability was tight at peak times, in 1999/2000 it was commented that there are insufficient aerobridges in relation to parking gates at the international terminal. BACL has confirmed that two additional aerobridges will be operational from March 2002.

Overall, the Commission considers that the availability and standard of aerobridges has been maintained and notes plans for additional aerobridges.

Check-in facilities

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

2000/01

The availability of check-in desks was generally rated as 'good' but a rating of 'satisfactory' and a rating of 'poor' were also given. Overall, the ratings were slightly higher than for the previous year.

Brisbane Airport had 54 check-in desks at 30 June 2001, the same as at the end of the previous year. Over the year, there were 2,680,299 international passengers (excluding transit passengers) through the airport compared to 2,609,009 for the previous year.

Airlines commented that availability is tight for peak periods, that mornings are tight and that occasionally counters are not available. BACL states that in Row 1 there are spare counters although it acknowledges that this is not well located in terms of proximity to lifts.

As other indications of availability, BACL reported that over 80% of desks were only required for a total of 87 hours, or less than one per cent of the time any check-in desks were open during the year. In addition, 84% of passengers surveyed rated waiting time for check-in as 'good' or 'excellent'.

The standard of check-in desks was rated as generally 'good' to 'excellent' which was slightly higher than the ratings given for the previous year. One airline commented that the group check-in space is small and can be congested and BACL notes that a working group has been established to identify how future improvements can be made.

1997/98-2000/01

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

In 1999/2000, some airlines commented on the need to share desks with other airlines and that, generally there were insufficient desks. BACL states it has developed plans to remove this need. It was also commented that there could be congestion when airlines schedules overlap.

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

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

Government inspection

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

2000/01

Of passengers surveyed, 78% rated the waiting time at outbound Government inspection inbound as 'good' to 'excellent' and 84% rated waiting time for outbound inspection as 'good' or excellent'.

BAC had 26 inbound immigration desks and 20 outbound immigration desks at 30 June 2001, the same as at the end of the previous year.

ACS has again rated the adequacy of areas provided for circulation and queuing at immigration (arrivals) as 'poor'. ACS uses a snake queuing arrangement to best utilise space. It also rated the lighting, signage, desks and passenger facilities for immigration (arrivals) again as 'satisfactory'.

ACS rated the adequacy of circulation space to avoid congestion, signage, and appropriate provision of desks at departures (immigration) as 'poor'. It commented that the queuing area in front of the Customs line is quite shallow with too many obstacles and at peak times there is severe congestion. ACS also commented that there are no special facilities for people confined to wheelchairs to complete documentation.

1997/98-2000/01

Over the four years of monitoring the same number of inbound and outbound immigration desks has been provided at Brisbane Airport. Passengers have consistently rated the waiting time at Government inspection both outbound and inbound, as 'good' to 'excellent' over the period of monitoring.

The ACS has provided ratings and comments since the second year of monitoring, 1998/99. It rated the adequacy of areas for queuing, lighting, desks and signage as 'satisfactory' in the first year but only as 'poor' for most facilities in the second year.

While it commented on congestion at queuing points for outbound passengers and what it considered to be a lack of security, it made even more critical comments in 1999/2000. These were that signage was confusing and that the availability of toilet facilities in the baggage reclaim area were not adequate. BAC however, responded that ACS is under staffed, that the queuing problem could be solved with the earlier introduction of "snake queuing" and that the signage referred to, is the responsibility of ACS.

Overall, the Commission considers that, while improvements could be made, the availability and standard of government inspection facilities has at least been maintained.

Security

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

2000/01

Of passengers surveyed, 84% rated the quality of security screening as 'good' or 'excellent'. Satisfaction with waiting time was rated at 92%.

Brisbane Airport had three security systems at 30 June 2001, the same as at the end of the previous year.

1997/98-2000/01

Over the four years of monitoring, three security clearance systems have been provided. Passengers have consistently rated security screening as 'good' to 'excellent'.

Gate lounges

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

2000/01

Of passengers surveyed, almost 90% rated the availability, comfort and cleanliness of seating as 'good' or 'excellent' and 84% rated the size of the departure lounge as 'good' or 'excellent'. These ratings are similar to the previous year while the number of international passengers was three percent higher than for the previous year.

At 30 June 2001, there were 1,246 seats provided in gate lounges at Brisbane Airport, the same as at the end of the previous year.

1997/98-2000/01

After increasing by 30 in 1998/99, the number of seats in gate lounges has remained at 1,246. Passengers have consistently rated gate lounges as 'good' to 'excellent' in terms of seating availability, comfort of seating, cleanliness and adequacy of area provided.

Baggage processing facilities and trolleys

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

2000/01

Airlines rated the availability of baggage processing facilities as generally 'good' and the standard of the system as generally 'excellent'. The ratings compared to the previous year were similar for availability and slightly higher for standard. One airline also commented that the system had improved over the past two years.

At 30 June 2001, Brisbane Airport had a baggage system with a capacity of 6,000 bags per hour for outbound baggage, and 9,000 bags per hour for inbound baggage. This has not altered from the 1999/2000 period. Over the 2000/01 year, BAC handled 1,557,201 bags compared to 1,578,243 for the previous year.

Several comments from airlines concerned baggage belts. These comments related to the group baggage sorting belt, which tended to be broken too often which, according to BACL, occurs when bags are not laying flat as is required for screening. Another comment was that for arriving baggage, the carousel 1 baggage belt cannot always carry all baggage, and for another airline, the failure of belts had lead to 30 pieces of baggage not being loaded. Regarding the latter, BACL considers this an irregular occurrence and could arise from incorrect loading by ramp staff.

Of passengers surveyed, 82% rated the waiting time at baggage reclaim as 'good' or 'excellent'. The size of the baggage reclaim area and the ease of finding the appropriate carousel were also similarly rated. 86% of passengers rated the ease of finding baggage trolleys as 'good' or 'excellent'.

ACS again rated the availability of facilities such as space to avoid congestion, provision of passenger privacy and appropriate access and security at baggage inspection (arrivals) as 'poor'. Comments were made regarding signage in that it was inadequate in concourses and when exiting the baggage collection area, and that there are insufficient toilet facilities. BACL commented that a re-design of the area has occurred.

1997/98-2000/01

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

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

range was from 'poor' to 'excellent'. A comment made in 1999/2000 was that the system cannot adequately manage peak requirements.

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

The standard of baggage processing facilities has been rated as 'satisfactory' to 'excellent' and has shown improvement over the period of monitoring. Airlines have commented on some particular issues each year. In the first year, these concerns related to baggage tags not being correctly read and malfunctioning of bag scanners. In 1999/2000, it was commented that there are more belt stoppages (for outbound baggage) with checked baggage screening. Belt problems were also commented on in 2000/01.

Overall, the Commission considers that the availability and standard of baggage processing facilities has improved or at least been maintained over the period of monitoring.

Flight information displays

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

2000/01

Passengers rated the quality of this facility as 'good'.

1997/98-2000/01

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

Washrooms

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

2000/01

Passengers rated the overall standard of washrooms as 'good'.

1997/98-2000/01

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

Car parking and kerbside access

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

2000/01

Of passengers surveyed, 70% rated the availability of car parking spaces as 'good' and a further 19% as 'excellent'. There were similar or higher levels of satisfaction with waiting time to enter the car park and the overall standard of the facilities.

Brisbane Airport had 4,425 car parking spaces at 30 June 2001, an increase from 2,390 at 30 June 2000.

Kerbside access is required to allow passengers to be dropped off and picked up by taxis, busses and other vehicles. 66% of passengers surveyed rated the space provided for taxis as 'good' or 'excellent'. The suitability of the space provided for kerbside drop-offs and pick-ups was rated as 'good' or 'excellent' by 53% of passengers.

1997/98-2000/01

Passengers surveyed have been consistently 'satisfied' or 'very satisfied' with the availability of parking spaces, waiting time to enter the car park and the standard of the car park.

The number of car parking positions increased over the term of monitoring from 3,546 at 30 June 1998 to 4,425 at 30 June 2001.

Kerbside access for drop off and pick up of passengers was similarly rated.

Consultation with airlines

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

2000/01

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

Comments from airlines included that forums exist for consultation but that these can be slow for achieving results. Other comments suggested that the airport operator addresses individual airline and collective concerns quickly. BACL states that it also conducts meetings on facilitation and security but notes that airline participation in its view is inadequate.

The ACS again rated the responsiveness to concerns as 'satisfactory'. Fortnightly meetings are held between BACL and ACS. ACS commented that the responsiveness of the airport operator is quite reasonable and that there is cooperation.

1997/98-2000/01

Airlines have rated BAC's consultation with them as generally 'good' to excellent', although there were some 'satisfactory' ratings also in 1999/2000. Comments have also generally been favourable referring to an improvement under the new operator and that the information flow was good.

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

Overall, the Commission considers that BAC has maintained a good level of responsiveness to airline concerns over the period of monitoring.

2 Regulatory accounts reporting

This section reports on Brisbane Airport's financial accounts. An outline of the financial reporting requirements is given first, followed by a summary of figures from the financial accounts for Brisbane Airport for the 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.³ 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.

The Commission concludes that BAC has prepared its accounts in accordance with these guidelines.

2.2 Brisbane Airport Corporation Limited, regulatory accounts 2000/01

BAC reported on a period of activity from 1 July 2000 to 30 June 2001. Over the entire airport, a loss after tax of \$11.2 million was reported. This result was significantly affected by interest expense of \$73.9 million.

As at 30 June 2000, BAC controlled total assets valued at \$1,541.6 million. Of this total, \$646.6 million comprised a 'lease premium', which represented the cost of acquiring the airport business in excess of the net tangible assets acquired, as calculated by BAC, at 2 July 1997, less amortisation to date.

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

³ Phase I airports refer to Melbourne, Brisbane and Perth Airports.

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

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

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

3 Price cap compliance

This section details Brisbane Airport's price cap compliance for the 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 No. 87 made by the Minister for Financial Services and Regulation, pursuant to the PS Act, declares the services at Phase I airports.⁴ The declaration covers aircraft movement areas (eg. runways, aircraft parking areas) and passenger processing areas (eg. aerobridges, departure lounges).⁵

Declaring services requires the airport operator to notify the Commission of a proposal to increase charges on the services covered by the declaration. It should be noted that 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 minus X' price caps. The 'X' factors are based on expected productivity improvements.⁶ Direction No. 24 sets out details of the price cap formula, the 'X' values and other issues relevant to the Commission's administration of the cap.⁷

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 Brisbane Airport are subject to a price cap set at CPI less an X factor of 4.5 per cent per annum. The relevant CPI figure used for price cap compliance in the 2000/01 financial year was 2.2 per cent. This meant that BAC was required to lower its average aeronautical charges by 2.3 per cent plus 2.72 per cent for past over recoveries.

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 the deduction of savings that were assumed to arise from TNTS.

A summary of movements in charges subject to the cap, as well as the maximum charges endorsed by the Commission as at 30 June 2001 is provided below (see Table 3).

⁴ Minister for Financial Services and Regulation, Declaration No. 87, June 2000.

⁵ Copies of all declarations and directions are available on the Commission's website at <<http://www.accc.gov.au/airport/fs-air.htm>>.

⁶ For a detailed explanation of the arrangements see Australian Competition and Consumer Commission, *Administration of Airport Price Cap Arrangements*, January 1997.

⁷ Minister for Financial Services and Regulation, Direction No. 24, October 2001.

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

Charge	Basis	Charges 30/6/00	Price change	Charges (incl. GST) 30/6/01
Landing charges (domestic and international)	Per landing \$/tonne MTOW	\$5.30	1/7/2000	\$5.78 (1)
International Terminal charge	Per landing \$/tonne MTOW	\$2.43	1/7/2000	\$3.00 (2)
General Aviation Landing Charges	Per landing \$/per tonne MTOW	\$5.30 (minimum landing charge \$27.50)	1/7/2000	\$5.68 (minimum landing charge \$29.49)
Vehicle Access (Taxis)	Per trip	\$1.00		\$1.00
GA Parking	Per day in General Aviation area	\$11.00	1/7/2000	\$11.80

1. Landing charge at 30/6/01 includes component for recovery of Necessary New Investments of \$0.035
2. International Terminal charge at 30/6/01 includes component for recovery of Necessary New Investments of \$0.34

Table 4 illustrates aeronautical revenue and price cap compliance for the period ending 30 June 2001.

Table 4: Aeronautical revenue and price cap compliance for the year ending 30 June 2001

Description	Number of Units	Base Charge Average Charge 99/00	Revenue 00/01 \$35,873,548	Average Charge 00/01	Rate Variation %	Revenue Share 99/00	Compliance %
Landing Charge, Domestic	3,559,962 tonnes	\$5.30 per 1000kg MTOW(1)	\$18,611,837	\$5.23	-1.32%	51.81%	-0.64%
Landing Charge, International	1,984,184 tonnes	\$5.30 per 1000kg MTOW(1)	\$10,175,892	\$5.23	-1.32%	28.37%	-0.42%
International Terminal Charges	1,948,224	\$2.43 per 1000kg MTOW	\$4,626,206	\$2.39	-1.65%	12.90%	-0.24%
Landing Charge General Aviation	114,963	\$5.30 per 1000kg MTOW	\$694,278	\$5.18 (2)	-2.26%	1.94%	-0.04%
GA Parking Charges		\$11.00		\$10.75	-2.27%	0.08%	0.00%
Domestic Terminal (3)	9,071	160.00	\$1,100,455	\$121.32	-24.17%	3.07%	-0.18%
Vehicle Access Charge – taxis	659,252	\$1.00 per trip	\$659,252	\$0.91 (4)	-9.00%	1.84%	-0.19%
Actual reduction in charges 00/01							-1.71%
Reduction required to comply with cap							
CPI-X, 2.2-4.5							-2.3%
Past over recovery, 2.72%							-2.72%
(5)							-5.02%
Over recovery of revenue 00/01 (%)							3.31%
Total revenue Over-recovery 99/00 (brought forward) (\$) (5)							\$1,106,721
Over recovery of revenue 00/01 (\$)							\$1,188,613
Total revenue over-recovery 2000/01 (\$)							\$2,295,334

(1) The base charge has been adjusted from the average charge used for 1999/2000 to exclude taxi revenue which had been pro rata allocated to these items.

(2) The average charge is inconsistent with the revenue and unit data due to the incorporation of the minimum landing charge.

(3) The Domestic Terminal has been included given that revenues have become significant. From 1998/99, movements in average charges and carry forwards have been adjusted to reflect inclusion of the item.

(4) The reduction arises from BACL absorbing the GST on the taxi access charge.

(5) These numbers were adjusted from the previous report to take account of the inclusion of the domestic terminal.

Based on the above reconciliation, Brisbane Airport reduced charges over the 2000/01 year by 1.71%, against a required reduction of 5.02% to comply with the cap. Taken with the over-recovery of revenue carried forward from the 1999/2000 year of \$1,106,721, this gives an over recovery of \$2,295,334 at the end of the 2000/01 year.

Under the price cap arrangements Brisbane 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 20 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

BAC provided revenue and expenses aggregates for the year showing that it had a net over recovery of costs \$41,356 for Australian Protective Services (APS), as shown in Table 5 below.

BAC set a charge for APS of \$0.71 (incl. GST) per tonne over the year.

Table 5: Australian Protective Services revenues and costs, 2000/01 (\$)

APS Revenues	3,470,683
APS costs	(3,007,792)
Net over recovery 2000/01	462,891
Under recovery 1999/00 brought forward	(\$421,535)
Net over recovery 2000/01	41,356

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

Checked Baggage Screening

BAC over recovered costs for Checked Baggage Screening over the 13 months to July 2001 by \$38,982. Checked Baggage Screening was commenced by BAC in June 2000.

BAC commenced the year with a charge for Checked Baggage Screening of \$1.33 (incl. GST) per passenger. The charge was increased from January 2001 to \$1.72 (incl. GST) and applied to a smaller range of passengers.

A summary of revenues and costs over the period is given in Table 6 below.

Table 6: Checked Baggage Screening revenues and costs, 2000/01 (\$)

Checked Baggage Screening Revenues	2,377,542
Checked Baggage Screening costs	(2,338,560)
Net over recovery 2000/01	38,982
Under recovery 1999/00 brought forward	0
Net over recovery 2000/01	38,982

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

Passenger Screening

BAC over-recovered costs for Passenger Screening over the year by \$28,362. This was in addition to an over-recovery carried forward from the previous year leaving an over recovery of \$100,491. A summary is given in Table 7 below.

BAC set a charge for Passenger Screening of \$1.16 (incl. GST) per (international departing) passenger over the year.

Table 7: Passenger Screening revenues and costs, 2000/01 (\$)

CBS Revenues	1,727,367
CBS costs	(1,698,985)
Over recovery 2000/01	28,382
Over recovery 1999/00 brought forward	72,109
Net over recovery 2000/01	100,491

Based on the data provided, the Commission is satisfied that BAC 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 outside the price cap arrangements. This section begins with an outline of the Commission's approach to monitoring and is followed by a report on the activities of Brisbane Airport for the 2000/01 financial year.

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

4.1 The Commission's monitoring role

Direction No. 25 directs that aeronautically related services be the subject of formal price monitoring pursuant to section 27A of the PS Act.⁸ The monitoring covers the costs, revenues and profits of an airport. The rationale for monitoring is that airport operators may exert significant market power in relation to the monitored services at individual airports. As such, the Government considered that these services should be monitored for misuse of any market power the airport operator may have in setting prices.

Aeronautically related services include aircraft refuelling, aircraft maintenance sites and buildings, freight facilities, and car parking. A full list of aeronautically related services is given in Direction No. 25. For a more complete outline of the Commission's monitoring role, see the Commission publication titled *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 Airports.

4.2 Price monitoring – Brisbane Airport, 2000/01

BAC provided data to the Commission for the year ending 30 June 2001. The data is summarised in Tables 8, 9 and 10 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;

⁸ Minister for Financial Services and Regulation, Direction No. 25, October 2001.

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

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

Aero-related services	Costs 99/00	Costs 00/01
AERO-RELATED SERVICES	\$'000	\$'000
Refuelling services	156	216
Aircraft maintenance sites & buildings	152	331
Freight equipment storage sites	2	5
Cargo facility sites & buildings	1,217	1,738
Ground facilities	300	290
Ground support equipment sites	133	205
Check-in counters and related facilities(1)	357	345
Public car parking	2,108	2,933
Staff car parking	329	340
TOTAL AERO-RELATED COSTS	4,754	6,403

Notes:

1. At terminals operated by airport-operator companies.
2. Costs exclude amortisation of intangibles and interest.

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

Description	Basis of Charge(s)	Revenue 99/00	Revenue 00/01
AERO-RELATED SERVICES		\$'000	\$'000
Refuelling services	\$ per square metre	589	573
Fuel throughput	\$0.004 per litre	2,508	2,664
Aircraft maintenance sites & buildings	\$ per square metre	1,306	1,481
Freight equipment storage sites	\$ per square metre	0	0
Cargo facility sites & buildings	\$ per square metre	2,877	4,757
Ground facilities	Various	1,000	(843)
Ground support equipment sites	\$ per square metre	1,854	1,861
Check-in counters and related facilities(1)	\$26.75 per hour for Check-In Counters & \$18 per hour for Desks	2,429	2,709
Public car parking ⁹	Staggered Time Parking Rates	13,641	16,757
Staff car parking	Various	1,156	1,157
TOTAL AERO-RELATED REVENUE		27,360	31,116

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 \$80.7 million in 2000/01 (\$92.8 million in 1999/00), or approximately 55 per cent of total expenses. The Commission asked that these items be excluded for the purposes of the monitoring reports because (a) their allocation to services would have involved a degree of subjectivity, and (b) there would be risk of circularity if an allocation of the cost of the lease premium were included. However, the Commission acknowledges that an allocation that recognises a cost of capital would be appropriate in any detailed analysis.

Table 10 below gives the rates for car parking at Brisbane Airport. The rates remained unchanged over the year to 30 June 2001.

⁹ Car parking rates are provided in Table 10, on page 30

Table 10: Car Parking Rates, at 30 June 2001

Short term – domestic

Time	Price
30 mins	\$5.00
1 hour	\$5.00
1.5 hours	\$7.00
2 hours	\$7.00
2.5 hours	\$9.00
3 hours	\$9.00
4 hours	\$11.00
5 hours	\$12.00
6 hours	\$13.00
7 hours	\$14.00
8 hours	\$15.00
9 hours	\$16.00
10 hours	\$17.00
11 hours	\$18.00
12 hours	\$19.00
13 hours	\$20.00
14 hours – 24 hours	\$20.00

Short term – international

Time	Price
30 mins	\$5.00
1 hour	\$5.00
1.5 hours	\$7.00
2 hours	\$7.00
2.5 hours	\$9.00
3 hours	\$9.00
4 hours	\$11.00
5 hours	\$12.00
6 hours	\$13.00
7 hours	\$14.00
8 hours	\$15.00
9 hours	\$16.00
10 hours	\$16.00
11 hours	\$16.00
12 hours	\$16.00
13 hours	\$16.00
14 hours – 24 hours	\$16.00

Long term domestic

Days	Price
1	\$20.00
2	\$35.00
3	\$50.00
4	\$65.00
5	\$72.00
6	\$79.00
7	\$79.00
8	\$86.00
9	\$93.00
10	\$100.00
11	\$107.00
12	\$114.00
13	\$121.00
14	\$121.00
15	\$128.00

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. 	
Security	<ul style="list-style-type: none"> • Number of clearance systems; • Satisfaction with the system. 	Airport operator Passenger perception survey
Gate lounges	<ul style="list-style-type: none"> • Number of seats in gate lounges; • Satisfaction regarding quality and availability of seating and crowding. 	Airport operator Passenger perception survey

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

Appendix 2: Passenger perception survey indicators

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

A number of facility and service ratings are grouped together and an average rating is provided in the chart on page 6. In all instances, the average score, indicated on the above graph, is representative of the individual service/facility ratings that make up the group.

Table 12: Indicator Summary

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

Appendix 3: Airline survey results

The Commission received surveys from 11 airlines that used Brisbane Airport over the 2000/01 year. These airlines were: Qantas, Cathay Pacific, Japan Airlines, Royal Brunei, Nauru Air Corporation, Air Vanuatu, Singapore Airlines, Air New Zealand, Australian Airsupport Services, Malaysian Airlines and Eva Airways Corporation. Ratings were given with regard to both the 'availability' and 'standard' of facilities. Under 'availability', the Commission sought from airlines an assessment of the absence of delays in being able to use infrastructure and equipment. Under 'standard', the Commission sought an assessment of the capability of equipment to perform the functions intended, its reliability, and the possibility of breakdown.

A summary of the ratings provided by the airlines is given in the Table 13, below. This indicates that ratings were generally 'satisfactory' to 'good'.

Table 13: Responses from airline survey

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

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

Table 14: Static Indicators

Indicators provided by the airport operator	1998	1999	2000	2001
Number of (international) aircraft parking bays	11	11	11	13
Number of aerobridges	8	8	8	8
Percentage of passengers (embarking) using an aerobridge	98.5%	98.3%	98.6%	99.14%
Percentage of passengers (disembarking) using an aerobridge	98.5%	98.5%	98.6%	98.12%
Number of check-in desks International Passengers/Check-in desks	54 45,478	54 46,975	54 48,315	54 49,635
Number of baggage inspection desks	19	19	19	20 (not including 3 scan positions)
Number of inbound immigration desks	26	26	26	26
Number of outbound immigration desks	20	20	20	20
Number of security clearance systems	3	3	3	3
Number of seats in gate lounges International Passengers/Seats in gate lounges	1,216 2,020	1,246 2,036	1,246 2,094	1,246 2,151
Capacity of outbound baggage handling equipment (bags per hour)	6,000	6,000	6,000	6,000
Capacity of inbound baggage reclaim system (bags per hour)	9,000	9,000	9,000	9,000
Throughput of the car park per year		1,745,402	1,779,470	2,079,805

Appendix 5: Brisbane Airport regulatory accounts (summary)

Profit and Loss account for the period ended 30 June 2001¹⁰

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

¹⁰ 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 period ended 30 June 2000¹¹

Description	Audited financial statements	Aero services	Non-Aero services
<i>Description</i>	\$'000	\$'000	\$'000
Revenue			
Aeronautical revenue	35,962	35,962	
Non-Aeronautical revenue	93,569	2,249	91,320
Total Revenue	129,531	38,211	91,320
Expenditure			
Salaries and wages	8,741	6,523	2,218
Depreciation	22,777	14,983	7,794
Services and utilities	8,481	2,053	6,428
Property maintenance	5,615	3,973	1,642
Australian Protective Service costs	4,346	4,346	0
Other costs	11,297	6,138	5,159
Total Expenditure	61,257	38,016	23,241
Operating Profit/(Loss) Before Abnormals and Tax	68,274	195	68,079
Interest Expense	69,484	24,362	45,122
Amortisation – Borrowing Costs & Lease Premium	23,324	5,793	17,571
Profit / (Loss) Before Abnormals and Tax	(24,534)	(29,960)	5,426
Abnormal Item – Depreciation	9,256	9,256	0
Abnormal Item – Leasehold Land Amortisation	1,653	303	1,350
Abnormal Item- Write-Off of Borrowing Costs	75,409	26,438	48,971
Abnormal Item – Amortisation of Lease Premium	1,798	0	1,798
Loss Before Tax	(112,650)	(65,957)	(46,693)
Loss after Tax	(112,650)	(65,957)	(46,693)
Loss after tax and dividends	(112,650)	(65,957)	(46,693)

* Note: costs do not include amortisation of intangible assets or interest

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

Balance sheet as at 30 June 2000

Description	Audited financial statements	Aero services	Non-Aero services
	\$'000	\$'000	\$'000
CURRENT ASSETS			
Cash	23,550		
Receivables	3,979	4,068	(89)
Inventories	439	426	13
Accrued revenue	1,667	151	1,516
Other	155	52	103
Total current assets	29,790		
NON-CURRENT ASSETS			
Lease Premium	653,375	0	653,375
Leasehold Land	186,267	34,111	152,156
Property, plant and equipment	665,250	493,511	171,739
Other – Borrowing Costs	12,906	4,525	8,381
Total non-current assets	1,517,798	532,147	985,651
TOTAL ASSETS	1,547,588		
CURRENT LIABILITIES			
Creditors	12,187		
Other	2,142		
Provisions	1,893	1,423	470
Total current liabilities	16,222		
NON-CURRENT LIABILITIES			
Bank Loan	934,600		
Shareholder Loans	280,500		
Convertible Notes	10,000		
Provisions	134	101	33
Other	5,600		
Total non-current liabilities	1,230,834		
TOTAL LIABILITIES	1,247,056		
NET ASSETS/(LIABILITIES)	300,532		
SHAREHOLDER'S EQUITY			
Share capital	281,095		
Reserves	163,858		
Accumulated profits/(losses)	(144,421)		
TOTAL SHAREHOLDER'S EQUITY	300,532		
Accumulated losses at the start of the year	(31,771)		
Movements:			
Loss for the year	(112,650)		
Accumulated losses at the end of the year	(144,421)		

Cash flow statements for the periods ending June 2000 and June 2001

Description	Audited financial statements 1999-00	Audited financial statements 2000-01
	\$'000	\$'000
Cash at beginning of operating year	45,296	23,550
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Inflows:</i>		
Receipts from customers	121,856	141,294
Interest received	2,671	1,063
<i>Outflows:</i>		
Payments to suppliers and employees	(37,339)	(50,200)
Interest paid	(69,849)	(71,300)
Net cash flows provided by operating activities	17,339	20,857
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Inflows:</i>		
Proceeds from sale of property, plant and equipment	194	125
<i>Outflows:</i>		
Payments for property, plant and equipment	(12,682)	(41,181)
Other		
Net cash flows used in investing activities	(12,488)	(41,056)
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Inflows:</i>		
Proceeds from share issue	25,500	-
Proceeds from bank loans/bonds	823,200	3,200
Shareholder loans	25,500	-
<i>Outflows:</i>		
Share issue costs	(304)	-
Bank loans repayment	(820,000)	-
Finance lease payments	-	(875)
Borrowing costs	(80,493)	(174)
Net cash flows provided by financing activities	(26,597)	2,151
Net increase in cash held	(21,746)	(18,048)
Cash at end of reporting year	23, 550	5,502

Brisbane Airport Corporation regulatory accounts

Significant accounting policies

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

(A) Basis of preparation

This special purpose financial report has been prepared in accordance with the requirements of the Regulatory Information Requirements Under Part 7 of the Airports Act and Sections 21 and 27A of the PS Act - Guideline Version No.2 - September 1998.

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

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

(B) Revenue Recognition

Revenue is recognised on an accruals basis.

Aeronautical revenue

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

Government mandated security revenue

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

Retail revenue

Retail revenue comprises concessionaire rent and other charges received.

Landside transport revenue

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

Property revenue

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

Other revenue

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

Proceeds from sale of assets are brought to account at the date an unconditional contract of sale exists. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Interest received-other parties

Interest revenue is recognised as it accrues.

(C) Taxation

Income tax

The Company adopts the liability method of tax effect accounting.

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

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

(D) Receivables

Trade debtors

Trade debtors are generally settled within 30 days and are carried at amounts due. The collection of debts is assessed at balance date and specific provision is made for any doubtful debts. A general provision for doubtful accounts is also maintained.

(E) Inventories

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

(F) Borrowing costs

Costs incurred in establishing borrowing facilities and renegotiated interest rate swap agreements are deferred and amortised on a straight-line basis over the anticipated term of the applicable borrowings.

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

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

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

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

(H) Acquisition of right to operate Brisbane Airport

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

Lease premium

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

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

Leasehold land

Leasehold land is recorded in the current year at deemed cost and is amortised on a straight line basis over the expected term of the lease, being 99 years.

(I) Property, plant and equipment

Acquisition

Property, plant and equipment is recorded at cost and depreciated as outlined below.

The cost of property, plant and equipment constructed by the Company including capital works in progress at balance date, includes the cost of labour, materials, consultants and all other directly associated expenditure.

Depreciation

Items of property, plant and equipment, including buildings are depreciated using the straight-line method over their estimated useful lives.

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

Runways, Taxiways and Aprons	1% to 20%
Roads and Car Parks	2.5%
Buildings	2.5%
Plant and Equipment	5% to 40%
Leased Plant and Equipment	20%

Assets are depreciated from the date of acquisition or, in respect of assets constructed by the Company, when completed and ready for use.

The useful lives of property, plant and equipment are reviewed annually.

Valuations

Valuations of leasehold land and buildings are obtained every three years. Leasehold land is valued at market value. Valuations of buildings are based on existing use at an Optimised Depreciated Replacement Cost (ODRC) valuation.

(J) Payables

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

(K) Interest Bearing liabilities

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

Leased assets

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

Finance leases

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

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

(L) Derivatives

Interest Rate Swaps

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

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

(M) Employee entitlements

Annual leave

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

Long service leave

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

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

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

Superannuation fund

The Company contributes to a combined defined benefit /defined contribution superannuation plan. Contributions are charged as an expense in the period in which they are incurred.

(N) Goods and Services Tax

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

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

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

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

(O) Unearned revenue

Revenue received in advance is recorded as a liability in the balance sheet and brought to account as income in the profit and loss over the period in which the benefit will be derived.

(P) Change in accounting policy

Revaluation of non-current assets

The Company has applied the revised standard AASB 1041 Revaluation of Non-Current Assets for the first time from 1 July 2001. The standard requires each class of non-current asset to be measured on either the cost or fair value basis. The Company has applied the revised AASB 1041 as follows:

Leasehold land, runways, taxiways and aprons and buildings

The company has adopted the cost basis for leasehold land, runways, taxiways and aprons and buildings and has deemed the cost of these assets to be equal to their carrying values as at 1 July 2000. The carrying values brought forward as at 1 July 2000 comprised \$773,677,000 carried at independent and Directors' valuations. The change in accounting policy has no financial effect in the current or prior financial year. As a consequence of making this election the adoption of the revised AASB 1041, the balance of the Asset Revaluation Reserve at 1 July 2000 is no longer available for asset write-downs, and has been transferred to Retained Earnings.

Other non-current assets

The Company has continued to apply the cost basis for other non-current assets.

Appendix 6: Operational statistics

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

Description	1997/98	1998/99	1999/00	2000/01
PASSENGERS				
Domestic passengers	7,636,013	7,730,099	8,133,185	10,170,397
International passengers (excluding transit)	2,455,789	2,536,627	2,609,009	2,680,299
International transit passengers	317,085	279,181	253,347	232,626
Domestic on-carriage	175,739	166,922	205,854	201,102
TOTAL PASSENGERS	10,584,626	10,712,829	11,201,395	13,284,424
AIRCRAFT MOVEMENTS				
Regular Public Transport aircraft movements	129,746	131,316	130,714	143,468
General Aviation aircraft movements	24,356	27,444	30,050	34,892
TOTAL AIRCRAFT MOVEMENTS	154,102	158,760	160,764	178,360
TOTAL TONNES LANDED	5,134,422	5,020,245	5,069,217	5,659,109
AVERAGE STAFF EQUIVALENTS				
Aeronautical services	93	88	89	86
Non-aeronautical services	28	28	29	34
TOTAL AVERAGE STAFF EQUIVALENTS	121	116	118	120
AREA (HECTARES)				
Aeronautical services	2,196	2,195	2,195	1,840
Non-aeronautical services	504	505	505	860
TOTAL AREA (HECTARES)¹²	2,700	2,700	2700	2700

¹² BACL commented that “In 2000/01 the allocation of land areas between aeronautical and non-aeronautical activities changed from previous years due to a more detailed analysis BACL undertook to the activities that took place per allotment rather than per a larger precinct analysis”.