



REGULATORY REPORT

SYDNEY AIRPORT

1999/00

April 2001

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Summary of Price Cap Compliance, Operating Financial Results and Quality of Service for Phase I and II Airports 1999/00

Price Cap Compliance

The Commission conducted price cap reconciliations for Phase I and Phase II Airports for the 1999/00 period. Table 1 summarises the price cap reconciliations for all of the Phase I and Phase II Airports for 1999/00.

Table 1: Price Cap Compliance Phase I and Phase II Airports 1999/00

<i>Airport</i>	Required reduction/increase	Actual reduction/increase	1999/00 Over/under recovery
Brisbane Airport	-3.93%	-1.32%	2.61% over
Melbourne Airport	-2.402%	-2.361%	0.041% over
Perth Airport	-4.82%	-2.84%	1.98% over
Adelaide Airport	-4.8%	-4.9%	0.1% under
Alice Springs Airport	-2.0%	-3.46%	1.46% under
Canberra Airport	0.28%	0.0%	0.28% under
Coolangatta Airport	-5.8%	-6.509%	0.709% under
Darwin Airport	-2.25%	-3.925%	1.675% under
Hobart Airport	-2.63%	-3.184%	0.554% under
Launceston Airport	-0.670%	-0.868%	0.198% under
Townsville Airport	0.84%	0.2%	0.64% under

For the Phase I Airports, Brisbane Airport has over recovered for the last two financial years. Perth Airport have over recovered its revenues in the last three financial years and it is imperative that it reduces its charges significantly in the next financial year in order to comply with the price cap. Melbourne Airport marginally over recovered in 1999/00, but taken with the net under recovery of the previous two periods has an accumulated under recovery to 1999/00.

For the Phase II Airports, Adelaide refunded the over recovery of 1998/99 by providing a rebate and has a small over recovery in 1999/00. Alice Springs decreased aeronautical

charges to bring it in line with the price cap. Canberra Airport did not amend its charges in 1999/00, but provided rebates to users in both 1997/98 and 1998/99 to have a net accumulated under recovery in 1999/00. Coolangatta Airport over recovered its revenues in 1998/99, however, reduced charges in 1999/00 to bring it in line with the price cap. Hobart Airport under recovered in 1999/00 however, taken with the over recovery in 1998/99 are still in a position of accumulated net over recovery in 1999/00. Launceston Airport has under recovered revenue over the past two years. Townsville Airport did not increase charges in 1999/00 by as much as allowed under its cap and have a net accumulated under recovery.

Operating & Financial Performance

All of the Phase I and Phase II airport operators made positive earnings before interest and tax (EBIT) in 1999/00. However, all airports with the exception of Townsville and the Government owned Sydney Airport made losses once interest and lease premiums are taken into account.

Table 2 summarises the operating financial results for the Phase I and Phase II Airports as well as that for Sydney Airport in 1999/00.

Table 2: Summary of selected Financial Results of the Phase I and II Airports as well as Sydney Airport 1999/00.

Airport	EBIT \$million	Interest \$million	Amortisation \$million	Profit / Loss after interest and tax \$million
Brisbane	68.274	69.484	23.324	(112.650)
Melbourne	87.247	107.58	6.907	(20.290)
Perth	29.360	51.758	7.359	(22.398)
Sydney	120.159	57.463	-	42.842
Adelaide	25.435	32.886	2.920	(7.131)
Alice Springs	0.330	3.022	0.086	(2.692)
Canberra	3.720	5.167	-	(2.196)
Coolangatta	3.243	5.252	-	(2.009)
Darwin	0.581	10.711	0.472	(10.130)
Hobart	1.752	1.891	0.332	(0.216)
Launceston	1.153	1.099	0.111	(0.188)
Townsville	1.359	1.029	-	0.117

Quality of service

Quality of service for the three Phase I Airports and Sydney Airport are generally satisfactory. As in 1998-99, Brisbane Airport again achieved high quality service ratings from both airline operators and passengers in 1999/00. Although Perth Airport users and passengers were satisfied, there were marginal declines in the ratings for some facilities as

compared to that of 1998/99. Melbourne Airport received lower quality ratings from airlines, in 1999/00 as compared to that of the previous financial year. The airline's quality assessment of Sydney Airport for 1999/00 is mixed and a comparison of the assessment with that of the previous period 1998/99 is ambiguous.

Passenger surveys indicated good quality standards for both airports in 1999-00. It should be noted that both Melbourne and Sydney Airports were undergoing construction works during the 1999/00 reporting period.

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

Airservices Australia was again unable to provide data on aircraft delays and has advised the Commission, that its systems would not be able deliver the required performance information. Aircraft delay indicators (see table 9) form an integral part of a framework for considering airport quality of service. The lack of information on such measures is a significant deficiency in evaluating airport quality of service.

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 at Sydney Airport and provides a summary of results. The second section provides information on Sydney Airport's financial accounts, and the third section addresses the formal monitoring requirements under section 27A of the Prices Surveillance 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 prices monitoring arrangements (Direction 16) and accounts reporting (Part 7 of the Airports 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 1999/00 quality monitoring results for Sydney Airport.

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 the ACCC to assess an airport operator's conduct as part of the review of prices oversight arrangements.

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 international departure lounges and baggage claim; 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 over a two-week period.

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. See Appendix 2 for results of the passenger perception survey.

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. Twenty three surveys were received from the following airlines: Aerolineas Argentinas, Air Caledonie, Air Nauru, Ansett Australia, British Airways, Air New Zealand, Air Pacific Limited, Air Canada, Cathay Pacific, Egyptair, Gulf Air, FNA Airways, Japan Airlines, KLM Royal Dutch Airlines, Korean Air, Lauda Air, Malaysian Airlines, Qantas, Singapore Airlines, South African Airways, Sri Lankan Airlines Thai Airways International and United Airlines. The Commission will include Impulse Airlines and Virgin Blue Airlines in the airline surveys from 2000-01.

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 3 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 1999/00 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 4.

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.

Airservices Australia provided the ACCC with information regarding busiest half-hours over the 1999/00 financial year, however, could not provide the Commission with data relating to aircraft delays over the period.

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, during the 1999/00 period, 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.

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.

It should also be added that at the time of the airline survey was taking place, 15 of the 23 airlines, which responded to the survey, were taking legal action against SACL. This may have affected the ratings these airlines gave to SACL's performance during the reporting period.

2.2 Quality of service results 1999/00

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. A summary of the results of the passenger perception survey and airline survey can be found in Appendices 2 and 3 respectively.

Overall results suggest that airport users and passengers were satisfied with most aspects of the facilities and services provided at Sydney Airport. However, results from the airline survey indicated that airlines were somewhat dissatisfied with a number of facilities/services at Sydney Airport. Airlines appeared to be dissatisfied with the standard and availability of aerobridges during the construction period and baggage facilities.

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.

Most airlines rated the standard and availability of runways from 'satisfactory' to 'good'. Five airlines rated the availability of runways as 'excellent', and two airlines rated their standard as 'excellent'. Two airlines rated the availability of runways as poor.

Comments indicated that when it rains the arriving aircraft automatically gets 10 to 15 minutes holding and it would be advantageous if availability of runways could be increased during periods of the day (such as early morning).

Aprons were mostly rated from 'satisfactory' to 'good' in terms of both availability and standard. However, a number of airlines surveyed rated the facilities as 'poor'

Comments from airlines indicated that with the new gates a bottleneck occurs due to pushback and arriving aircraft. Other comments noted that the new bays are very narrow and the VDGs are difficult to see and are likely to malfunction. Some airlines expressed concerns about the standard of some of the new gates, excessive jet blast envelope on adjacent aircraft, and ground staff.

Taxiways were rated from 'satisfactory' to 'good' by most airlines. Three airlines rated the standard and availability of taxiways as 'excellent', while one airline rated taxiways as 'poor'. No comments about taxiways were received.

Airservices Australia provided the ACCC with data that showed that the number of movements for Sydney Airport in each of the 30 busiest half-hours over the 1999/00 period was 37 (annual average). Aircraft movements in each of the 60 busiest half-hours was 36 (annual average).

However, Airservices Australia have not provided the Commission data concerning delays to aircraft movements for Sydney Airport for 1999/00.

In response to the above comments, SACL stated that Airservices Australia and Sydney Airport are supporting the introduction of the Precision Runway Monitor (PRM) in order to increase runway availability in adverse weather conditions. Environment Australia is currently conducting a trial of PRM operations from the north (PRM is already operating for arrivals from the south.) and a report on the environmental impact of the facility is expected to the Minister in late March.

Regarding comment about the bottlenecks at gates due to pushback and arriving aircraft, SACL comment that 10 new aircraft parking bays were constructed at Sydney International Terminal (SIT) with significant modification to the remaining bays. The construction was undertaken to accommodate the expected increase in airline traffic to 2003 as well as the 2000 Olympics. The increase in SIT aircraft parking was completed with only a modest increase in the apron area due to the need to maintain separation from the runway and

taxiway system. During the SA2000 design phase, the issue of congestion was discussed and the new configuration supported by the airlines.

Concerning the malfunctioning of the VGDS soon after their installation as part of the SA 2000 project, it was noted by SACL and the manufacturer that the number of malfunctions was higher than normal. The cause of the malfunctioning was identified and has since been rectified.

Regarding the narrowness of bays, SACL note that all aircraft bays have been designed and constructed to meet both domestic (CASA) and international (ICAO) regulatory standards, taking into account the most critical aircraft and its associated jet blast envelope.

Gates

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

Gates were rated from 'very poor' to 'excellent' by the airlines. Six airlines surveyed rated the availability of gates as 'very poor' to 'poor', five airlines rated the availability of gates as 'satisfactory', and ten airlines rated the availability of gates from 'good' to 'excellent'. The standard of gates was rated similarly.

Two airlines commented that gate availability was poor during the recent reconstruction of the Airport. On the other hand, three airlines considered that the Sydney 2000 project had led to significant improvements in gate availability and the assignment of gates.

A range of comments concerning the standard of gates were received from airlines. Gate lounges were considered congested and terminal facilitation signage confusing to passengers. The public address system was considered not far reaching enough and prone to breaking down. Airlines also commented that the signs indicating parking positions for aircraft were not accurate at some bays and that new gates were dangerous to operators and aircraft.

In response to airline comments on gate availability, SACL stated that throughout 1999/00 gate availability met or exceeded the scheduled demand. However, through the period of the SA2000 construction, to provide the additional aerobridges, there was some bussing of arriving and departing flights.

With respect to the Public Address System, SACL commented that the SIT's PA System was completely replaced as part of the SA2000 project, with state of the art equipment. Although there were some minor commissioning issues, consultation with the airlines led to resolution of most of the problems by February 2001.

SACL noted that during the SA2000 project, discrepancies in signs indicating parking positions on a few bays were noted early and rectified as soon as the new signs were available. An audit has since been conducted to ensure all signs reflect accurate parking information.

Regarding concerns about the safety of the new gates, SACL have commented that all SIT aircraft parking bays have been designed and constructed to meet both domestic (CASA)

and international (ICAO) regulatory standards, taking into account the most critical aircraft and its associated jet blast envelope.

Ground service equipment storage sites

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

Ground service equipment storage sites were mostly rated from 'poor' to 'good' by the fifteen airlines that used this facility. Seven airlines rated the availability and standard of ground service equipment storage sites as 'very poor' to 'poor'. Five airlines rated the facilities as 'good'.

Six comments were received from the airlines regarding ground service equipment storage sites at Sydney Airport. Two airlines noted that there was not enough storage space and a lack of storage sites available for use. Conversely, one airline stated that there was more consideration for ground services, with the new layout. Other concerns indicated that the multiple split locations necessitated additional rolling stock and labour for ground handlers to maintain their operational standards. Airlines also noted that the area adjacent to terminal gates was severely limited.

In response to these comments, SACL stated that from August 2000, space available for storage equipment has increased from approximately 30,000 sqm to 47,800 sqm with a further 11,000 sqm available for storage of ULD's.

SACL further comment that from August 2000, the storage locations have been worked through and agreed with ground handlers, to achieve the most effective allocation of areas in order to minimise the amount of equipment and manpower they needed to maintain their operational efficiencies and standards.

With respect to the comment that areas adjacent to terminal gates were severely limited, SACL acknowledge that while some space limitations do exist, the areas meet all relevant Australian and International standards. SACL note that the limitation has resulted from having to build the number of aircraft parking positions needed to satisfy airline demand, in a space constrained area. Agreement has been reached with the ground handlers as to the amount of space required at each gate for equipment. This has been clearly marked.

Freight equipment storage sites

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

Freight facilities were rated from 'very poor' to 'good' by airlines. Seven comments were received from airlines. Four airlines commented that existing freight equipment storage sites were congested and there were insufficient areas made available to aircraft. However, one airline stated that space was sufficient. Another airline noted that a single airside road was used by all airside aviation parties to service equipment, which severely limited equipment movement.

In response to the above comments SACL stated that there is approximately 10,000 sqm of ULD and GSE storage for the cargo terminal operators at Sydney Airport. A similar area is set aside for cargo staging adjacent to the SIT. The Northern lands precinct (4 hectares) is currently being developed to accommodate several new and or expanded freight handling terminals and freight related SGSE equipment and container storage sites. This area is expected to be available in 2003/04.

Regarding the single airside road, SACL note that the road was widened in 2000 (completed in July) from 2 lanes to 4 to allow for slow vehicle passing. The constrained nature of the Sydney Airport site makes it impossible to provide a second airside road. SACL further note that prior to the project commencing in late 1999, the airlines were consulted on the proposed solution to the delay problem on the road and supported the proposal.

Aerobridges

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

Sydney Airport had 27 aerobridges available to service international aircraft at 30 June 2000, with 77.1% of embarking passengers using an aerobridge over the 1999/00 financial year. About 74.7% of disembarking passengers used an aerobridge over the same period.

Seven airlines rated the availability of aerobridges as 'very poor' to 'poor', with a further six airlines rating them as 'satisfactory' and a further nine rating them as 'good'. The standard of aerobridges was mostly rated from 'very poor' to 'good'.

Fifteen airlines commented upon the availability and standard of aerobridges. The comments focused on three major concerns. Firstly airlines noted that the new aerobridges in the terminal were prone to breakdown, by refusing to extend and retract. This resulted in delays. Secondly airlines noted that there was a lot of rubbish left within the aerobridges. Finally, airlines expressed concerns about the general availability of aerobridges, especially during the recent construction.

In response to the above comments regarding the availability of aerobridges, SACL commented that 20 new aerobridges were provided as part of the SA2000 project and were available by August 2000. Although there have been some commissioning issues, most have been resolved and remaining issues are being addressed. The aerobridges are operated by airline staff and training staff has been a problem due to availability of staff. A program of staff training is ongoing.

Regarding aerobridge rubbish, SACL has brought the issue to the attention of the Airline Operators committee at Sydney Airport. The large proportion of rubbish in aerobridges is left there by airline operators previously using the bay. While there are regular patrols by cleaners of aerobridges, unless the Airport is advised that rubbish has been left, it is likely that in peak hours the next user of the facility will find the rubbish. SACL is working with the airlines to find an economic solution to the problem.

SACL further comment that through the period of the SA2000 construction, the use of aerobridges declined while the new or refitted aerobridges were being installed, necessitating

the bussing of some arriving and departing flights. However, following the final commissioning of the project in July 2000, on average 98% of all SIT passengers were embarking or disembarking via an aerobridge.

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.

Sydney Airport had 192 check-in desks as at 30 June 2000. This was 62 more than at the same time last year.

Airlines mostly rated check-in facilities at Sydney Airport as 'satisfactory' to 'good'. Three airlines rated the availability of check-in facilities as 'poor' and seven airlines rated their standard as 'very poor' to 'poor'. Three airlines believe that the availability of check-in facilities was 'excellent', and one airline stated the standard was excellent'.

Several comments received from airlines suggested that there was some congestion at check-in during peak periods. Other comments noted frequent problems with phones, flight information displays and O.H.& S issues concerning bag knockdown devices at takeaway belts.

Passengers surveyed, rated the check in waiting time at Sydney Airport as 'good' to 'excellent'.

In response to airline comments SACL stated that during construction there was a reduction in floor space around the check-in counters while new facilities were being constructed; however, the minimum number of check-in counters (62) was not reduced through the SA2000 project. 192 check-in counters will be available from August 2000.

Regarding phones at check-in counters, SACL comment that all these facilities were upgraded during the SA2000 project. Although there have been some commissioning issues, most have been resolved. SACL has a program to introduce more efficient bag knockdown devices, which have been designed in association with check-in counter staff managers.

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.

Sydney Airport had 62 inbound immigration desks and 54 outbound immigration desks at 30 June 2000.

Passengers surveyed, rated the Government inspection waiting times for both outbound and inbound services as 'good' to 'excellent'.

ACS rated the adequacy of areas provided for circulation and queuing at immigration (arrivals) as 'good' to 'excellent'. ACS also rated signage, lighting, desks and passenger facilities for immigration (arrivals) at Sydney Airport as 'good' to excellent'. The quality of immigration facilities for departing passengers was rated as 'good'.

Security

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

Sydney Airport had eleven security clearance systems at 30 June 2000. This is five more than at the same time last year.

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

Gate lounges

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

At 30 June 2000, there were 3169 seats provided in gate lounges at Sydney Airport. At the same time last year Sydney Airport was recorded as having 2167 seats in gate lounges.

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

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.

At 30 June 2000, Sydney Airport had a baggage system with a capacity of 7128 bags per hour for outbound baggage, and 11325 bags per hour for inbound baggage. Compared to the 98/99 period Sydney Airport could accommodate 2188 more bags per hour outbound and 3975 more bags per hour inbound.

Airlines rated the baggage handling system at Sydney Airport as 'very poor' to 'excellent'. Ten out of the twenty-three airlines surveyed rated the availability of baggage processing facilities as 'satisfactory', three airlines rated it as 'good', one airline rated it 'excellent' and seven rated it as 'very poor' or 'poor'. The standard of baggage processing facilities was rated somewhat lower. Twelve airlines rated the standard of baggage processing facilities as 'very poor' to 'poor' and six airlines rated it as 'satisfactory'. One airline rated it as 'good' and a further two airlines rated the facilities as 'excellent'. Comments received from airlines expressed the view that the baggage system was unreliable and prone to breakdowns. One airline commented that the new baggage handling system was as yet unproven. Airlines also commented that the breakdowns resulted in delays and additional costs being borne by the carriers.

Passengers surveyed rated the baggage circulation space at Sydney Airport as 'good' to 'excellent'. Passengers similarly rated both the baggage reclaim facility and the information

displays at baggage reclaim as 'good' to 'excellent'. With regard to trolleys at Sydney Airport, passengers rated this service/facility as 'good' to 'excellent'.

ACS rated the adequacy of space, signage, position, access, security and passenger inspection facilities at Sydney Airport as 'good'. Comments received indicated that the ITC examination area needs to be reconfigured to increase the number of examination benches to two. ITB was only recently built under the SA2000- works program.

In response to the airline comments, SACL stated that during the commissioning of the expanded Baggage Handling System (BHS) there were some problems, however, these appear to be rectified. SACL has a series of contingency plans to assist the airlines and passengers in the event of a baggage problem.

Regarding the ACS comment about the need to reconfigure the ITC Baggage Examining area, SACL commented that this request has been raised through the local Facilitation Committee, the main obstacle to rectifying the situation being then lack of space in the area for an additional AQIS bench. SACL will continue to work with ACS to resolve the matter satisfactorily.

Flight information displays

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

Passengers rated the clarity and convenience of flight information displays as 'good' to 'excellent'.

Washrooms

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

Passengers rated the standard of the washrooms as 'good' to 'excellent'.

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.

Sydney Airport had 2020 international and 1867 long-term car parking spaces at 30 June 2000. Compared to the 98/99 period, Sydney Airport increased the number of international car parks by 656 and the number of long term car parking spaces by 547.

Passengers using the international car parking facilities at Sydney Airport rated the standard and availability of car parking as 'good'. 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, busses and other vehicles. Passengers surveyed rated waiting time for taxis as 'good' to 'excellent'. Passengers also rated the space provided for taxis as 'average' to 'good'.

Consultation with airlines

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

Airlines rated SACL's responsiveness to their concerns from 'very poor' to 'good'. Six airlines rated SACL's consultation procedures as 'good', nine rated them as 'satisfactory', four rated them as 'poor', and one airline rated them as 'very poor'. Two responses indicated that the new line managers were responsive to operational issues on a day to day level. However, ten airlines commented that communication between SACL and themselves needed improvement and that many issues were not responded to by SACL in a timely manner. Similar ratings and comments regarding SACL's communications with airlines were recorded in the 98/99 Regulatory report.

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

In response to Airline comments regarding consultation, SACL stated that:

With the completion of the SA2000 project and a more stable environment in the SIT, the normal communications channels such as the monthly Facilitation Committee and the Airline Operators Committee are providing a routine method for multi-user matters to be discussed and resolved. Customers with individual concerns have easy access to both duty staff at the SIT and Senior Management on request. Timeliness of response is usually related to the complexity of the issue and any other parties that have to be consulted. A reorganisation internally of SACL's Aviation group, effective March 2001, has been considered and addressed on-going concerns of the airlines for better communications with SACL and will provide some additional resources for regular consultation.

SACL was concerned to identify precisely the areas for improvement noted by airlines in the 1998-99 ACCC survey results. Accordingly, each of the airlines responding to the survey were contacted by SACL and asked for more information on their criticisms of Sydney Airports' performance. Only two of the airlines provided responses to this letter. Finally, litigation launched by the airlines over the aero-pricing proposal and alleged SA2000 disruption does place an obvious constraint on communication with the airlines.

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 1999/00 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. The ACCC concluded that SACL had prepared its accounts in accordance with the guidelines.

3.2 Sydney Airports Corporation Limited, regulatory accounts 1999/00

SACL reported on a period of activity from 1 July 1999 to 30 June 2000. Over the entire airport, a profit after interest and tax of \$42.8 million was reported.

As at 30 June 2000, SACL controlled total assets valued at \$3,251.0 million. Property, Plant and Equipment represented most of this total at \$3,061.5 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 three stage process to allocate expenses, initially to activities and ultimately to Aeronautical and Non-Aeronautical services. Over 2,500 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 1999/2000 financial year.¹

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

¹ SACL's Regulatory Accounting Statements for the Financial year Ended June 2000 p 9.

- Depreciation was traced to each asset;
- Australian Protective Services were allocated on a landed tonne basis;
- Other expenses were allocated by: square metres for functions within the terminal;
staff functions; or
resource usage for each activity.

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

4. Monitoring of aeronautically related services.

This section covers the ACCC's role in the monitoring of aeronautically related services. This 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 1999/00 financial year.

The ACCC also reported on the operational statistics of Sydney Airport. Details of these statistics can be found in Appendix 6.

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, 1999/00

SACL provided data to the ACCC for the year ending 30 June 2000. The data is summarised in tables 3 and 4 below, and includes revenues and costs for services related to:

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

Table 3: Monitored services: aero-related costs for the periods ended 30 June 1999 and 30 June 2000

Costs	Aero-Related services 1998-99 Total ⁽¹⁾	Aero-Related services 1999-00 Total ⁽¹⁾
AERO-RELATED SERVICES	\$'000	\$'000
Refuelling services	978	806
Aircraft maintenance sites & buildings	9,208	6,541
Freight equipment storage sites	83	69
Cargo facility sites & buildings	2,221	1,560
Ground support equipment sites	-	-
Check-in counters and related facilities ⁽²⁾	2,034	2,464
Public car parking and staff parking	12,894	16,511
TOTAL AERO-RELATED COSTS	27,418	27,951

Notes:

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

Table 4: Monitored services: aero-related revenue for the periods ended 30 June 1999 and 30 June 2000

Description	Basis of Charge(s)	Revenue \$'000 1998-99	Revenue \$'000 1999-00
AERO-RELATED SERVICES			
Refuelling services	\$ per square metre	1,057	1,071
Aircraft maintenance sites & buildings	\$ per square metre	9,077	9,353
Freight equipment storage sites	\$ per square metre	143	143
Cargo facility sites & buildings	\$ per square metre	1,515	1,539
Check-in counters and related facilities (2)	\$ per hour	4,126	4,959
Service desks	\$ per hour	376	356
Public car parking ²	Various	37,407	43,635
Staff car parking	Various	1,730	1,965
TOTAL AERO-RELATED REVENUE		55,431	63,021

It is important to note that the costs do not include borrowing costs or interest expense. Interest costs were significant, amounting to \$57.5 million for the airport. The ACCC asked

² Car Parking Rates: First 30 minutes \$6, 31-60 mins \$9, 1 – 2 hours \$13, 2 – 3 hours \$15, 3 – 4 hours \$18, 4 – 5 hours \$23, 5 – 24 hours \$30. Long stay car park: first 2 days \$30 per day, everyday thereafter \$11 per day.

that interest costs be excluded because their allocation to services would have involved a degree of subjectivity. However, the ACCC acknowledges that an allocation that recognises a cost of capital would be appropriate in any detailed analysis.

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 5 below.

While, during the reporting period, the Regulations did not require SACL to provide information on the relevant performance indicators, it agreed to provide the Commission with information for the 1999/00 financial year.

Table 5: Quality of service indicators

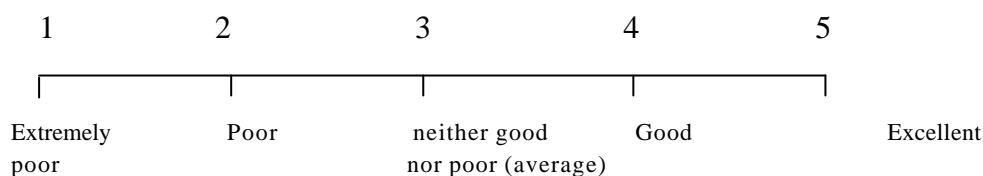
Service/ Infrastructure	Type of indicator	Source of data
Runways, apron , taxiway system	<ul style="list-style-type: none"> Average aircraft movements in 30/60 busiest half hours per month. Various delay indicators. Airlines and Airservices Australia questionnaire regarding adequacy of facilities. 	Airservices 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 the facilities 	Airport operator Airport operator Survey of airlines
Check-in	<ul style="list-style-type: none"> Number of desks Number of hours when more than 80 per cent of check-in desks are open Satisfaction with the standard and availability of facilities 	Airport operator Survey of airlines Passenger perception survey

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

Appendix 2: Passenger perception survey results

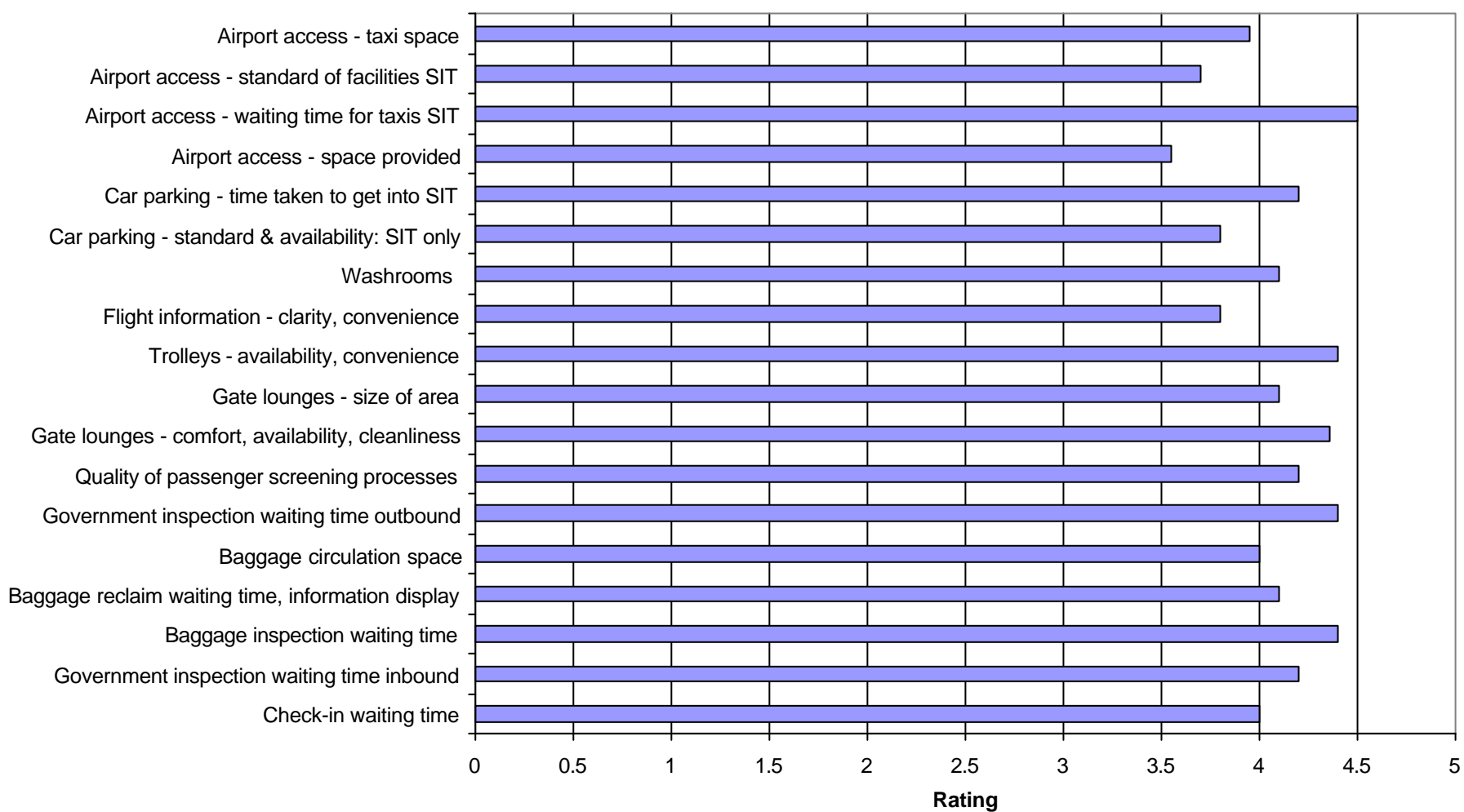
SACL commissioned an independent, registered market research company, Marketshare Pty Ltd, to conduct the passenger perception survey at Sydney Airport. The survey was conducted over a two-week period from 16 to 29 June 2000. Additional interviews were also conducted on July 2 2000. The interviews took place between 6.00am and 10.00pm each day at Sydney Airport's International and Domestic Terminals.

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



The survey covered check-in, government inspection, security, gate lounges, baggage handling and collection, information display, washrooms, and car parking. As can be seen from the graph on the following page, the results of the passenger perception survey indicate that most services achieved a rating of 4 or above, which indicates that passengers were 'somewhat satisfied' with the quality of services/facilities at Sydney Airport.

Passenger Survey Results 1999/00



Appendix 3: Airline survey results

The Commission received surveys from twenty-three airlines that used Sydney Airport over the 1999/00 year. These airlines were: Aerolineas Argentinas, Air Caledonie, Air Nauru, Ansett Australia, British Airways, Air New Zealand, Air Pacific Limited, Air Canada, Cathay Pacific, Egyptair, Gulf Air, FNA Airways, Japan Airlines, KLM Royal Dutch Airlines, Korean Air, Lauda Air, Malaysian Airlines, Qantas, Singapore Airlines, South African Airways, Sri Lankan Airlines Thai Airways International and United Airlines.

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 6: Responses from airline survey

Facility	Aspect	Very Poor	Poor	Satisfactory	Good	Excellent
Runways	Availability		2	7	8	5
	Standard			5	15	2
Aprons	Availability		2	11	8	1
	Standard		3	5	12	2
Taxiways	Availability		1	7	10	3
	Standard		1	5	12	3
Gates	Availability	1	5	5	9	1
	Standard	1	5	5	9	1
Aerobridges	Availability	3	4	6	9	
	Standard	2	7	7	6	
Ground service equipment storage	Availability	1	6	4	5	1
	Standard	1	6	4	5	1
Freight equipment storage sites	Availability	1	3	8	5	
	Standard		4	8	5	
Check in facilities	Availability		3	10	6	3
	Standard	2	5	7	7	1

Baggage processing facilities	Availability	3	4	10	3	1
	Standard	6	6	6	1	2
Addressing airline concerns		1	4	9	6	

Appendix 4: 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 7 below, and will be used in future years monitoring reports to assess changes in quality of service.

Table 7: Static indicators as provided by SACL

Indicator	At 30 June	At 30 June
	1999	2000
Number of (international) aircraft parking bays at 30 June 2000	24	39
Number of aerobridges at 30 June 2000	8	27
Percentage of passengers (embarking) using an aerobridge	80.8%	77.1%
Percentage of passengers (disembarking) using an aerobridge	76.2%	74.7%
Number of check-in desks – managed by SACL	108	
- managed by Qantas Airways	22	
Number of baggage inspection desks	35	45
Number of inbound immigration desks	62	62
Number of outbound immigration desks	54	54
Number of security clearance systems	7	11
Number of seats in gate lounges	2167	3169
Capacity of outbound baggage handling equipment (bags per hour)	4940	7128
Capacity of inbound baggage reclaim system (bags per hour)	7350	11325
Number of car park spaces – International	1364	2020
- Domestic	3140	2519
- Long Term Car Park	1320	1867
Throughput of the car park – International	1,685,585	1,720,975
- Domestic	1,152,527	1,162,890
- Long Term	59,564	70,445

Appendix 5: Sydney Airports Corporation Limited accounts summary

Profit and loss account for the period ended 30 June 2000³

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>
Revenue			
Aeronautical revenue	120,052	120,052	
Non-Aeronautical revenue	190,001		190,001
Other	2,649		
Total Revenue	312,702	120,052	190,001
Expenditure			
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
Total Expenditure	192,543	126,003	66,540
Operating Profit/(Loss)	120,159	(5,951)	123,461
Abnormal items	-	-	-
Earnings Before borrowing costs and Tax	120,159	(5,951)	123,461
Net borrowing Costs	57,463		
Operating profit before income tax	62,696		
Income tax	19,854		
Operating profit after income tax	42,842		
Dividends paid or provided	25,744		
Increase to Retained Earnings	17,098		
Total revenue including interest income	313,992		

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

³ 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 1999⁴

Description	Audited financial statements	Aero services	Non-Aero services
<i>Description</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Revenue			
Aeronautical revenue	113,704	113,704	
Non-Aeronautical revenue	180,514		180,514
Interest and dividend revenue	3,241		
Total Revenue	297,459	113,704	180,514
Expenditure			
Salaries and wages	32,927	25,490	7,437
Depreciation	56,935	35,934	21,001
Services and utilities	21,919	10,278	11,641
Property Maintenance	16,436	12,611	3,825
Australian Protective Service costs	6,383	6,383	0
Other costs	25,904	14,224	11,680
Total Expenditure	160,504	104,920	55,584
Operating Profit/(Loss)	136,955	8,784	124,930
Abnormal items	-	-	-
Earnings Before borrowing costs and Tax	136,955	8,784	124,930
Borrowing Costs	43,630		
Operating profit before tax	93,325		
Tax charge	45,353		
Operating profit after tax	47,972		
Dividends paid	29,038		
Retained Earnings	18,934		

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

⁴ 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 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
CURRENT ASSETS			
Cash	7,382		
Receivables	23,266	9,360	7,808
Inventories	-		
Accrued revenue	7,757	96	7,661
Other	7,705		
Total current assets	46,110		
NON-CURRENT ASSETS			
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		
Total non-current assets	3,204,891		
TOTAL ASSETS	3,251,001		
CURRENT LIABILITIES			
Accounts payable	68,961		
Borrowings	9,000		
Provisions	24,346	4,813	1,665
Total current liabilities	102,307		
NON-CURRENT LIABILITIES			
Borrowings	1,216,000		
Provisions	14,873	684	236
Total non-current liabilities	1,230,873		
TOTAL LIABILITIES	1,333,180		
NET ASSETS/(LIABILITIES)	1,917,821		
SHAREHOLDER'S EQUITY			
Share capital	794,000		
Reserves	1,087,789	274,340	813,449
Retained profits	36,032		
TOTAL SHAREHOLDER'S EQUITY	1,917,821		
Retained profits at the start of the year	18,934		
Movements:			
Profit for the year	17,098		
Retained profits at the end of the year	36,032		

Balance sheet for the period ended 30 June 1999

Description	Audited financial statements	Aero services	Non-Aero services
	\$'000	\$'000	\$'000
CURRENT ASSETS			
Cash	1,987		
Receivables	68,815	8,286	7,629
Inventories	-		
Accrued revenue	-		
Prepayments	4,089		
Total current assets	74,891		
NON-CURRENT ASSETS			
Receivables	10,000		
Investments	3,398		
Property, plant & equipment	2,573,272	1,174,452	1,398,820
Work in progress	249,042		
Other	13,790		
Total non-current assets	2,849,502		
TOTAL ASSETS	2,924,393		
CURRENT LIABILITIES			
Accounts payable	52,846		
Borrowings	49,000		
Provisions	66,173	4,354	1,306
Total current liabilities	168,019		
NON-CURRENT LIABILITIES			
Borrowings	850,000		
Provisions	5,651	745	223
Total non-current liabilities	855,651		
TOTAL LIABILITIES	1,023,670		
NET ASSETS/(LIABILITIES)	1,900,723		
SHAREHOLDER'S EQUITY			
Share capital	794,000		
Reserves	1,087,789	274,340	813,449
Retained profits	18,934		
TOTAL SHAREHOLDER'S EQUITY	1,900,723		
Accumulated profit/loss at the start of the year	-		
Movements:			
Profit/loss for the year	18,934		
Accumulated profit/loss at the end of the year	18,934		

Cash Flow Statement for the periods ending 30 June 2000 & 30 June 1999

	Audited Financial Statements 1998-99	Audited Financial Statements 1999-00
	\$'000	\$'000
Cash flows from operating activities		
Inflows:		
Receipts from customers	290,732	309,945
Interest received	2,562	1,290
Dividends received	-	755
Outflows:		
Payments to suppliers and employees	(88,714)	(126,504)
Borrowing costs paid	(45,605)	(50,921)
Income tax paid	-	(47,193)
Net cash flows provided operating activities	158,975	87,372
Cash flows from investing activities		
Inflows:		
Proceeds from short term deposits	-	13,955
Proceeds from sale of property, plant and equipment	325	194
Liquidation of investments in subsidiaries	-	628
Advances to related parties	-	1,089
Other	-	-
Outflows:		
Acquisition of property, plant and equipment	(322,492)	(382,605)
Payment for business (net of cash required)	(1,349,940)	-
Cash outflow for short term deposits	(13,955)	-
Advances to related parties	(2,401)	-
Cash paid for purchase of controlled entities	(43,998)	-
Capitalised borrowing costs	(4,003)	(11,667)
Net cash flows from investing activities	(1,736,464)	(378,406)
Cash flows from financing activities		
Inflows:		
Share issue	794,000	-
Proceeds from borrowings	1,582,500	375,000
Outflows:		
Repayment of borrowings – bank loans	-	(49,000)
Repayment of borrowings – shareholder loans	(783,500)	-
Dividends paid	(13,524)	(29,571)
Net cash flows provided from financing activities	1,579,476	296,429
Net Increase in cash held	1,987	5,395
Add opening cash brought forward	-	1,987
Closing Cash	1,987	7,382

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.

It 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.

Sydney Airports Corporation Limited (SACL) was incorporated on 28 May 1998 and commenced operations on 1 July 1998. This twelve month period represents SACL's second year under which these reports have been prepared.

Changes in accounting policies

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

Revenue recognition

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

Aeronautical revenue

Aeronautical revenue is recognised based on aircraft landings at the invoiced amount of landing fees and international terminal charges (where applicable) and charges for the recovery of counter terrorist first response costs (where applicable), which are based on the maximum take off weight of an aircraft. Aeronautical revenue also includes time based aircraft parking fees and tonnage based passenger and baggage screening charges.

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.

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.

The deferred tax balances have been adjusted for the decreased corporate tax rate of 34% for the tax year 2000-2001 and 30% thereafter. The adjustment recognises the reversal of timing differences that will occur within the 2000-2001 or later income tax year at which time tax will be attributed at a lower rate. The corresponding adjustment has been charged to income tax expense.

Cash

For the purposes of the Statement of Cash Flows, cash included cash in 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. Credit sales are on 30-day terms.

Investments

Investments are valued at the lower of cost and net realisable value. Dividend income is taken into profits once the receipt of revenue is controlled.

Short Term Deposits

Short term deposits are recorded at face value.

Property, plant and equipment

Cost and Valuation

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

Items of property, plant and equipment comprising a class of non-current assets are revalued at the same date on a consistent basis. Revaluations will be conducted at least each three years. Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount.

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. Where assets have been revalued, depreciation is charged on the adjusted amount. 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.

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 proposed.

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 profit and loss statement 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 profit and loss statement.

Contributed equity

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

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 6: Sydney Airport operational statistics

Operational statistics for the periods ended 30 June 1999 and 30 June 2000

Description	Number	Number
	1998-99	1999-00
PASSENGERS		
Domestic passengers (includes regional)	14,162,607	14,862,881
International passengers (excluding transit)	7,407,506	7,531,110
International transit passengers	577,686	517,080
Domestic on-carriage	306,069	346,523
TOTAL PASSENGERS	22,453,868	23,257,594
AIRCRAFT MOVEMENTS		
Regular Public Transport aircraft movements	254,323	261,402
General Aviation aircraft movements	26,978	28,617
TOTAL AIRCRAFT MOVEMENTS	281,301	290,019
TOTAL TONNES LANDED	12,466	12,931
AVERAGE STAFF EQUIVALENTS		
- Aeronautical services	338	352
- Non-aeronautical services	89	122
TOTAL AVERAGE STAFF EQUIVALENTS	427	474
AREA (HECTARES)		
- Aeronautical services	718.6	669.37
- Non-aeronautical services	167.9	216.68
TOTAL AREA (HECTARES)	886.5	886.05

Sources: SACL, Australian Customs Service, Department of Immigration and Multicultural Affairs, and Airservices Australia.