



REGULATORY REPORT

PERTH AIRPORT

1997/98

March 1999

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1 Introduction

In regulating airports the Australian Competition and Consumer Commission (“the Commission”) reports annually on airport accounts, quality of service, prices monitoring, and price cap compliance for certain airports that have been leased by the Government. Perth International Airport (“Perth Airport”) is one such airport.

Perth Airport is operated by Westralia Airports Corporation Limited (“Westralia”), who took over its operation from the Federal Airports Corporation (“FAC”) on 2 July 1997. Westralia is owned by a consortium that consists of Airport Group International, Hastings Fund Management and Infratil Australia Ltd. It paid \$639 million for a 50-year lease for the right to operate Perth Airport, with an option for a further 49-year lease at the end of this period.

This is the first regulatory report for Perth Airport. The Commission wishes to acknowledge the cooperation of Westralia in providing data and responding to queries that assisted in the preparation of this report.

1.1 Airport Privatisation and Regulation

As part of the privatisation of Commonwealth owned airports, the Government granted long-term leases for airports operated by the FAC at Melbourne, Brisbane and Perth in June 1997. In May 1998, Adelaide, Alice Springs, Canberra, Coolangatta, Darwin, Hobart, Launceston and Townsville airports were also privatised through long-term leases. The Government has also transferred ownership of Sydney’s Kingsford Smith Airport to the Sydney Airports Corporation as a step towards eventual privatisation. For the purposes of economic regulation, these airports are termed “core regulated” airports.

One of the Government’s objectives in privatising airports was to promote the efficient and commercial operation of airports. At the same time the Government recognised that many of the services provided by airports displayed monopoly characteristics. For this reason it established an airports economic regulatory framework that covered pricing, quality of service and access issues.

The Commission has primary responsibility for implementing and administering the economic regulatory measures applying to “core regulated” airports. The regulatory regime comprises a package of measures under the *Trade Practices Act 1974* (“TPA”), the *Prices Surveillance Act 1983* (“PS Act”) and the *Airports Act 1996* (“Airports Act”). These include a price cap on aeronautical services, and access arrangements. It also includes a range of transparency measures. For details on the Commission’s role in the regulation of airports see the paper “Economic Regulation of Airports”.¹

¹ Australian Competition and Consumer Commission, “Economic Regulation of Airports - an overview”, July 1998. This report is available on the Commission’s web site at www.accc.gov.au.

This report is directed towards the transparency measures. It provides information on Westralia's performance over the 1997/98 financial year on the following:

- quality of service offered at Perth Airport;
- financial accounts, with details on aeronautical and non-aeronautical services;
- prices surveillance and price cap compliance; and
- prices, costs and profits of specified aeronautically related services.

This report follows the first full year of operation of Perth Airport after privatisation.

Following on from this first report, the Commission intends to provide regulatory reports on an annual basis, for the first five years of Westralia's private operation of Perth Airport. At the end of this five-year period, the Commission will conduct a review of the prices oversight arrangements at privatised "core regulated" airports and make recommendations to the Government.

This report is divided into four sections. The first section addresses the quality of service at Perth Airport and provides a summary of results. The second section provides information on Perth Airport's financial accounts. The third section provides information on Perth 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.

In addition to this report, the Commission released a report on fuel throughput levies as part of its formal monitoring function in December 1998. The report covered one of the services subject to formal monitoring, namely aircraft refuelling services. The Commission reported separately on the issue because of concerns expressed by airlines and oil companies about levies introduced at Brisbane Airport and levies proposed at Perth Airport, and because of the complexity of the issues involved. Copies of the report are available on the Commission's website (www.accc.gov.au) or can be obtained by calling Doug Shirrefs on (03) 9290 1865.

2 Quality of Service Monitoring

This section deals with quality of service monitoring. It begins by giving an overview of the Commission's role in quality of service monitoring and provides an explanation of its approach in evaluating quality of service at Perth Airport. Following on from this is a summary of the first year's quality monitoring results for Perth Airport.

2.1 The Commission's Role and Approach to Quality of Service Monitoring

The Commission is required to conduct quality of service monitoring pursuant to Part 8 of the Airports Act.² Under the regulations to the Airports Act, airport operators are required to provide information to the Commission on a range of indicators. These indicators cover various aspects of an airport's service quality performance. Appendix one provides details of these indicators.

Quality of service monitoring is a complement to the prices oversight arrangements. Under price cap regulation there may be incentives to increase profits by reducing costs. In some cases such cost cutting may lead to a lower quality of service. Quality of service monitoring is a means of providing an indication of whether such cost cutting may be occurring over time.

The objectives of quality service monitoring are:

- to provide transparency about airport performance;
- to discourage airport operators from providing unsatisfactory standards of services which are associated with significant market power; and
- to assist the Commission to assess an airport operator's conduct as part of the review of the prices oversight arrangements that the Commission is required to undertake towards the end of the first five years of the price cap.

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

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.

² Australian Competition and Consumer Commission, Quality of Service Monitoring for Airports Post Leasing, February 1997.

In constructing this quality monitoring report, the Commission sought information from a number of different sources. These sources included, customers of the airport (through customer perception surveys conducted by the airport operators); information from airport operators as required under the regulations (such as the number of passengers, the number of aerobridges and the size of aprons); airlines (through surveys of airlines); and information provided by Australian Customs Service (“ACS”) and Airservices Australia on the quality indicators.

It should be noted, however, that the information provided by ACS and Airservices Australia did not include data that could be used in the assessment of quality standards at Perth Airport. However, ACS and Airservices Australia have informed the Commission that such data will be available for use in next year’s monitoring report.

Airline surveys

In order to gain further information on the quality standard of airside facilities and terminal facilities, the Commission conducted a survey of the airlines that used Perth Airport over the 1997/98 financial year. The Commission received surveys from the following airlines: Air New Zealand; Singapore Airlines; British Airways; Ansett Airlines; and Qantas.

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.

In order to accurately report on the results of the various quality indicators, the Commission sought additional comments from airlines for areas where results were critical of the availability or standard of services and facilities, or where concerns regarding performance had been raised. The Commission then followed these comments up with Westralia.

Customer perception surveys

Customer perception surveys were also used as a source of information in the quality monitoring report. Westralia designed the customer perception survey, and the Commission provided comment on the proposed survey and also obtained independent advice on the usefulness of the survey in terms of its methodology and sample selection. In instances where the Commission expressed concerns or made suggestions relating to the survey questions or design, Westralia made efforts to incorporate them into the final survey.

The areas covered by the customer perception survey are set out in the regulations to the Airports Act. These areas include 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. A summary of the findings is presented in Appendix three.

It should be noted that airlines, Airservices Australia and other service providers might have also contributed to quality outcomes at Perth Airport.

Issues

This is the first monitoring report for Perth Airport. As such, it will be used to establish a base for comparison with future year's reports.

In making comparisons from year to year, the Commission is aware that a variety of factors outside the immediate control of Westralia may influence results (eg. the staffing by airlines of check-in services and similarly by Customs of immigration facilities).

The Commission also acknowledges that it takes time to implement changes and to make improvements in quality monitoring areas. In general, airport operators may not have sufficient time to make improvements in areas where deficiencies have been identified in one year's report, before the next year's monitoring report is completed. Also, some aspects of quality may be due to factors outside the immediate influence of airport managers. 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 Commission 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.³ The Commission will allow for such factors in its report on quality and in its review of prices oversight arrangements.

2.2 Quality of service monitoring 1997/98

This section covers the results obtained for quality of service monitoring for 1997/98. Overall the Commission considers that Westralia provided a satisfactory level of service at Perth Airport for 1997/98. It also appears that airport users, airlines, and passengers were satisfied with the facilities and services provided at Perth Airport.

³ Australian Competition and Consumer Commission, "Quality of Service Monitoring for Airports - statement of the Commission's approach to analysis, interpretation and publication of quality information", February 1998

Results

This section includes an assessment and discussion of each infrastructure facility/service listed in the regulations and provided by the airport operator. The assessment of results is made having regard to the customer perception survey, the airline survey and the additional comments and data provided by Westralia. Summaries of the results of the customer perception survey and the airline survey are provided in Appendices two and three respectively.

Runways, aprons and taxiways

Runways at Perth Airport were generally rated by airlines as “satisfactory” or “good” in terms of their standard and availability. One airline rated them as “excellent”. No critical comments were received.

Aprons achieved a rating from airlines ranging from “poor” through to “excellent”. There were seven aircraft parking bays on the aprons at 30 June 1998. The criticisms of aprons were directed towards a lack of space and insufficient lighting. Westralia responded by stating that lighting for the international and domestic aprons was in accordance with the standards set by the Civil Aviation Safety Authority. For general aviation aprons, Westralia acknowledged the need for improvement and indicated that plans have been made for this in the current financial year.

Taxiways achieved ratings from airlines ranging from “poor” to “excellent”. Availability for domestic flights was considered “poor” by one airline, although Westralia had not received any complaints. International airlines generally rated taxiways as “good” to “excellent”.

Gates

Perth Airport had seven gates for aircraft parking for embarkation and disembarkation at 30 June 1998. Gates were generally rated by airlines as “satisfactory” to “good” for both availability and standard, with one airline rating them as “excellent”.

Ground service equipment and storage sites

Ground service equipment and storage sites were generally rated as “satisfactory” or “good” for both standard and availability. No specific comments were received.

Ground equipment storage sites were rated “satisfactory” or “good”. No specific comments were received.

Freight facilities

Airlines generally rated the availability and standard of freight facilities as “satisfactory” or “good”.

Aerobridges

Perth Airport had five aerobridges to service international aircraft at 30 June 1998. Statistics provided by Westralia on aerobridge usage showed that for all months in the 1997/98 financial year, over 99 per cent of embarking and disembarking passengers used an aerobridge.

For the availability category, aerobridges were rated from “poor” to “satisfactory”. Airlines commented that there were insufficient aerobridges to cater for peak times, leading to queuing on taxiways. Westralia commented that queuing was a “rare” occurrence, although delays were reported at Perth Airport for a particular regular flight between October 1997 and March 1998 when the flight arrived earlier than scheduled.

In order to help alleviate the problem of availability of aerobridges, Westralia stated that aircraft, which are not scheduled to depart within three hours of arrival, are shifted to a non-aerobridge parking facility.

With regard to the standard of aerobridges, a comment was received that suggested that aerobridges did not have air conditioning and therefore could be hot during summer. Westralia commented that there was air-conditioning in relation to aerobridges, but not for the stairwells leading from the departure lounges to the aerobridges. Westralia commented that Air-conditioning was turned on two hours prior to the use of an aerobridge.

Check-in facilities

Perth Airport had 24 check-in counters at 30 June 1998. Statistics provided by Westralia indicated that more than 80 per cent of these were in use for 0.28 per cent of time in the busiest month for 1997/98.

Check-in facilities were generally rated by airlines as “poor”, although one airline rated them “good”. Particular comments suggested that there were insufficient counters to cater for peak demand and that counters were poorly designed.

The customer perception survey results, however, differed from the results obtained in the airline survey. About 75 per cent of customers rated the waiting time for check-in as “excellent” or almost “excellent” (ie. 6 or 7 on a seven-point scale) in the customer perception survey. Only two per cent rated the waiting time as “very poor”.

According to Westralia, plans have been made to install additional counters, although consultation with airlines will be needed to obtain information on design and cost recovery. At this stage there is no expected date for completion.

Government inspection

ACS conducted inspection for both arriving and departing passengers. At Perth Airport 16 immigration desks and 20 baggage inspection desks were available at 30 June 1998 for arriving passengers, and 10 desks for departing passengers. The

Commission was unable to draw conclusions as to the adequacy of the number of desks provided, due to insufficient data on the issue.

Over 80 per cent of passengers rated the waiting time required and their overall satisfaction with the immigration process as either “excellent” (7), or just below “excellent” (6).

ACS has advised that it will in future be able to provide suitable data that will indicate the time elapsed in processing all passengers.

Gate lounges

At 30 June 1998, 435 seats were provided in gate lounges. Approximately 80 per cent of passengers surveyed, rated the gate lounges as “excellent” or just below “excellent” in terms of the availability of seating, the quality of seating, and the amount of circulation space provided. Where invited, only a few customers made comments relating to gate lounges, with the number of positive comments received similar to the number of negative comments.

Baggage processing facilities

At 30 June 1998, the baggage processing facilities were reported to be able to handle 5,760 bags per hour. According to Westralia, this figure met the IATA Airport Development Manual requirement for wide-bodied aircraft.

Baggage processing facilities were generally rated by airlines as “satisfactory”, although one airline rated them as “poor”. Particular comments suggested that congestion occurred at peak times, leading to delays. It was also suggested that jamming and breakdowns occurred regularly.

The customer survey also indicated a low level of satisfaction for “baggage circulation space”. Approximately 42 per cent of passengers surveyed rated the service as “very good” or “excellent”, but 58 per cent rated the service “fair”, “poor” or “very poor”.

Westralia acknowledged that in the first half of 1997/98 there were a series of reclaim unit failures due to over loading by ground handlers.

Westralia also stated that the issue of crowding at reclaim areas would be addressed. In addition, Westralia commented that following the implementation of new measures by the ACS, passengers were processed more quickly at Customs/Immigration. Faster processing at the customs level may have contributed to crowding at the baggage processing areas.

Trolleys

Passengers surveyed were asked to rate both the availability and mobility of trolleys at Perth Airport. Over 80 per cent of customers rated these aspects as either “excellent” or just below “excellent”.

Flight information displays

The adequacy of flight information rated highly, with almost 80 per cent of passengers surveyed considering it to be “excellent” (7) or “very good” (6). However, some comments received suggested that non-English speaking passengers experienced some difficulty in understanding the flight display system.

Washrooms

Overall the standard of washrooms achieved a rating that ranged from “fair” to “excellent”.

Car parking and kerbside access

Perth Airport had 1,994 car park spaces at 30 June 1998, with 1,067 in the domestic terminal and 927 in the international terminal.

For those passengers surveyed, a majority (over 65 per cent) rated the standard and availability of car parking as either “excellent” or “very good”. The time taken to enter car parks was rated slightly higher.

It should be noted that the time taken to exit car parks was not included in the survey. This aspect of car parking, while important, could not be surveyed for practical reasons.

Kerbside access at an airport is required to allow passengers to be dropped off and picked up by taxis, buses, and other vehicles. Over 70 per cent of passengers surveyed, rated the space provided as “excellent” or “very good”. Similarly, congestion was not considered a problem for a large majority of passengers. A few comments received, however, suggested that the two-minute unloading time for passengers at the terminal face was too short. It was also suggested that the area should be undercover.

Consultation with airlines

In addressing the concerns of airlines regarding quality issues, Westralia was rated as being “satisfactory” to “good”.

3 Regulatory Accounts Reporting

This section reports on Perth Airport's financial accounts. First, an outline of the financial reporting requirements is given, followed by the financial accounts of Perth Airport for the 1997/98 financial year.

3.1 The Commission's Approach

The operators of the Phase 1 airports are required under Part 7 of the Airports Act to provide the Commission with annual financial accounts within 90 days after 30 June of that year.⁴ The required accounts include a Profit and Loss Statement, a Balance Sheet, and a Cashflow Statement.⁵ In addition, other supporting information statements on accounting policies and cost disaggregations between aeronautical and non-aeronautical costs are required.

All information must be audited. In addition, a directors responsibility statement must be signed by at least two directors, stating that the regulatory accounting statements and supporting schedules are "fairly" presented and are in accordance with the guidelines, the Airports Act, and the regulations made pursuant to that Act.

In completing this monitoring report, the Commission assessed the financial information provided by Westralia for compliance with the guidelines. The Commission concluded that Westralia had prepared the accounts in accordance with these guidelines.

The Commission used the financial data provided by Westralia for two main purposes. These were:

1. In the assessment of compliance with the price cap and the review of regulatory arrangements after five years; and
2. Transparency, by making information available to interested parties.

⁴ Phase I airports refer to Melbourne, Brisbane and Perth airports.

⁵ Australian Competition and Consumer Commission, "Regulatory Information Requirements under Part 7 of the Airports Act 1996".

Prices Surveillance Act 1983, Sections 21 and 27A.

3.2 Perth International Airport, Financial Accounts 1997/98

Westralia lodged its regulatory accounts with the Commission in the required 90 days following the end of the financial year. The information provided by Westralia complied with the requirements of the Airports Act, the regulations under the Airports Act and the Commission's guidelines.

Westralia reported on a period of activity from the commencement of its lease, on 2 July 1997, to 30 June 1998. Over the entire airport a loss after tax of \$26.9 million was reported. Interest and amortisation expenses of \$56.6 million, representing 65% of total expenses, significantly affected this result.

As at 30 June 1998, Westralia reported total assets valued at \$692.5 million. Of this total, \$449.4 million (approximately 65%) comprised a "lease premium" which represented the difference between the cost of acquiring the airport business and the net tangible assets acquired.

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

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

The ABC system was adopted by the Federal Airports Corporation in 1993, specifically for the purpose of cost allocation and used as the primary means of supporting its submissions to the PSA (a predecessor of the ACCC) and the aviation industry for changes to aeronautical charges over the period. Perth Airport has been utilising ABC on a continuous basis over this time.

The essential feature of the ABC system is that, unlike traditional cost accounting processes which tend to treat costs as either fixed or variable, ABC focuses on activities, and recognises that it is these activities which give rise to the consumption of resources and therefore cause costs. ABC is a multi-staged process, which breaks down resources (chart of accounts), into many different activities using cost allocation rules based on the most appropriate driver for the individual resource being consumed. Activities are then linked, ultimately through to the final services or products that the organisation provides, again using the most appropriate driver which most accurately results in the volume of output from that activity.

Each service for which an aeronautical charge is levied has been established as a discrete service, as have non-aeronautical services, enabling analysis of the aggregate and unit cost of providing the respective service. Through the use of database analysis it is possible to report on the amount of individual resources allocated to each service.

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

- the allocation of salaries and related on-costs are conducted at the individual employee level, based on interview with the employee's immediate supervisor;
- depreciation expenses are derived from the cost allocation of the underlying assets. Where possible, assets are allocated to final activities, which are linked to the services which are most influenced by the level of output from that activity;

- maintenance of a non-specific nature to, for instance, the terminal structure is initially allocated to the terminal building activity and is subsequently re-allocated to final activities on the basis of the respective areas occupied by each of these activities within the terminal;
- overheads associated with employees (such as staff training and motor vehicle costs) are allocated consistent with the associated staff costs.

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

4 Prices Surveillance and Price Cap Compliance

This section covers the Commission's prices surveillance function and reports on Westralia's price cap compliance over the 1997/98 financial year.

4.1 The Commission's Role

Certain aeronautical services at leased airports are declared for prices surveillance under section 21 of the PS Act. Declaration 83 made by the Treasurer pursuant to the PS Act declares the services at Phase I airports. The declaration covers aircraft movement areas (eg. runways, aircraft parking areas) and passenger processing areas (eg. aerobridges, departure lounges).⁶

Declaration requires that the airport operator 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 "core regulated" airports, declared services are subject to CPI-X price caps. The X factors are based on expected productivity improvements.⁷ The X factor for Perth Airport is 5.5 per cent and has been set for five years from 1 July 1997. Direction 13 sets out details of the price cap formula, the X values, and other issues relevant to the Commission's administration of the cap.⁸

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.

Using data provided by Westralia, the Commission assessed whether Perth Airport complied with its price cap over the year ending 30 June 1998. A summary of movements in charges subject to the cap is provided, as well as the maximum charges endorsed by the Commission as at 30 June 1998. Details of price notifications are also available from a public register maintained by the Commission pursuant to section 23 of the PS Act.

⁶ A copy of declaration 83 is available on the ACCC's airports website.

⁷ For a detailed explanation of the arrangements see Australian Competition and Consumer Commission, "Administration of Airport Price Cap Arrangements", January 1997

⁸ A copy of direction 13 is available on the ACCC's airports website.

4.2 Price Cap Compliance, 1997/98

Aeronautical services at Perth Airport are subject to a price cap set at CPI less an X factor of 5.5 per cent per annum. The relevant CPI figure for 1997/98 was 2.1 per cent, meaning that Westralia was required to lower nominal average aeronautical charges by 3.4 per cent in that year.

Westralia adjusted its most significant aeronautical charges on 1 January 1998 by approximately doubling the CPI-X figure so that average prices would comply with the cap over the financial year. Changes to charges for particular aeronautical services are shown in Table 1, below.

Table 1: Changes in Charges Subject to Price Cap for Year Ended 30 June 1998

Charge	Basis	1/7/97	Description	30/6/98
Landings	Per landing, \$/tonne MTOW	\$5.72	Adjusted effective 1/1/98 by approx. double CPI – X	\$5.33
Australian Protective Service	Per landing, \$/tonne MTOW for aircraft > 20,000 kg	\$0.86	No change	\$0.86
Parking	Per day in General Aviation area	\$11.00	Adjusted effective 1/1/98	\$10
Terminal	Per landing, \$/tonne MTOW	\$2.80	Adjusted effective 1/1/98 by approx. double CPI – X	\$2.60

To demonstrate compliance with the price cap, Westralia provided disaggregated revenue data for aeronautical services for the 1997/98 financial year, which also gave the units of revenue (eg. tonnes landed) for each category of revenue. A summary of the data is provided below in Table 2.

The adjustments led to lower average charge of 3.15 per cent over the 1997/98 financial year. While charges were lowered by twice the CPI-X amount six months into the year, the average landing charge was slightly higher than was required for a reduction in charges of 3.4 per cent. This arose because traffic volume (landed tonnes) in the first half of 1997/98 was slightly higher relative to traffic in the second half, than forecast. The effect provided for an over recovery of revenue of \$41,917, which equates to 0.25 per cent of aeronautical revenue (excluding APS charges).

Table 2: Aeronautical Revenue and Price cap compliance for the Period Ended 30 June 1998

Description	Number of Units	Basis of Charge (Price per unit)	Revenue \$'000	Average Charge	% Revenue Share	Compliance
Landing Charges (Domestic and International)	2,495,184	(per 1000 kg MTOW)	13,823	5.54	87.32	-2.75
International Terminal Charges	1,084,393	(per 1000 kg MTOW)	2,933	2.70	11.75	-0.40
Aircraft Waste	2,495,184	(per 1000 kg MTOW)	141	4.72	0.82	0.00
Parking Charges	1,185	(per aircraft)	16	10.63	0.11	<u>0.00</u>
						-3.15

Ground Facilities Fees

Towards the end of the 1997/98 financial year, the Commission became aware that Westralia intended to introduce ground access charges on vehicles that derived business from accessing the airport. These vehicles included taxis, buses and courtesy vehicles. The Commission holds the view that such charges fall within the price cap (as they relate to landside roads, a declared facility). Westralia, however, is of the view that such charges were not intended to be part of the price cap when the Government designed the regulatory regime. Westralia formally notified the Commission of the new charges in November 1998, on a “without prejudice” basis, and has continued discussions with the Government.

5 Monitoring of Aeronautically Related Services

This section covers the Commission's role in the monitoring of aeronautically related services which are outside the price cap. This section begins with an outline of the Commission's approach to monitoring, followed by a report on the activities of Perth Airport for the 1997/98 financial year.

5.1 The Commission's Monitoring Role

In May 1998 the Treasurer directed that aeronautically related services be the subject of formal price monitoring pursuant to section 27A of the PS Act. The monitoring covers the costs, revenues and profits of an airport. The rationale behind price monitoring was that airport operators may exert significant market power in relation to certain services at individual airports. As such, the Government considered that these services should be monitored to ensure that an airport operator does not misuse any market power it 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. 14, available on the Commission's web site. For a more complete outline of the Commission's monitoring role, see the Commission publication titled "Economic Regulation of Airports".

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 the report publicly available.

In exercising its role, the Commission has taken a selective approach by investigating particular pricing issues where airport users have raised concerns, and where airport operators may have the ability to take advantage of market power in setting prices. To date, these have included the proposed imposition of fuel throughput levies at Brisbane and Perth airports.

This issue is briefly discussed below.

5.2 Price Monitoring - Perth International Airport 1997/98

The purpose of monitoring is to identify changes in aeronautical related costs and revenues over time for services that are associated with significant market power. Significant differences in costs and revenues may point to the use of market power by the airport operator in setting prices. The movement over time of costs and revenues will be of particular interest to the Commission.

Westralia provided data to the Commission for the year ending 30 June 1998. The data, which is summarised in table 3 and 4 below, covers 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 Period Ended 30 June 1998*

Description	Aero-related services Total
	‘000
AERO-RELATED SERVICES	
Refuelling services	205
Aircraft maintenance sites & buildings	846
Cargo facility sites & buildings	251
Ground support equipment sites	81
Check-in counters and related facilities(1)	107
Public car parking	1,439
Staff car parking	60
TOTAL AERO-RELATED COSTS	2,988

Notes:

1. At terminals operated by airport-operator companies.
2. Costs do not include amortisation of intangible assets or interest.

Table 4: Monitored Services: Aero-Related Revenue for the Period Ended 30 June 1998

Description	Basis of Charge(s)	Revenue '000
AERO-RELATED SERVICES		
Refuelling services	(per square metre)	311
Aircraft maintenance sites & buildings	(per square metre)	1,281
Cargo facility sites & buildings	(per square metre)	380
Ground support equipment sites	(per square metre)	122
Check-in counters and related facilities(1)	(per counter)	352
Public car parking(2)	(per car)	6,947
Staff car parking	(per parking bay)	521
TOTAL AERO-RELATED REVENUE		9,915

Notes:

1. At terminals operated by airport-operator companies.

2. Charges at 30 June 1998 as follows:

Up to five minutes free

5-35 minutes \$2

35-90 minutes \$4

5-2.5 hours \$5

2.5-4 hours \$7

4-6 hours \$9

Over 6 hours \$12

Long term rates are \$12 per day for first three days then \$6 per day with a maximum of \$48 per week.

While revenues tended to exceed costs, it is important to note that costs did not include amortisation of intangible assets or interest. These amortisation and interest costs were significant, amounting to \$56.6 million in 1997/98, or 65 per cent of total costs. The Commission asked that these costs 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 is a risk of circularity if an allocation of the cost of the lease premium is included. However, the Commission acknowledges that an allocation that recognised a cost of capital would be appropriate in any detailed analysis.

At this point in time, the Commission has not drawn conclusions regarding the pricing and provision of monitored services at Perth Airport.

Fuel Throughput Levy

During 1997/98, the Commission investigated one issue under its formal monitoring powers at Perth Airport. This was the proposed imposition of a fuel throughput levy.

The Commission became aware that Westralia proposed to charge a fuel throughput levy from 1 June 1999 at a rate of 0.5 cents per litre for the international terminal only.

The proposed charge arises from the airport operator providing access to land upon which refuelling infrastructure is provided by oil companies for aircraft refuelling. In the past, rent and licence fees were used. Prior to Westralia acquiring the airport lease the FAC introduced provisions into contracts with oil companies allowing the airport operator to charge a levy based on the amount of fuel passing through the pipeline.

In December 1998, the Commission reported separately on aircraft refuelling services following concerns expressed by airlines and oil companies in relation to the fuel throughput levies introduced by Brisbane Airport Corporation and proposed by Perth Airport, and the complexity of the issues involved.

The Commission's report provided information on the levies and a detailed assessment of issues relevant to the price increases. The report reached the following conclusions:

- introduction of the fuel throughput levies at Brisbane and Perth Airports would significantly increase the price of refuelling services;
- the price increases were not justified in terms of increases in costs or by offsetting reductions in other charges; and
- there is a strong case that airport operators have market power in the provision of refuelling services.

The report also concluded that, in light of the lack of cost related justification for the levies, or offsetting reduction in charges, there was a strong case that in introducing fuel throughput levies airport operators have taken advantage of market power. It should be noted that Westralia did not agree with these conclusions.

In light of the report's conclusions, the Commission has recommended that stricter forms of prices oversight be considered in relation to aircraft refuelling services.

The report considered a number of options for stricter prices oversight and outlined the advantages and disadvantages of each of them. The report recommended that refuelling services be included within a CPI-X price cap.

The report also considered a number of options for implementation of a CPI-X price cap for refuelling services. It did not make recommendations in relation to these, but concluded that there do not appear to be significant issues that would prevent effective implementation of the report's recommendation.

The Government is currently considering the report.

Appendix One: Outline of Quality of Service Indicators

The regulations to the Airports Act specify performance indicators to be used in quality of service monitoring. These cover a range of services and infrastructure for which the airport operator has some, or complete, influence over. An outline of the indicators and the source of data for each are given in the table below.

Table 5: *Quality of Service Indicators*

Service / Infrastructure	Type of indicator	Source of data
Runways and taxiways	<ul style="list-style-type: none"> Hours over which aircraft movements exceed 95 per cent of runway capacity; Percentage of aircraft delayed longer than five minutes; Difference between standard taxi-ing times and actual taxi-ing times; Satisfaction with the standard and availability of facilities. 	Airservices Australia; 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 Airport operator Survey of airlines Customer 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, Customer 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; Customer perception survey

Table 5: continued...

Service/Infrastructure	Type of indicator	Source of data
Baggage system	<ul style="list-style-type: none"> Capacity of system in terms of number of bags handled per hour; Satisfaction with the system in terms of capacity, and mishandled baggage; Customer satisfaction with the system in terms of waiting time, information display and circulation space. 	Airport operator Survey of airlines Customer perception survey
Flight information display and signs	<ul style="list-style-type: none"> Customer satisfaction with the system. 	Customer perception survey
Washrooms	<ul style="list-style-type: none"> Customer satisfaction with the standard of facilities. 	Customer perception survey
Car parking	<ul style="list-style-type: none"> Number of car parking spaces; Throughput of the car park; Customer satisfaction with standard of facilities and availability of spaces and time taken to get into car park. 	Airport operator; Airport operator; Customer perception survey
Kerbside access	<ul style="list-style-type: none"> Customer satisfaction with space and waiting time for taxis. 	Customer perception survey

Airport operators are also required to report each year on a range of static indicators. These are given below and will be used in future years in the assessment of changes in quality of service.

Table 6: *Static Indicators as provided by Airport Operator*

Indicator	At 30 June 1998
Number of aircraft parking bays at 30 June 1998	7
Number of aerobridges at 30 June 1998	5
Percentage of passengers (arriving and departing) using an aerobridge	Over 99%
Number of check-in desks	24
Number of inbound immigration desks	16
Number of baggage inspection desks	20
Number of outbound immigration desks	10
Number of security clearance systems	2
Number of seats in gate lounges	435
Capacity of baggage handling equipment (in bags per hour)	5,760
Number of spaces in Domestic Terminal car park	1,067
Number of spaces in International Terminal car park	927

Appendix Two: Summary of responses from survey of airlines

The Commission received surveys from five airlines, which used Perth Airport. The airlines were Air New Zealand, Singapore Airlines, British Airways, Ansett Airlines and Qantas. Ratings were given in regard to 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.

Overall, the airlines surveyed were favourable towards the availability and standard of facilities services provided at Perth Airport. A summary of the ratings provided by the airlines is given in the table below. This shows that ratings were generally “satisfactory” or above.

Airline Survey

Facility	Aspect	Very Poor	Poor	Satisfactory	Good	Excellent
Runways	Availability			1	2	1
	Standard			2	1	1
Aprons	Availability		1		2	1
	Standard			1	2	1
Taxiways	Availability		1	1	1	2
	Standard			2	1	2
Gates	Availability			2	2	1
	Standard			3	2	
Aerobridges	Availability		1	2	1	1
	Standard			3	2	
Ground service equipment storage sites	Availability			2	3	
	Standard			2	3	
Freight equipment storage sites	Availability			2	2	
	Standard		1	1	2	

Continued...

Facility	Aspect	Very Poor	Poor	Satisfactory	Good	Excellent
Check-in facilities	Availability		2	1		
	Standard		1	2		
Baggage processing facilities	Availability		1	3		
	Standard		1	3		
Addressing airline concerns				3	2	

Note: for some indicators, not all airlines recorded a response

Appendix Three: Summary of results from customer perception survey

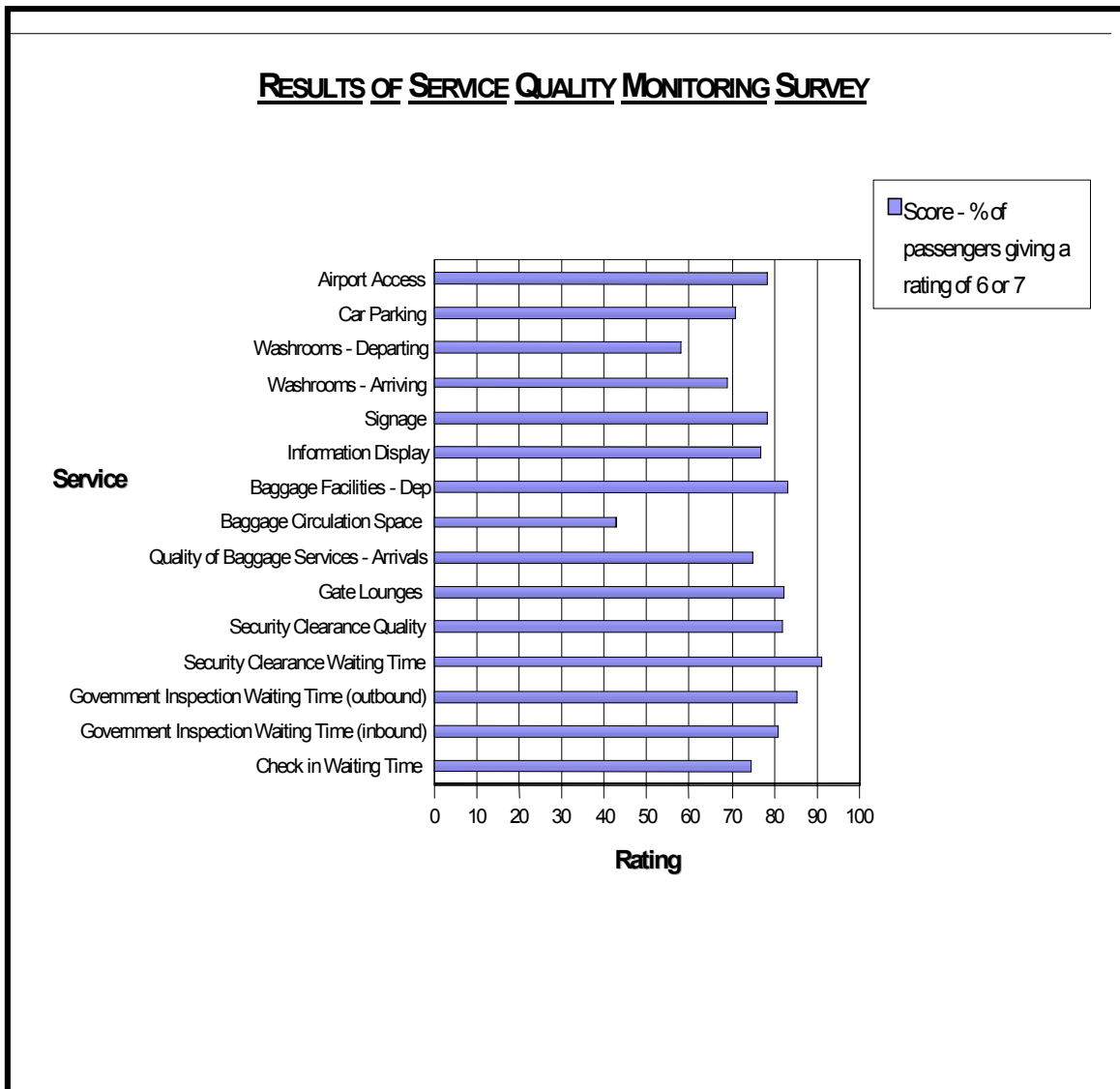
This appendix provides an overview of the results of the customer perception survey conducted by Westralia. The results of the survey generally indicated a high level of satisfaction from passengers with the airport facilities and services. This was notwithstanding works being conducted in the international terminal affecting the customs area, departures lounge and airside arrivals, which had the potential to impact negatively on customer perceptions.

Westralia conducted the survey over a ten-day period from 14 September to 24 September 1998.

The scale format consisted of a seven point rating with 1 being “very poor”, 7 being “excellent” and 4 being “fair”. The survey also consisted of a number of open-ended questions, which allowed for further comment where the respondent felt it necessary.

A summary of the results is provided graphically in the chart below. Each indicator covers the particular aspects suggested in relation to the facilities/service. Where an aberrant and relatively poor response was recorded in relation to a particular aspect of the service, this is identified and briefly discussed below.

For brevity each indicator covers several aspects of a particular service and a description of what is included in the rating is shown in the ‘service summary’ table below. Service ratings have only been combined where the results, in each service category, show a similar level of satisfaction. Where this is not the case, separate indicators are given.



** The rating score shown in the above graph is a percentage figure that reflects the percentage of customers giving the service/facility a rating of 6 (very good) or 7 (excellent).*

Service Summary

- Check in waiting time refers to the customer's satisfaction with the waiting time during check-in. Only departing passengers were surveyed.
- Government inspection waiting time (inbound) refers to the satisfaction with waiting time during the government inspection process at immigration for arriving passengers.
- Government inspection waiting time (outbound) refers to the level of satisfaction associated with the waiting time at customs for departing passengers.
- Security clearance waiting time – self explanatory
- Security clearance quality refers to the adequacy of security clearance in making a passenger feel safe for travelling.
- The gate lounge measure refers to an average figure which combines the survey results obtained for the following scale categories: the availability of seating; the amount of circulation; and the amount of seating space in the departure lounge. Departing passengers were surveyed.
- Quality of baggage services refers to the waiting time for baggage and customer satisfaction with baggage information display for arriving passengers.
- Baggage circulation space covers the baggage trolley availability and mobility. Only departing users of the service were surveyed.
- The baggage facilities section refers to the customer satisfaction with information displays, the adequacy of flight information systems and satisfaction with directional and general information signs. Only departing passengers were surveyed.
- Information display refers to the satisfaction with the directional and general information signs at the airport. Only departing passengers were surveyed.
- Signage refers to customer satisfaction with directional and general information signs. Only arriving passengers were surveyed.
- Washrooms' – refers to the customer satisfaction with the standard of facilities. Only those using the facility were included in the survey results.
- Car parking refers to the satisfaction of facilities and availability of car parking for departing passengers.
- Airport access refers to the satisfaction of customers with the amount of congestion in the front terminal when being dropped off and the satisfaction with the amount of kerbside space available. An average of the two ratings is provided.

The results show that most consumers were relatively satisfied with the services and facilities in question, with nearly all categories receiving 70 per cent or more of responses as “very good” or “excellent”.

Appendix Four: Westralia Airports Corporation Regulatory Accounts (Summary)

Profit and Loss Account for the Period Ended 30 June 1998

Description	Audited financial statements	Aero services	Non-Aero services
	\$'000	\$'000	\$'000
Revenue			
Aeronautical revenue	18,988	18,988	0
Non-Aeronautical revenue	41,915	0	41,915
Total Revenue	60,903	18,988	41,915
Expenditure			
Depreciation	7,584	5,229	2,355
Amortisation of Intangibles	7,666		
Services and utilities	6,728	1,730	4,998
Australian Protective Service costs	2,128	2,128	0
Other costs	14,202	9,326	4,875
Total Expenditure	38,308	18,412	12,230
Operating Profit	22,595	576	29,685
Abnormal items	(509)	(322)	(187)
Earnings Before Interest and Tax	22,086	254	29,498
Interest	(49,013)		
Loss Before Tax	(26,928)		
Tax charge	0		
Loss after Tax	(26,928)		
Dividends paid	0		
Accumulated Loss	(26,928)		

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

Balance Sheet for the Period Ended 30 June 1998

Description	Audited financial statements	Aero services	Non-Aero services
	\$'000	\$'000	\$'000
CURRENT ASSETS			
Cash	6,035		
Receivables	3,417	1,512	1,905
Inventories	58	0	58
Accrued revenue	493	271	222
Other	10,992	8,678	2,314
Total current assets	20,955		
NON-CURRENT ASSETS			
Property, plant & equipment	181,911	79,709	102,203
Intangibles	485,875		
Other	3,741	3,539	202
Total non-current assets	671,527		
TOTAL ASSETS	692,522		
CURRENT LIABILITIES			
Creditors	16,415		
Borrowings	7		
Provisions	1,838	1,325	513
Total current liabilities	18,260		
NON-CURRENT LIABILITIES			
Borrowings	556,528		
Provisions	97	70	27
TOTAL LIABILITIES	574,885		
NET ASSETS	117,637		
SHAREHOLDER'S EQUITY			
Share capital	144,565		
Accumulated losses	(26,928)		
TOTAL SHAREHOLDER'S EQUITY	117,637		
Accumulated profit/loss at the start of the year	0		
Movements:			
Profit/loss for the year	(26,928)		
Other (describe if applicable)	0		
Accumulated profit/loss at the end of the year	(26,928)		

Summary of Significant Accounting Policies

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

Westralia was incorporated in January 1997 and remained dormant until the acquisition of the Perth Airport lease on 2 July 1997. Accordingly, there is no comparative information for previous financial periods.

(a) Income Tax

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

(b) Foreign Currency Translation

(i) Transactions

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

(ii) Specific Commitments

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

(c) Receivables

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

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

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

(e) Acquisition of Assets

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

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

(f) Recoverable Amounts

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

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

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

(g) Land and Buildings and Infrastructure, Plant and Equipment*(i) Cost and Valuation*

The basis of valuation of operational land is at replacement cost on an existing use basis. Basis of valuation of investment property is using fair market value. The valuation was carried out at 2 July 1997 by Mr PJ Logan FAPI and Mr JK McNamara LFAP.

The Directors do not consider that there has been a significant movement in this valuation to balance date.

(ii) Depreciation and Amortisation

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

Depreciation and amortisation rates used are as follows:

Operational Land	1.01%
Investment Land	0.00%
Plant and Equipment	15.00%
Buildings	6.25%
Fixed Plant and Equipment	10-15%
Runway's, Taxiway's and Apron's	4.00%
Other Infrastructure	10-20%

(iii) Leasehold Improvements

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

(iv) Deferred Maintenance

Until February 1998, WAC continued the policy used by the Federal Airports Corporation of providing for deferred maintenance on runways, taxiways and aprons. The provision for maintenance had been reported as a reduction in the carrying amount of infrastructure, plant and equipment assets. The provision for maintenance was based on an estimate of total maintenance cost over the useful life of the assets concerned. Maintenance costs were charged to the provision for maintenance as they were incurred.

This approach is inconsistent with Australian GAAP and was changed in February 1998.

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

This change in accounting policy has resulted in an increase in capitalised value of assets and profit of \$587,449.

(v) Non-Current Assets under Construction

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

(vi) Revaluations of Non-Current Assets

Land, buildings and fixed plant and equipment are revalued at three yearly intervals. Potential capital gains tax is not taken into account in determining revaluation amounts unless there is an intention to sell the assets concerned.

(h) Intangible Assets and Expenditure Carried Forward

(i) Lease Franchise Fee

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

(ii) Capitalised Bid Costs

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

(iii) Capitalised Finance Costs

All fees and costs incurred in establishing the funding facilities for the acquisition of the Perth Airport lease have been capitalised and will be amortised on a straight line basis over 5 years.

(iv) Capitalised US Note Issue Finance Costs

All fees and costs incurred in refinancing the debt structure have been capitalised and will be amortised on a straight-line basis over 5 years.

(v) Capitalised Masterplan Costs

All fees and costs incurred in the development of the masterplan have been capitalised and will be amortised on a straight-line basis over 5 years.

(i) Trade and Other Creditors

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

(j) Borrowing Costs

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

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

(k) Derivative Financial Instruments

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

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

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

(l) Maintenance and Repairs

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

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

(m) Employee Entitlements

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

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

(n) Cash

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

Operational Statistics for the Period Ended 30 June 1998

Description	Number
PASSENGERS	
Domestic Passengers	3,210,006
International Passengers (excluding transit)	1,511,450
International Transit Passengers	105,653
Domestic On-Carriage	34,436
TOTAL PASSENGERS	4,861,545
AIRCRAFT MOVEMENTS	
Regular Public Transport Aircraft Movements	59,419
General Aviation Aircraft Movements	28,386
TOTAL AIRCRAFT MOVEMENTS	87,805
TOTAL TONNES LANDED	2,495,184
AVERAGE STAFF EQUIVALENTS	
- Aeronautical Services	74
- Non-Aeronautical Services	29
TOTAL AVERAGE STAFF EQUIVALENTS	103
AREA (HECTARES)	
- Aeronautical Services	1,280
- Non-Aeronautical Services	825
TOTAL AREA (HECTARES)	2,105