



# **REGULATORY REPORT**

## **BRISBANE AIRPORT**

**2000/01**

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

## Price Cap Compliance

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

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

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

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

## Operating & Financial Performance

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

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

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

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

### **Quality of service**

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

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

## **Introduction**

The Australian Competition and Consumer Commission (the Commission) has primary responsibility for implementing and administering the economic regulatory measures applying to 'core regulated' airports. 'Core regulated' airports include the Phase I airports sold in May 1996, the Phase II airports sold in May/June 1997, and Sydney (Kingsford Smith) Airport.

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

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

### **The report**

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

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

### **Brisbane Airport**

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

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





# 1 Quality of service monitoring

This section details quality of service at Brisbane Airport. It begins by providing an overview of the Commission's role in quality of service monitoring. Following this is a summary of the 2000/01 quality of service results for Brisbane Airport and a review of results over the period of monitoring since 1997/98.

## 1.1 The Commission's role and approach to quality of service monitoring

### Regulations

The Commission is required to conduct quality of service monitoring pursuant to Part 8 of the Airports Act.<sup>1</sup> Airport operators must provide the Commission with information on a range of indicators listed in the regulations to the Airports Act (the regulations).<sup>2</sup> These indicators cover various aspects of an airport's quality of service performance and are detailed in Appendix 1.

Generally, quality of service monitoring is aimed towards:

- providing transparency about airport performance;
- discouraging airport operators from providing unsatisfactory standards for services which are associated with significant market power; and
- assisting in the assessment an airport operator's conduct as part of the review of prices oversight arrangements.

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

### The Commission's approach

In reporting on the quality of service indicators, the Commission focused on the standard and availability of facilities and services provided by, or which could be influenced by, the airport operator. These facilities and services include airside facilities such as runways, taxiways and aprons; terminal facilities, such as international departure lounges and baggage claim; car parking; and taxi and bus pick up and drop off points. Domestic terminals owned and/or operated by airlines were not included as part of the quality monitoring report.

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

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

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

<sup>2</sup> See Schedule 2, *Airports Regulations 1997 (Cth)*.

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

### *Passenger perception surveys*

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

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

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

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

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

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

### *Airline surveys*

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

As part of the survey, airlines were requested to rate the availability and standard of particular facilities and services on a five-point scale ranging from 'very poor' to 'excellent'. Under the availability category, the Commission sought information from airlines regarding the availability of infrastructure and equipment and the occurrence of delays in gaining access to it. Under the standard category, the Commission sought information on the ability of equipment to perform the function intended, the reliability of the equipment and the possibility of it breaking down. Appendix 3 provides details of results obtained from the airline survey.

### ***Airport operators***

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

### ***Australian Customs Service (ACS) and Airservices Australia***

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

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

### ***Issues***

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

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

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

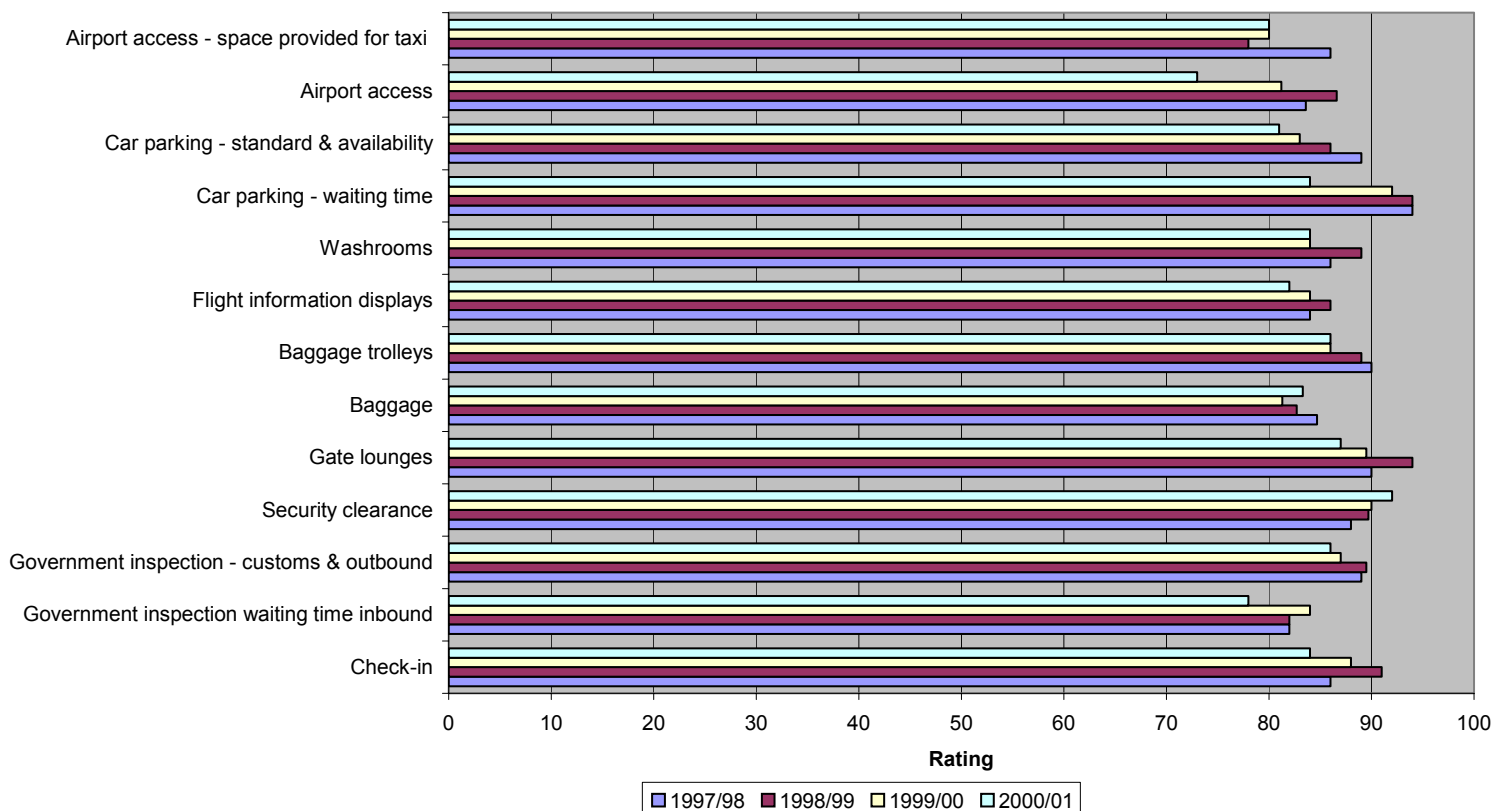
Overall, results for 2000/01 suggest that airport users and passengers were quite satisfied with of the availability and standard of facilities and services provided at Brisbane Airport and that in some areas service has improved compared to the previous year.

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

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

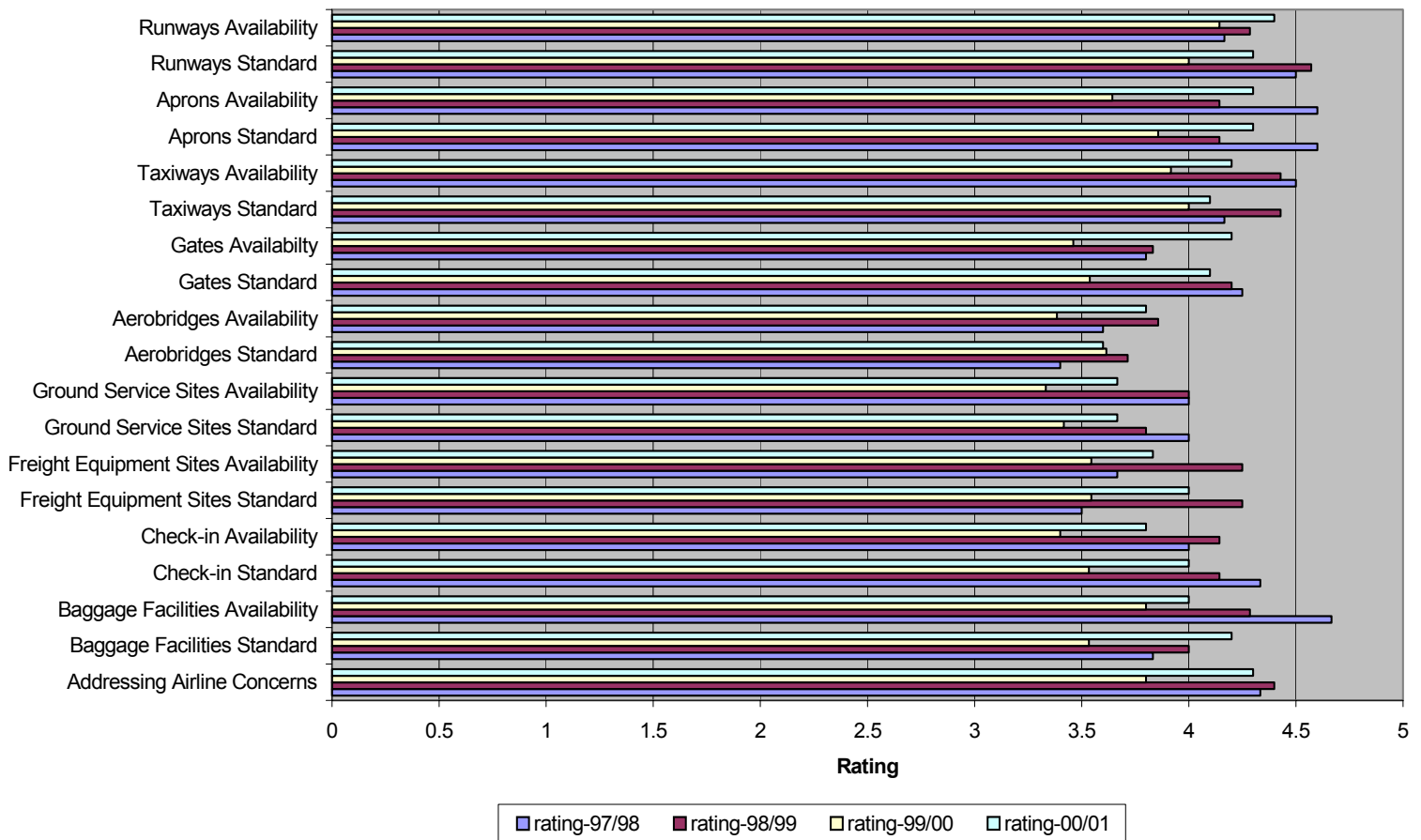
The passenger perception survey results show that although some ratings declined in 2000/01, consistently high ratings have been achieved over the four years of monitoring. These ratings indicate that passengers have been generally quite satisfied. Chart 1 compares the results over the four years of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

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



The airline survey results indicate that airlines have generally considered the availability and standard of facilities at the airport as 'good'. A summary of results is presented in Chart 2. More details of the 2000/01 airline survey are given in Appendix 3.

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



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

The quality of runways, aprons and taxiways at Brisbane Airport was assessed using the results obtained from airline surveys. For the 2000/01 year there were 178,360 aircraft movements at the airport compared to 160,764 for the previous year, an increase of 11%.

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

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

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

Airlines rated the availability of aprons as 'good' to 'excellent'. The only comments received were that there can be delays in peak periods of up to five minutes. BACL has commented that the delays arise from there being only eight aerobridges and airlines preferring to wait rather than use a stand-off bay. It is planned to have 10 aerobridges in March 2002.

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

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

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

#### *1997/98-2000/01*

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

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

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

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

#### ***Gates***

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

*2000/01*

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

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

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

*1997/98-2000/01*

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

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

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

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

*2000/01*

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

*1997/98-2000/01*

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

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

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

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

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

*2000/01*

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

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

*1997/98-2000/01*

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

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

### ***Aerobridges***

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

*2000/01*

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

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

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

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



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*1997/98-2000/01*

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

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

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

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

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

*2000/01*

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

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

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

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

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

*1997/98-2000/01*

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

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

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

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

### ***Government inspection***

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

*2000/01*

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

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

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

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

*1997/98-2000/01*

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

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

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

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

### ***Security***

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

#### *2000/01*

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

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

#### *1997/98-2000/01*

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

### ***Gate lounges***

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

#### *2000/01*

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

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

*1997/98-2000/01*

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

### ***Baggage processing facilities and trolleys***

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

*2000/01*

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

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

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

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

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

*1997/98-2000/01*

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

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

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

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

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

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

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

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

*2000/01*

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

*1997/98-2000/01*

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

### ***Washrooms***

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

*2000/01*

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

*1997/98-2000/01*

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

### ***Car parking and kerbside access***

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

*2000/01*

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

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

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

*1997/98-2000/01*

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

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

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

### ***Consultation with airlines***

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

*2000/01*

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

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

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

*1997/98-2000/01*

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

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

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





## **2 Regulatory accounts reporting**

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

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

Under Part 7 of the Airports Act, operators of the Phase I airports are required to provide the Commission with annual financial accounts within 90 days after 30 June of that year.<sup>3</sup> The accounts include a Profit and Loss Statement and Balance Sheet, and a Statement of Cash Flows. In addition, other supporting information, such as statements on accounting policies and cost disaggregations between aeronautical and non-aeronautical costs are required.

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

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

### **2.2 Brisbane Airport Corporation Limited, regulatory accounts 2000/01**

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

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

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

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<sup>3</sup> Phase I airports refer to Melbourne, Brisbane and Perth Airports.

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

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

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

### 3 Price cap compliance

This section details Brisbane Airport's price cap compliance for the 2000/01 financial year.

#### 3.1 The Commission's role

Certain aeronautical services at leased airports are declared under section 21 of the PS Act for price surveillance. Declaration No. 87 made by the Minister for Financial Services and Regulation, pursuant to the PS Act, declares the services at Phase I airports.<sup>4</sup> The declaration covers aircraft movement areas (eg. runways, aircraft parking areas) and passenger processing areas (eg. aerobridges, departure lounges).<sup>5</sup>

Declaring services requires the airport operator to notify the Commission of a proposal to increase charges on the services covered by the declaration. It should be noted that the legislative framework does not give the Commission the discretion to object to proposed price increases that fall within the parameters set by the price cap.

At all privatised 'core regulated' airports, declared services are subject to 'CPI minus X' price caps. The 'X' factors are based on expected productivity improvements.<sup>6</sup> Direction No. 24 sets out details of the price cap formula, the 'X' values and other issues relevant to the Commission's administration of the cap.<sup>7</sup>

#### 3.2 Price cap compliance 2000/01

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

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

In order to calculate compliance the effects of adjustments to prices on 1 July 2000 to take account of The New Tax System (TNTS) were excluded. This involved taking revenue on an exclusive of the Goods and Services Tax (GST) basis and also the deduction of savings that were assumed to arise from TNTS.

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<sup>4</sup> Minister for Financial Services and Regulation, Declaration No. 87, June 2000.

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

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

<sup>7</sup> Minister for Financial Services and Regulation, Direction No. 24, October 2001.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The price cap regime allows airport operators to ‘pass-through’ to users 100 per cent of the costs related to Government mandated airport security requirements, without those increases affecting compliance with the price cap. Under Direction 20 pursuant to Section 20 of the PS Act, the Commission is directed to allow the airport operator to charge sufficient to recover the direct costs for providing mandated security requirements. Any over recovery, or under recovery, of the costs incurred in providing these security functions in a particular year is factored into future charges.

The requirements cover Australian Protective Services, Checked Baggage Screening and Passenger Screening. The sections below show the costs and revenues over the year in the provision of these requirements.

#### ***Australian Protective Services***

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

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

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

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

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

#### ***Checked Baggage Screening***

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

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

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

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

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

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

### ***Passenger Screening***

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

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

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

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

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





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

This section covers the Commission's role in the monitoring of aeronautically related services outside the price cap arrangements. This section begins with an outline of the Commission's approach to monitoring and is followed by a report on the activities of Brisbane Airport for the 2000/01 financial year.

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

### **4.1 The Commission's monitoring role**

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

Aeronautically related services include aircraft refuelling, aircraft maintenance sites and buildings, freight facilities, and car parking. A full list of aeronautically related services is given in Direction No. 25. For a more complete outline of the Commission's monitoring role, see the Commission publication titled *Aviation*, May 2000.

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

In exercising its role, the Commission may investigate particular pricing issues where users have raised concerns and it appears that the airport operator may have taken advantage of its market power. To date this has included the proposed imposition of fuel throughput levies at Brisbane and Perth Airports.

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

BAC provided data to the Commission for the year ending 30 June 2001. The data is summarised in Tables 8, 9 and 10 below, and includes revenues and costs for services related to:

- aircraft refuelling;
- aircraft maintenance sites and buildings;
- freight equipment storage sites;
- freight facility sites and buildings;
- ground support equipment sites;

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<sup>8</sup> Minister for Financial Services and Regulation, Direction No. 25, October 2001.

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

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

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

Notes:

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

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

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

While revenues tended to exceed costs, it is important to note that the costs did not include amortisation of intangible assets or interest. These were significant, amounting to \$80.7 million in 2000/01 (\$92.8 million in 1999/00), or approximately 55 per cent of total expenses. The Commission asked that these items be excluded for the purposes of the monitoring reports because (a) their allocation to services would have involved a degree of subjectivity, and (b) there would be risk of circularity if an allocation of the cost of the lease premium were included. However, the Commission acknowledges that an allocation that recognises a cost of capital would be appropriate in any detailed analysis.

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

<sup>9</sup> Car parking rates are provided in Table 10, on page 30

**Table 10: Car Parking Rates, at 30 June 2001**

Short term – domestic

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

Short term – international

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

Long term domestic

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

## Appendix 1: Outline of quality of service indicators

The regulations to the Airports Act specify performance indicators to be used in quality of service monitoring. These cover a range of services and infrastructure for which the airport operator has some, or complete influence over. An outline of the indicators and the source of data for each is given in Table 11 below.

**Table 11: Quality of service indicators**

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

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

## Appendix 2: Passenger perception survey indicators

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

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

**Table 12: Indicator Summary**

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

## Appendix 3: Airline survey results

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

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

**Table 13: Responses from airline survey**

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



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

**Table 14: Static Indicators**

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

## Appendix 5: Brisbane Airport regulatory accounts (summary)

### Profit and Loss account for the period ended 30 June 2001<sup>10</sup>

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

<sup>10</sup> The Commission does not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.

### Profit and Loss account for the period ended 30 June 2000<sup>11</sup>

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

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

<sup>11</sup> The Commission does not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.

**Balance sheet as at 30 June 2001**

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

**Balance sheet as at 30 June 2000**

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

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

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

## **Brisbane Airport Corporation regulatory accounts**

### *Significant accounting policies*

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

#### **(A) Basis of preparation**

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

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

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

#### **(B) Revenue Recognition**

Revenue is recognised on an accruals basis.

##### *Aeronautical revenue*

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

##### *Government mandated security revenue*

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

##### *Retail revenue*

Retail revenue comprises concessionaire rent and other charges received.

##### *Landside transport revenue*

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

##### *Property revenue*

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

##### *Other revenue*

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

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

##### *Interest received-other parties*

Interest revenue is recognised as it accrues.

**(C) Taxation**

*Income tax*

The Company adopts the liability method of tax effect accounting.

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

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

**(D) Receivables**

*Trade debtors*

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

**(E) Inventories**

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

**(F) Borrowing costs**

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

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

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

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

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

**(H) Acquisition of right to operate Brisbane Airport**

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

*Lease premium*

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



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

#### *Leasehold land*

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

### **(I) Property, plant and equipment**

#### *Acquisition*

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

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

#### *Depreciation*

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

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

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

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

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

#### *Valuations*

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

### **(J) Payables**

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

### **(K) Interest Bearing liabilities**

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

*Leased assets*

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

*Finance leases*

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

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

**(L) Derivatives**

*Interest Rate Swaps*

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

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

**(M) Employee entitlements**

*Annual leave*

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

*Long service leave*

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

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

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

*Superannuation fund*

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

**(N) Goods and Services Tax**

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

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

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

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

**(O) Unearned revenue**

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

**(P) Change in accounting policy**

*Revaluation of non-current assets*

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

*Leasehold land, runways, taxiways and aprons and buildings*

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

*Other non-current assets*

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



## Appendix 6: Operational statistics

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

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

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



# **REGULATORY REPORT**

## **MELBOURNE AIRPORT 2000/01**

**January 2002**

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

## Price Cap Compliance

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

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

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

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

## Operating & Financial Performance

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



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

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

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

### **Quality of service**

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

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

## **Introduction**

The Australian Competition and Consumer Commission (the Commission) has primary responsibility for implementing and administering the economic regulatory measures applying to 'core regulated' airports. 'Core regulated' airports include the Phase I airports sold in May 1996, the Phase II airports sold in May/June 1997, and Sydney Kingsford Smith Airport.

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

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

### **The report**

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

### **Melbourne Airport**

Melbourne Airport is owned and operated by Australia Pacific Airports (Melbourne) Pty Ltd (APAM), who took over its operation from the Federal Airports Corporation (FAC) in July 1997. APAM is a wholly owned subsidiary of Australia Pacific Airports Corporation (APAC). AMP, Deutsche Asset Management, BAA plc and Hastings Funds Management are shareholders of APAC. APAC paid \$1.3 billion for a 50-year lease of the airport, with an option for a further 49-year lease at the end of this period.

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

# 1 Quality of service monitoring

This section details quality of service monitoring at Melbourne Airport. It begins by providing an overview of the Commission's role in quality of service monitoring. Following this is a summary of the 2000/01 quality of service results for Melbourne Airport and a review of results over the period of monitoring since 1997/98.

## 1.1 The Commission's role and approach to quality of service monitoring

### Regulations

The Commission is required to conduct quality of service monitoring pursuant to Part 8 of the Airports Act.<sup>1</sup> Under the regulations to the Airports Act, airport operators are required to provide the Commission with information on a range of indicators. These indicators cover various aspects of an airport's service quality performance and are detailed in Appendix 1.

Generally, quality of service monitoring is aimed towards:

- providing transparency about airport performance;
- discouraging airport operators from providing unsatisfactory standards for services which are associated with significant market power; and
- assisting in the assessment of an airport operator's conduct as part of the review of prices oversight arrangements.

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

### The Commission's approach

In reporting on the quality of service indicators, the Commission focused on the standard and availability of facilities and services provided by, or which could be influenced by the airport operator. These facilities and services include airside facilities such as runways, taxiways and aprons; terminal facilities, such as international departure lounges and baggage claim; car parking; and taxi and bus pick up and drop off points. Domestic terminals owned and/or operated by airlines were not included as part of the quality monitoring report.

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

- passengers of the airport, through passenger perception surveys conducted by the airport operator;
- airlines, through surveys of airlines conducted by the Commission;
- airport operators, as required under the regulations; and

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<sup>1</sup> For a detailed description see *Quality of Service Monitoring Post Leasing*, ACCC February 1997

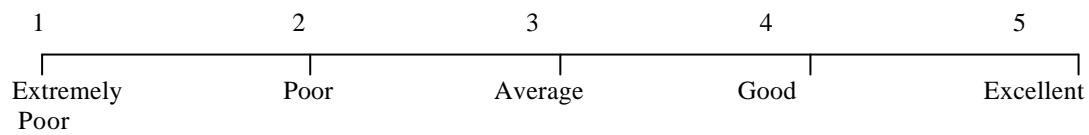
- Australian Customs Service (ACS) and Airservices Australia.

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

The same passenger perception survey has been used to conduct this year's quality monitoring as was used for the previous three years.

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 pick-up and drop-off of passengers.

Respondents were asked to rate their level of satisfaction with facilities at Melbourne Airport on a scale from one to five:



An overview of the results is given in section 1.2 below. Appendix 2 provides an explanation of the indicators covered in the survey.

### ***Airline surveys***

In order to gain information on the quality of airside facilities and terminal facilities, the Commission conducted a survey of the airlines that used Melbourne Airport over the 2000/01 period. Fourteen surveys were received from the following airlines: Air Nauru, Air New Zealand, Air Pacific, Ansett Australia, Cathay Pacific, Gulf Air, Lauda Air, Malaysia Airlines, Qantas, Singapore Airlines, United Airlines, Emirates, Air Mauritius and Air New Zealand.

As part of the survey, airlines were requested to rate the availability and standard of particular facilities and services on a five-point scale ranging from 'very poor' to 'excellent'. Under the availability category, the 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. A summary of results from the airline survey is presented in Appendix 3.

### ***Airport operators***

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

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

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

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

### *Issues*

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

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

## **1.2 Quality of service results 2000/01 and Review 1997/98-2000/01**

The assessment of overall quality of service at Melbourne 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 APAM.

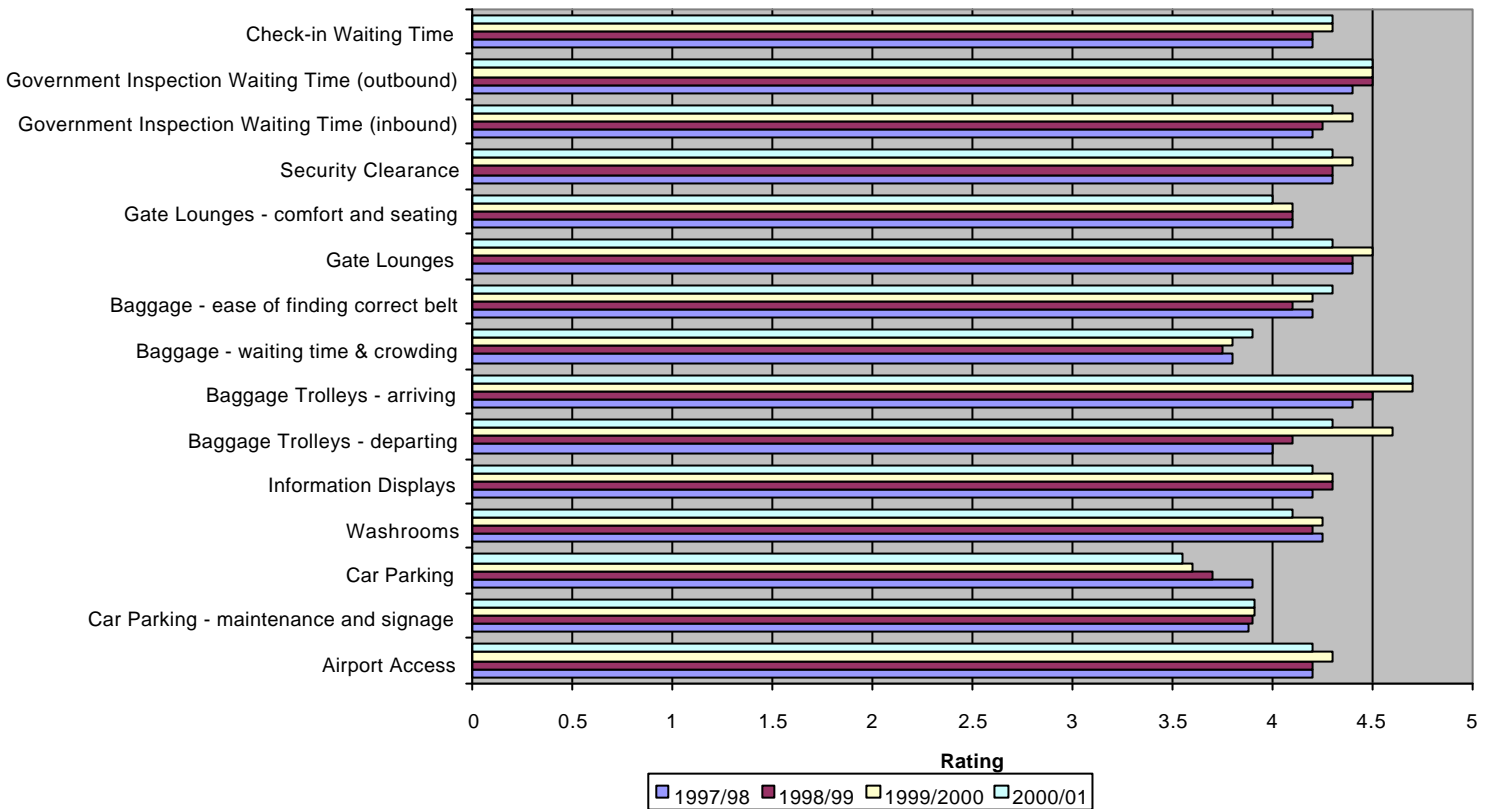
Overall, the results for 2000/01 indicate that airport users and passengers were satisfied with the availability and standard of the facilities and services provided at Melbourne Airport.

Over the four years of monitoring from 1997/98 the quality of service has generally been maintained although there was a decline in the 1999/2000 year.

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

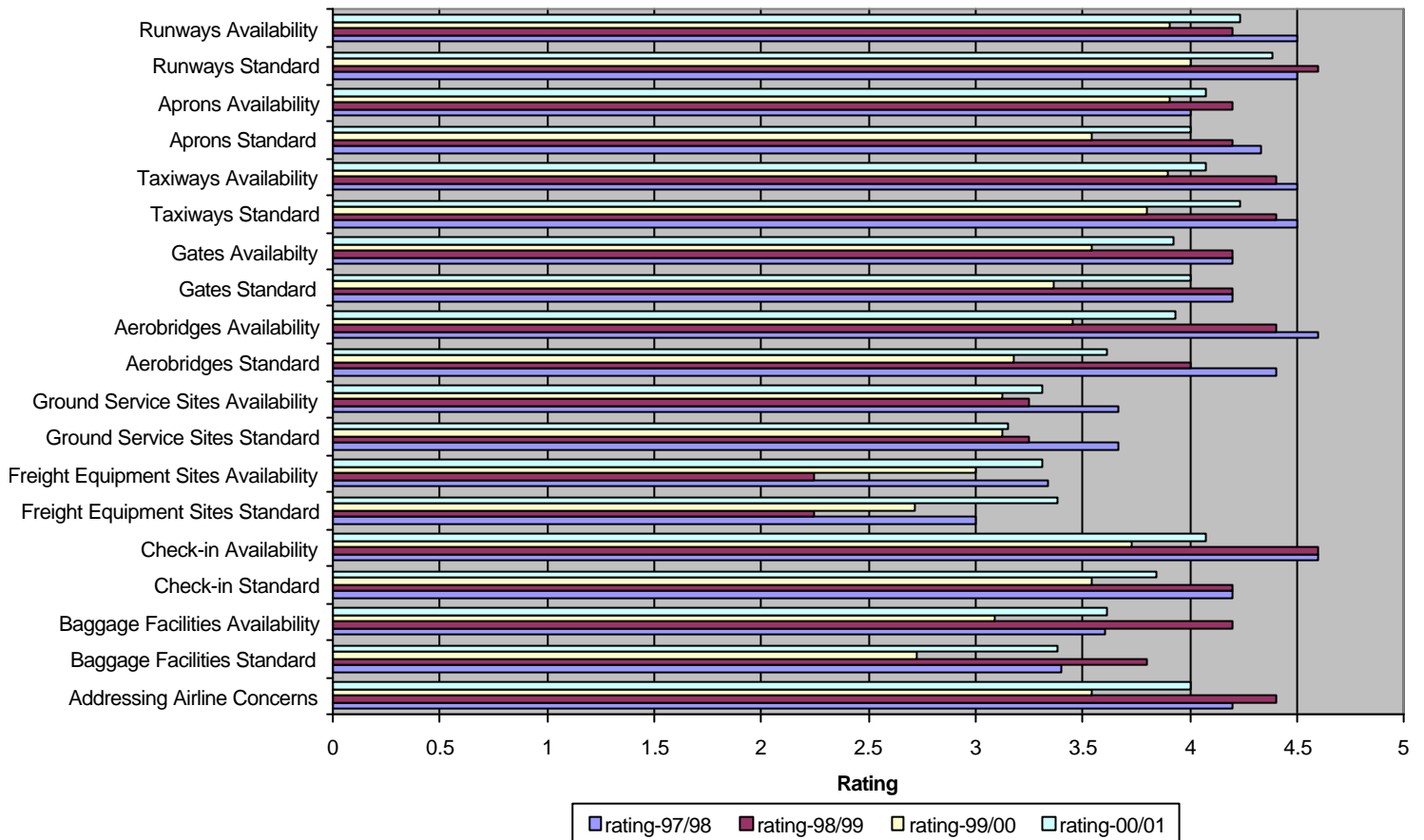
The results of the Passenger Perception Surveys show that for the latest year most facilities and services were rated 4 or above out of 5 which indicate a good level of passenger satisfaction. Similar results have been obtained over the period of monitoring. A summary of results is presented in Chart 1 below and an explanation of the indicators used is given in Appendix 2.

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



The airline survey results indicate that airlines were more satisfied with the availability and standard of facilities and services in 2000/01 than in the previous year when ratings generally declined from the two preceding years. The latest results are more consistent with those obtained in the first two years of monitoring. A summary of results is presented in Chart 2. More details of the 2000/01 survey are given in Appendix 3.

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



**Runways, aprons and taxiways**

The quality of runways, aprons and taxiways at Melbourne Airport was assessed using the results obtained from airline surveys.

*2000/01*

The availability of runways was rated as ‘satisfactory’ to ‘excellent’ and overall were similar to the previous year despite an increase in reported aircraft movements of 13%. There were no comments received regarding runway availability whereas in the previous year a comment concerned increased holding patterns.

The standard of runways was rated from ‘satisfactory’ to ‘excellent’. A comment was that runways are maintained to a high standard and when works are required every consideration is given to users. One airline commented that runway 27 is not suitable for international departures although Melbourne Airport noted that the cost of lengthening the runway would be very high and probably not supported by airlines.

The availability of aprons was rated by airlines ‘satisfactory’ to ‘excellent’. No comments were received regarding the availability of aprons. Melbourne Airport had 14 international apron positions for aircraft parking at 30 June 2001.

The standard of aprons was generally rated as 'good' with some ratings of 'satisfactory' and 'good'. One airline commented that aprons are maintained to a high standard.

Airlines rated taxiways 'satisfactory' to 'good' for both availability and standard. One airline commented that taxiways are maintained to a high standard and another that resurfacing is done when required and that the airport operator informs users well in advance of these works.

#### *1997/98-2000/01*

Over the period of monitoring since 1997/98 the standard and availability of runways has generally been rated as 'good'. The number of aircraft movements was 22% higher in 2000/01 compared to 1997/98. The only negative comments were received in 1999/2000 relating to an increased requirement for aircraft to go into holding patterns due to new entrants (more aircraft) and runways being too short in bad weather.

Aprons have been consistently rated as 'good' and comments were received in the first two years that there was regular and high standard maintenance. A comment was made in 1999/2000 however, that there were problems during the night in getting sweepers to remove foreign objects, although this comment was not made again for 2000/01.

Taxiways have also been consistently rated as 'good' with airlines commenting on maintenance being regular. In 1999/2000 a comment was made that with the guidance system used at the airport it was difficult to line up aircraft. APAM has installed new technology in two bays and plans to complete improvements by 2004/05.

Overall, the Commission considers that the availability and standard of runways, aprons and taxiways has been maintained over the period of monitoring since 1997/98.

#### ***Gates***

The quality of gates at Melbourne Airport was assessed using information provided by APAM and from the airline surveys.

#### *2000/01*

The availability of gates at Melbourne Airport was generally rated from 'good' to 'excellent' and compared to the previous year there were fewer low ratings. One comment pertaining to availability was that sometimes aircraft need to be towed to a more remote location to accommodate other aircraft arrivals. Melbourne Airport commented that this is a normal part of airport operations and that it would be uneconomic to always have gates available regardless of the time an aircraft may be parked.

Melbourne Airport had 14 international gates at 30 June 2001, one less than at the end of the previous year. During the previous year an international gate was used for domestic operations and at this gate it was possible to park two smaller domestic aircraft. With the opening of the new domestic terminal, this gate was returned to international operations catering for one aircraft.



The standard of gates was also generally rated as 'good' to 'excellent'. A comment however, was that there is a limited number of gates/aerobridges for B737 aircraft and that some gates used for B737 aircraft pose a higher than normal risk of damage to aircraft during docking/undocking procedure.

*1997/98-2000/01*

The availability and standard of gates has been generally rated as 'good', although in 1999/2000 ratings varied from 'poor' to 'excellent'. There was criticism of the method of allocation of gates in 1999/2000, even though APAM noted that no changes had been made from previous practice.

The standard of gates has been similarly rated, although in 1999/2000 ratings were over the 'satisfactory' to 'good' range.

Overall, the Commission considers that the availability and standard of gates has been maintained over the monitoring period since 1997/98.

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

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

*2000/01*

Ground service equipment storage sites were rated from 'poor' to 'good' in terms of availability and standard. Comments received from airlines indicate that it is generally considered that equipment is in poor condition and is poorly maintained and that there are insufficient sites. Similar comments were made for the previous year. Melbourne Airport comments that the quality and maintenance of this equipment is the responsibility of the ground handling contractors. One airline however considered that the facilities are sufficient.

*1997/98-2000/01*

Ground service equipment storage sites have been generally rated from 'satisfactory' to 'good'. Each year airlines have generally commented that there is a lack of space, although APAM is not aware of specific concerns and states it would be prepared to consider any proposals from airlines.

Overall, the Commission considers that the availability and standard of these facilities has been maintained but, while concerns have been raised, APAM has not made improvements.

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

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

*2000/01*

Freight equipment storage sites were rated from 'poor' to 'good' in terms of availability and standard. This was similar to the ratings for the previous year.

Comments from airlines were that the space provided is inadequate, a comment which was made in the previous year. Comments were also made, however, that for at least

some airlines, facilities are modern and that works were occurring to make improvements.

*1997/98-2000/01*

Freight Equipment storage sites have received ratings between 'poor' and 'excellent' although in the past three years they have generally been rated 'poor' to 'satisfactory'. A comment received each year has been that there is insufficient space, although in the latest year some airlines have noted that some facilities are modern and improvement works are occurring.

Overall, the Commission considers that, while the facilities have not been highly rated, some improvement has occurred over the latest year.

***Aerobridges***

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

*2000/01*

The availability of aerobridges was rated by airlines as 'good' and overall this was an improvement on the previous year despite an increase in the number of international passengers, including transit passengers, of 14%. One airline commented that there were no problems with availability.

Melbourne Airport had ten aerobridges for international aircraft at 30 June 2001, the same as at the end of the previous year. For the 2000/01 year, around 94% of passengers used an aerobridge for embarkation or disembarkation, compared to over 99% in 1999/00. The decrease in the percentage of passengers using an aerobridge is due to the temporary use of the international terminal by Impulse and Virgin Blue for domestic passengers from July 2000 to December 2000.

The standard of aerobridges was generally rated by airlines as 'satisfactory' to 'good'. Comments included that aerobridges are not suitable for transiting aircraft, that rubbish is left in aerobridges and cleaning could be improved and that dual aerobridges should be considered in future expansion. Melbourne Airport has commented that it is airline staff that leave rubbish in the aerobridges.

*1997/98-2000/01*

Melbourne Airport has had ten aerobridges over the period of monitoring. The number of international passengers, including transit passengers, was 32% higher in 2000/01 compared to the first year of monitoring.

The facilities were generally rated as 'good' to 'excellent' over the first two years of monitoring and no comments were received from airlines. Airline ratings did decline in 1999/2000 and comments were made that there were a limited number of aerobridges suitable for B737 aircraft and that problems were experienced with air conditioning, PA announcements and cleanliness. In the latest year the ratings improved.

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

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

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

*2000/01*

Airlines rated the availability of desks from 'satisfactory' to 'excellent' and generally as 'good'. The ratings appeared slightly higher than for the previous year.

Melbourne Airport had 72 check in desks-in the international terminal at 30 June 2001, the same as at the end of the previous year. Over the year, there was an increase in the number of international passengers of 12.5%.

As an indication of availability, Melbourne Airport reported that over 80% of desks were open for only 0.2% of hours when check-in desks were operational. Passengers surveyed rated the waiting time at check-in as 'good', the same as in the previous year despite the increase in passenger numbers.

Airlines rated the standard of check-in desks from 'satisfactory' to 'excellent' but generally as 'good'. Overall, the ratings were similar to the previous year.

A range of comments were made by airlines. These included that check-in desks are worn out although maintenance and repairs are conducted in a timely manner, that there is limited storage space, and that improvements could be made to the luggage sorting system which separates and directs luggage to the proper handling areas.

### ***Domestic Express Terminal***

The new Domestic Express Terminal had 12 check-in desks at 30 June. Passengers surveyed generally rated the waiting time at these facilities as 'excellent'.

*1997/98-2000/01*

The number of check-in desks was maintained at 72 over the four years of monitoring while the number of international passengers has increased by 31%.

Check-in facilities were generally rated as 'good' to 'excellent' for both availability and standard for the first two years of monitoring and no adverse comments were received from airlines. There was a wider variation in ratings for 1999/2000 with some 'poor' ratings. Comments were received regarding lack of regular maintenance, which appears to have improved over the latest year.

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

### ***Government inspection***

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

*2000/01*

Passengers surveyed again rated the waiting time at Government inspection both inbound and outbound as 'good'.

ACS rated the adequacy of areas provided for circulation and queuing at immigration (arrivals) as 'good', although it did comment that at peak times there was congestion. ACS also again rated the standard of signage, lighting, desks and passenger facilities for immigration (arrivals) at Melbourne Airport as 'good', although it commented that signage for transit passengers could be improved.

Melbourne Airport had 26 inbound immigration desks and 18 outbound immigration desks at 30 June 2001, the same as at the end of the previous year.

The quality of immigration facilities for departing passengers was rated as 'good', whereas in the previous year this was rated as 'poor'. ACS commented that a new supervisor's room, search room and passenger waiting area has been completed. A new security barrier has also been built.

#### *1997/98-2000/01*

After an increase in the number of inbound immigration desks in 1998/99, the number of desks has been maintained over the past three years. Passenger surveys over the monitoring period have consistently rated the waiting time at Government inspection for departing and arriving as 'good' to 'excellent'.

ACS has provided ratings since 1998/99, the second year of monitoring. It has rated as 'good' the areas for queuing and circulation and signage for arriving passengers although, it has commented in each year that the position of 'inwards' duty free shops adversely affected queuing.

For departing passengers ACS considers that the location of the passenger screening point could be better placed closer to the doors to the hall.

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

#### ***Security***

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

#### *2000/01*

The international terminal at Melbourne Airport has two x-ray machines and three walk through arches.

Passengers rated the quality of passenger screening as 'good'.

For the Domestic Express Terminal passengers rated the quality of screening as 'excellent'.

#### *1997/98-2000/01*

The number of security clearance systems was increased from three to six in 1998/99 and has remained at this number. Passengers have consistently rated the quality of passenger screening as 'good' in each year of monitoring.

### ***Gate lounges***

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

*2000/01*

Passengers rated as 'good' the ease of finding a seat and crowding in the lounges. These indicators were slightly higher and slightly lower respectively than the ratings given for the previous year despite a decrease in the number of seats and increase in the number of international passengers. One airline did comment, however, that there were in its view too many retail outlets surrounding many gates.

At 30 June 2001, there were 1,984 seats provided in the gate lounges at the international terminal at Melbourne Airport, 188 less than at the end of the previous year. This further reduction in seats after a reduction over the previous year was due to the introduction of new retail outlets. Over the same period, international passenger numbers increased by 12.5%.

The comfort of gate lounges and of seating was again rated as 'good'.

For the new Domestic Express Terminal, passengers surveyed rated as 'excellent' the ease of finding a seat and the correct gate and as 'good' crowding in the gate area and the comfort of lounges and seating.

*1997/98-2000/01*

Over the period of monitoring, passengers have rated all aspects of gate lounges surveyed as 'good' to 'excellent' despite a decrease in the number of seats available in each year since 1998/99. The Commission considers however, that the availability and standard of facilities has been maintained.

### ***Baggage processing facilities and trolleys***

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

*2000/01*

#### ***International Terminal***

Airlines rated the availability of the baggage handling system at Melbourne Airport as 'satisfactory' to 'good'. No comments were received regarding the availability of the baggage processing facilities.

At 30 June 2001, Melbourne Airport had a baggage system with a capacity of 3,060 bags per hour for outbound baggage and 2,720 bags per hour for inbound baggage. This was the same as at the end of the previous year. In terms of bags handled, there was an increase reported of 17% over the previous year.

For the standard of the baggage handling system, airlines generally gave ratings from 'satisfactory' to 'good'. Overall, the ratings were higher than for the previous year despite the increase in baggage handled.

Airlines commented however, that there have been disruptions to the power supply which interrupt the system leading to luggage being left behind. They also commented that the system is old and is only just coping with the requirements imposed by baggage screening.

Passengers rated ease of finding the correct reclaim belt, waiting time at baggage reclaim and crowding in the reclaim area as 'good', which was similar or slightly higher than in the previous year.

The ease of finding trolleys was rated as 'good' for departing passengers, slightly lower than the previous year, but remained as 'excellent' for arriving passengers.

ACS rated the adequacy of space, signage, position, access, security, and passenger inspection facilities at Melbourne Airport as 'good' for both availability and standard. It did comment, however, that the location of the examination hall leads to congestion and that space is a concern. Privacy for passengers being examined was considered good.

#### *Domestic Express Terminal*

Passengers rated the ease of finding the correct reclaim belt and waiting time as 'excellent' and 'good' respectively but crowding in the reclaim area was rated as 'satisfactory'. Ease of finding a trolley was rated as 'excellent' for both departing and arriving passengers.

#### *1997/98-2000/01*

The capacity of the baggage system has been maintained at 2,720 inbound and 3,060 outbound bags per hour over the period of monitoring.

Over the first two years of monitoring airlines generally rated the system as 'satisfactory' to 'good', although limitations with the software were noted. In 1999/2000 however, some ratings were 'very poor' and 'poor'. Comments were made that there was a problem with scanners malfunctioning and that the system needed upgrading. APAM did install new scanners in December 2000 which it anticipated would improve the 'read rate'.

The ACS has commented each year that the location of the examination area and duty free shop adds to congestion.

Passenger surveys covered waiting time for baggage reclaim, crowding in reclaim areas and ease of finding correct belts. Ratings were 'good' to 'excellent' initially but had declined to 'satisfactory' in the third year. In regard to the findability and quality of trolleys, passengers have consistently rated these 'good' to 'excellent'.

Overall, the Commission considers that the availability and standard of the baggage handling system has been maintained over the period of monitoring.

#### *Flight information displays*

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

#### *2000/01*

Departing passengers rated the quality of this facility as 'good'.

*1997/98-2000/01*

Departing passengers have consistently rated the quality as 'good'.

***Washrooms***

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

*2000/01*

Passengers rated the cleanliness of washrooms as 'good'.

*1997/98-2000/01*

Passengers have consistently rated cleanliness of washrooms as 'good'.

***Car parking and kerbside access***

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

*2000/01*

Passengers using the car parking facilities at Melbourne Airport rated the facilities in terms of ease of entry and ease of finding a car parking space as 'good'. Car parking maintenance and signage was rated similarly.

Melbourne Airport had 8,066 car parking positions at 30 June 2001, an increase of 1,117 from the end of the previous period (1999/2000). Spaces were increased in both the short term and the long-term car parks and a new "Business Car Park" with 177 spaces became available.

Kerbside access is required to allow passengers to be dropped off and picked up by taxis, buses and other vehicles. Passengers rated this facility at Melbourne Airport as 'good'.

*1997/98-2000/01*

Passenger ratings have been consistently 'good' over the period of monitoring. Overall, the Commission considers that the quality of car parking and kerbside access facilities have been maintained or improved over the four years of monitoring.

***Consultation with airlines***

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

*2000/01*

The Commission asked airlines to rate and comment on APAM's performance in addressing airline concerns on quality related issues. The responses ranged from 'satisfactory' to 'excellent'.

Comments from airlines included that APAM management was good, that excellent relations exist and that forums exist for airlines to raise issues.

ACS rated APAM's responsiveness to concerns as 'good' as against 'poor' for the previous year.

*1997/98-2000/01*

Over the period of monitoring airlines have rated APAM's responsiveness to concerns as 'poor' through to 'excellent'. Overall slightly lower ratings were received in 1999/2000. Comments were made that too much emphasis was placed on retailing, although there have also been comments that concerns are addressed in a timely manner and with good communication.

ACS initially rated APAM's responsiveness as 'good' but in the following year gave a 'poor' rating. It referred to changes impacting on its operations without any consultation or advice, particularly in regard to retailing.

Overall, the Commission considers that APAM has rated well in terms of addressing airline concerns.





## **2. Regulatory accounts reporting**

This section reports on Melbourne Airport's financial accounts. First an outline of the financial reporting requirements is given, followed by the financial accounts of Melbourne Airport for the 2000/01 financial year.

### **2.1 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. The accounts include a Profit and Loss Statement and Balance Sheet, and a Statement of Cash Flows. In addition, other supporting information, such as statements on accounting policies and cost disaggregations between aeronautical and non-aeronautical costs are required.

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

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

### **2.2 Melbourne Airport, regulatory accounts 2000/01**

APAM reported on a period of activity from 1 July 2000 to 30 June 2001. Over the entire airport, a loss after tax of \$9.4 million was reported. This result was significantly affected by interest expense, which totalled \$135.7 million.

As at 30 June 2001, APAM controlled total assets valued at \$1,373.9 million. Of this total, APAM valued its aeronautical assets at \$422.2 million and its non-aeronautical assets at \$919.4 million.

APAM'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.

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

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

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



### **3. Price cap compliance**

This section details Melbourne Airport's price cap compliance for the 2000/01 financial year.

#### **3.1 The Commission's role – price cap**

Certain aeronautical services at leased airports are declared under section 21 of the PS Act for price surveillance. Declaration 87 made by the Treasurer pursuant to the PS Act declares the services at Phase I airports. The Declaration covers aircraft movement areas (eg. runways, aircraft parking areas) and passenger processing areas (eg. aerobridges, departure lounges).<sup>2</sup>

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

At all privatised 'core regulated' airports, declared services are subject to CPI-X price caps. The X factors are based on expected productivity improvements.<sup>3</sup> The X factor for Melbourne Airport is 4.0 per cent and has been set for five years from 1 July 1997. The Treasurer's Direction number 24 sets out details of the price cap formula, the X values and other issues relevant to the Commission's administration of the cap.<sup>4</sup>

#### **3.2 Price cap compliance 2000/01**

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

Aeronautical services at Melbourne Airport are subject to a price cap set at CPI less an X factor of 4.0 per cent per annum. The relevant CPI figure used to assess price cap compliance for the 2000/01 period was 2.2 per cent, meaning that APAM was required to lower its average aeronautical charges in nominal terms by 1.8 per cent. In addition Melbourne Airport had an over recovery from previous years of 0.04 per cent so that to be in compliance it would need to lower charges by 1.84 per cent.

Using data provided by APAM, the Commission assessed whether Melbourne Airport complied with the price cap over the year ending 30 June 2001. A summary of movements in charges subject to the cap is provided below (see table 3). Details of price notifications are available from a public register maintained by the Commission pursuant to section 23 of the PS Act.

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<sup>2</sup> A copy of declaration 87 is available on the Commission's website, under airports.

<sup>3</sup> For a detailed explanation of the arrangements see Australian Competition and Consumer Commission, "Administration of Airport Price Cap Arrangements", January 1997.

<sup>4</sup> A copy of direction 24 is available on the Commission's website, under airports.

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

Charge	Basis	Charges 30/6/00	Charges 30/6/01 (incl. GST)
Landing charges (domestic and international)	Per landing \$/tonne MTOW	\$5.34	\$5.72
International Terminal charge	Per landing \$/tonne MTOW	\$3.80	\$4.18
RPT below minimum fixed wing	\$ per landing	\$26.00	\$28.55
GA Itinerants fixed wing	\$ per landing	\$100.00	\$109.95
GA Itinerants rotary wing	\$ per landing	\$50.00	\$54.95
Parking	\$ per day	\$50.00	\$54.95

To demonstrate compliance with the price cap, APAM provided disaggregated revenue data for aeronautical services for the 2000/01 financial year. In order to calculate compliance the effects of adjustments to prices on 1 July 2000 to take account of The New Tax System (TNTS) were excluded. This involved taking revenue on an exclusive of the Goods and Services Tax (GST) basis and also the deduction of savings that were assumed to arise from TNTS. APAM also gave the units of revenue (eg. tonnes landed) for each category of revenue. A summary of the data is given in Table 4 below.

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

Description	Number of Units	Base Charge (Price per unit)	Revenue 00/01 \$54,087,943	Average Charge 00/01	Rate Variation (% change)	Revenue Share 99/00	Compliance %
<b>Landing Charges:</b>							
- Domestic and International	8,306,083	\$5.34 per 1000kg MTOW	\$43,555,438	\$5.244*	-1.80%	81.16%	-1.46%
RPT – below minimum fixed wing	364	\$26.00 per landing	\$9,457	\$25.95	-0.19%	0.04%	0.00%
RPT – below minimum rotary wing	23	\$13.00 per landing	\$299	\$13	0.00%	0.00%	0.00%
GA – below minimum fixed wing	432	\$100.00 per landing	\$43,178	\$99.95	-0.05%	0.12%	0.00%
GA – below minimum rotary wing	106	\$50.00 per landing	\$5,284	\$49.85	-0.30%	0.01%	0.00%
<b>International Terminal Charges</b>	2,763,664	\$3.80 per 1000kg MTOW	\$10,474,287	\$3.79	-0.26%	18.67%	-0.05%
<b>Parking Charges</b>	0	\$50 per day	\$100	\$49.95	-0.1%	0.00%	0.00%
<b>Actual reduction in charges 00/01</b>							-1.51%
<b>Reduction required to comply with cap</b>							-1.80%
CPI-X, 2.2-4.0							-0.04%
Past over recovery, 0.04%							-1.84%
<b>Over-recovery of revenue</b>							<b>0.33%</b>
Total Revenue Under-recovery 99/00							\$9,281
Over-recovery of revenue 00/01							\$177,760
<b>Total Revenue Over-recovery 00/01 (end)</b>							<b>\$168,479</b>

Note: Revenues and charges are exclusive of GST

- \* When GST was added to the landing charge on 1 July 2000, APAM first applied a reduction in the landing charge of \$0.14 from \$5.34 to \$5.20. This comprised \$0.096 for price cap compliance and \$0.044 to pass through savings under TNTS. The latter is not part of APAM's price cap compliance and the \$5.244 represents \$5.34 less \$0.096.

Based on the above reconciliation, Melbourne Airport reduced charges for the 2000/01 period by 1.51%, against a required reduction of 1.84% to comply with the cap. Taken with the under-recovery of revenue carried forward from 1999/00 of \$9,281, this has led to a total over-recovery of \$168,479 at the end of the 2000/01 year.

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

The price cap regime allows airport operators to 'pass-through' to users 100 per cent of the costs related to Government mandated airport security requirements, without those increases affecting compliance with the price cap. Under Direction 24 pursuant to Section 20 of the PS Act, the Commission is directed to allow the airport operator to charge sufficient to recover the direct costs of providing mandated security requirements. Any over recovery, or under recovery, of the costs incurred in providing these security functions in a particular year is factored into future charges.

The requirements cover Australian Protective Services, Checked Baggage Screening and Passenger Screening. The sections below show the costs and revenues over the year in the provision of these requirements.

#### ***Australian Protective Services***

APAM supplied the following information, which demonstrates that the increased security charges to airport users did not recover more than the charges levied by Australian Protective Services (APS) during the financial year.

APAM commenced the year with a charge for APS of \$0.21 per tonne. The charge was increased to take account of the New Tax System from 1 July 2000 and set at \$0.43 per tonne (incl. GST), or \$0.39 (excl. GST).

**Table 5: Reconciliation of APS revenue to APS costs (\$ '000)**

APS income	\$3,171
APS direct expense	(\$3,003)
<i>Sub Total (over recovery)</i>	\$168
Carried forward balance 1999/2000 (under recovery)	(\$59)
<b>Carried forward total (over recovery)</b>	<b>\$109</b>

Note: Revenue and costs are exclusive of GST

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

#### ***Checked Baggage Screening***

Checked Baggage Screening was commenced pursuant to a Government Direction in June 2000 with a charge of \$1.65 per departing international passenger. The

Commission did not object to a charge of \$1.81 (incl. GST), or \$1.645 (excl. GST) from 1 July with the introduction of the New Tax System.

To avoid going into significant over recovery, APAM lowered the charge during the year so that the average amount charged per passenger was \$1.52 (incl. GST). Table 6 below shows that APAM over-recovered costs for the year by \$84,000.

**Table 6: Reconciliation of Checked Baggage Screening revenue and costs (\$'000)**

CBS income	\$2,724
CBS operating expense	(\$1,622)
CBS capital expenses	(\$1,018)
<i>Sub Total Expenses</i>	(\$2,640)
Over recovery 2000/01	\$84
Carried forward balance 1999/2000	(\$0)
<b>Carried forward total (over recovery)</b>	<b>\$84</b>

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

### ***Passenger Screening***

APAM over-recovered costs for Passenger Screening over the year by \$76,000. This was in addition to the over recovery carried forward from the previous year of \$38,000. A summary is given in Table 7 below.

BAC set a charge for Passenger Screening of \$0.86 (incl. GST) per (international departing) passenger over the year. The average amount collected per passenger for the year was \$0.82 (excl. GST).

Table 7 below shows the revenues and costs for the year.

**Table 7: Reconciliation of Passenger Screening revenue and costs (\$'000)**

Pax Screening income	\$1,389
Pax Screening operating expenses	(\$1,220)
Pax Screening capital expenses	(\$93)
<i>Sub Total Expenses</i>	(\$1,313)
Over Recovery 2000/01	\$76
Carried forward over recovery 1999/2000	\$38
<b>Carried forward total</b>	<b>\$114</b>



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

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

This section covers the Commission's role in the monitoring of aeronautically related services that are outside the price cap arrangements. This section begins with an outline of the Commission's approach to monitoring and is followed by a report on the activities of Melbourne Airport for the 2000/01 financial year.

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

### **4.1 The Commission's monitoring role**

In May 1998, the Treasurer directed that aeronautically related services be the subject of formal price monitoring pursuant to section 27A of the PS Act. The monitoring covers the costs, revenues and profits of an airport. The rationale for monitoring is that airport operators may exert significant market power in relation to the monitored services at individual airports. As such, the Government considered that these services should be monitored for misuse of any market power the airport operator may have in setting prices.

Aeronautically related services include aircraft refuelling, aircraft maintenance sites and buildings, freight facilities, and car parking. A full list of aeronautically related services is given in the Treasurer's Direction number 25, available on the Commission's web site. For a more complete outline of the Commission's monitoring role, see the Commission publication titled "*Aviation*", May 2000.

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

In exercising its role, the Commission may investigate particular pricing issues where users have raised concerns and it appears that the airport operator may have taken advantage of its market power. To date this has included the proposed imposition of fuel throughput levies at Brisbane and Perth airports.

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

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. Such differences 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.

APAM provided data to the Commission for the year ending 30 June 2001. The data is summarised in tables 8, 9 and 10 below, and includes revenues and costs for services related to:

- aircraft refuelling;
- aircraft maintenance sites and buildings;
- freight equipment storage sites;
- freight facility sites and buildings;
- ground support equipment sites;

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

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

Description	Aero Related Costs 99/00	Aero-Related Costs 99/00
	<b>\$'000</b>	<b>\$'000</b>
<b>AERO-RELATED SERVICES</b>		
Refuelling services	N/A	N/A
Aircraft maintenance sites & buildings	1,847	1,488
Freight equipment storage sites	18	32
Cargo facility sites & buildings	1,404	1,850
Ground support equipment sites	116	119
Check-in counters and related facilities(1)	1,440	1,351
Public car parking	9,255	7,166
<b>TOTAL AERO-RELATED COSTS</b>	<b>14,080</b>	<b>12,006</b>

Notes:

1. Costs exclude amortisation of intangibles and interest.

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

Description	Basis of Charge(s)	Revenue 99/00	Revenue 00/01
		<b>\$'000</b>	<b>\$'000</b>
<b>AERO-RELATED SERVICES</b>			
Refuelling services		N/A	N/A
Aircraft maintenance sites & buildings	\$ per square metre	3,576	3,547
Freight equipment storage sites	\$ per square metre	101	153
Cargo facility sites & buildings	\$ per square metre	2,588	3,650
Ground support equipment sites		N/A	N/A
Check-in counters and related facilities	Agreement with airlines	2,560	2,840
Public car parking/staff car parks	Time Parking Rates	28,225	30,161
<b>TOTAL AERO-RELATED REVENUE</b>		<b>37,050</b>	<b>40,351</b>

**Table 10: Car Parking Rates**

Hours	Short Term 30/6/00	Short Term 30/6/01
1	\$4.60	\$5.00
2	\$7.30	\$9.00
3	\$10.00	\$11.00
4	\$10.00	\$13.00
5	\$10.00	\$13.00
6	\$10.00	\$13.00
7	\$13.00	\$18.00
8	\$13.00	\$18.00
9	\$13.00	\$18.00
10	\$16.40	\$22.00
11	\$16.40	\$22.00
12	\$16.40	\$22.00
12-24	\$22.80	\$28.00

Days	Long Term 30/6/00	Long Term 30/6/01
1	\$14.00	\$15.00
2	\$14.00	\$20.00
3	\$21.00	\$26.00
4	\$28.00	\$34.00
5	\$35.00	\$42.00
6	\$42.00	\$50.00
7	\$42.00	\$50.00
8		\$58.00
9		\$66.00
10		\$74.00
11		\$82.00
12		\$90.00
13		\$98.00
14		\$98.00
15		\$106.00

While revenues tended to exceed costs, it is important to note that the costs did not include amortisation of intangible assets or interest. These were significant, amounting to \$142 million in 2000/01. The Commission asked that these items be excluded for the purposes of the monitoring reports because (a) their allocation to services would have involved a degree of subjectivity, and (b) there would be risk of circularity if an allocation of the cost of the lease premium were included. However, the Commission acknowledges that an allocation that recognises a cost of capital would be appropriate in any detailed analysis.



## Appendix 1: Outline of quality of service indicators

The regulations to the Airports Act specify performance indicators to be used in quality of service monitoring. These cover a range of services and infrastructure for which the airport operator has some, or complete influence over. An outline of the indicators and the source of data for each is given in table 11 below.

**Table 11: Quality of service indicators**

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

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

## Appendix 2: Passenger perception survey indicators

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

A number of facility and service ratings are grouped together and an average rating is provided in the chart on page 5. In all instances, the average score, indicated on the above graph, is representative of the individual service/facility ratings that make up the group.

**Table 12: Indicator summary**

- *Check in waiting time* refers to passenger satisfaction with the waiting time during check-in for departing passengers.
- *Government inspection waiting time (inbound)* refers to passenger satisfaction with the waiting time at customs/immigration for departing passengers for arriving passengers.
- *Government inspection waiting time (outbound)* refers to the passenger satisfaction with waiting time at passport control for departing passengers.
- *Security clearance* refers to the perceived quality of the security system.
- The *gate lounge* measure refers to an average figure combining the crowding at the gate lounges, the ease of finding a seat in the gate lounge and ease of finding a seat.
- The *gate lounge – comfort and seating* measure refers to passenger satisfaction with this aspect of the service.
- The *baggage – ease of finding correct belt* refers to passenger satisfaction with this facility.
- *Baggage – crowding and waiting time* refers to passenger satisfaction with the waiting time for baggage and the congestion of the baggage reclaim.
- *Baggage trolley - arriving* refers to arriving passenger perceptions of the ease of finding a trolley.
- *Baggage trolley – departing* refers to the satisfaction of departing passengers in finding a trolley.
- The *information display* measure covers passenger satisfaction with the flight information system for departing passengers.
- The *washroom* measure covers the cleanliness of washrooms for both arriving and departing passengers.
- *Car parking* covers to the ease of access and availability of spaces in the car park, including both the long-term and short term car parks.



- *Car parking maintenance and signs* refers to passenger satisfaction with the signs directing passengers to the car park and signs within the car park, as well as maintenance of the car park facilities.
- *Airport access* refers to passenger satisfaction with the ease of being dropped off at the kerbside. Only departing passengers were surveyed.

## Appendix 3: Airline survey results

The Commission received surveys from 14 airlines that used Melbourne Airport over the 2000/01 year. These airlines were Ansett Australia, Qantas, Cathay Pacific, United Airlines, Gulf Air, Air Vanuatu, Air Nauru, British Airways, Singapore Airlines, Olympic Airways, Emirates, Air Mauritius, Air New Zealand and Malaysia 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, its reliability, and the possibility of breakdown.

Overall, the results of the airline surveys showed a slight improvement in the ratings across many of the facilities provided at Melbourne Airport. A summary of the ratings provided by the airlines is given in the table below. Ratings were generally 'satisfactory' to 'good'.

**Table 12: Responses from airline surveys**

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

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

Indicators provided by the airport operator	1998	1999	2000	2001
Number of (international) aircraft parking bays	14	14	15	14
Number of aerobridges	10	10	10	10
Percentage of passengers (embarking) using an aerobridge	99.9%	99.9%	99.3%	94.1%
Percentage of passengers (disembarking) using an aerobridge	99.9%	99.9%	99.4%	93.4%
Number of check-in desks – managed by APAM International Passengers/Check-in desks	72 35,600	72 37,859	72 41,512	72 46,715
Number of baggage inspection desks	16	16	16	16
Number of inbound immigration desks	16	26	26	26
Number of outbound immigration desks	18	18	18	18
Number of security clearance systems	3	6	6	
Number of seats in gate lounges International Passengers/Seats in gate lounges	2,289 1,120	2,363 1,154	2,172 1,376	1,984 1,695
Capacity of outbound baggage handling equipment (bags per hour)	3,060	3,060	3,060	3,060
Capacity of inbound baggage reclaim system (bags per hour)	N/a	2,720	2,720	2,720
Number of car park spaces – Long term - Short term	3,439 2,729	3,439 2,763	4,189 2,760	4,789 3,100
Throughput of the car park per day – Long term - Short term	N/a	679 6,775	731 6,996	831 7,248



## Appendix 5: Melbourne Airport regulatory accounts (summary)

### Profit and loss account for the year ended 30 June 2001<sup>5</sup>

Description	Audited financial statements	Aero services	Non-Aero services
<i>Description</i>	\$ '000	\$	\$
<b>Revenue</b>			
Aeronautical revenue	62,992	62,992	
Non-Aeronautical revenue	127,516		127,516
Grazing and tenant revenue	132		
Interest Income	133		
<b>Total Revenue</b>	<b>190,773</b>	<b>62,992</b>	<b>127,516</b>
<b>Expenditure</b>			
Salaries and wages	15,062	10,380	4,682
Depreciation	28,257	15,789	12,468
Amortisation	6,248		
Services and utilities	18,031	8,327	9,704
Property maintenance	4,892	3,360	1,532
Maintenance add backs		(132)	
Australian Protective Service costs	3,003	3,003	
Other costs	11,492	5,587	5,905
<b>Total Expenditure</b>	<b>86,985</b>	<b>46,314</b>	<b>40,539</b>
<b>Operating Profit/(Loss)</b>	<b>103,788</b>	<b>16,678</b>	<b>86,977</b>
<i>Abnormal items</i>	-		
<b>Earnings Before Interest and Tax (EBIT)</b>	<b>103,788</b>	<b>16,678</b>	<b>86,977</b>
Interest Expense	135,672		
<b>Loss Before Tax</b>	<b>(31,884)</b>		
Tax benefit attributable to loss	22,454		
<b>Loss after Tax</b>	<b>(9,430)</b>		
Dividends Paid	-		
<b>Retained Earnings</b>	<b>(9,430)</b>		

<sup>5</sup> The Commission does not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.

**Profit and loss account for the year ended 30 June 2000<sup>6</sup>**

Description	Audited financial statements \$000	Aero services \$000	Non-Aero services \$000
<i>Description</i>	1999/00	1999/00	1999/00
<b>Revenue</b>			
Aeronautical revenue	55,160	55,160	
Non-Aeronautical revenue	111,823		111,823
Grazing and tenant revenue	109		
Interest Income	148		
<b>Total Revenue</b>	<b>167,240</b>	<b>55,160</b>	<b>111,823</b>
<b>Expenditure</b>			
Salaries and wages	14,634	9,787	4,847
Depreciation	26,309	14,465	11,844
Amortisation	6,907	---	6,907
Services and utilities	14,756	5,783	8,973
Property maintenance	4,573	3,000	1,573
Maintenance add backs	---	(109)	---
Australian Protective Service costs	2,830	2,830	---
Other costs	9,984	3,521	6,463
<b>Total Expenditure</b>	<b>79,993</b>	<b>39,277</b>	<b>40,607</b>
<b>Operating Profit/(Loss)</b>	<b>87,247</b>	<b>15,883</b>	<b>71,216</b>
<i>Abnormal items</i>	-		
<b>Earnings Before Interest and Tax (EBIT)</b>	<b>87,247</b>	<b>15,883</b>	<b>71,216</b>
Interest Expense	107,580		
<b>Loss Before Tax</b>	<b>(20,333)</b>		
Tax benefit attributable to loss	43		
<b>Loss after Tax</b>	<b>(20,290)</b>		
Dividends Paid	---		
<b>Retained Earnings</b>	<b>(20,290)</b>		

<sup>6</sup> The Commission does not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.

**Balance sheet as at 30 June 2001**

Description	Audited financial statements	Aero services	Non-Aero services
	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>			
Cash	2,281		
Receivables	13,747	6,326	7,421
Inventories	745	677	68
Other	105	54	51
<b>Total current assets</b>	<b>16,878</b>	<b>7,057</b>	<b>7,540</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	718,618	415,125	303,493
Intangibles	608,408		608,408
Other	30,032		
<b>Total non-current assets</b>	<b>1,357,058</b>	<b>415,125</b>	<b>911,901</b>
<b>TOTAL ASSETS</b>	<b>1,373,936</b>	<b>422,182</b>	<b>919,441</b>
<b>CURRENT LIABILITIES</b>			
Creditors	27,718		
Provisions	3,795	2,619	1,176
<b>Total current liabilities</b>	<b>31,513</b>		
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	1,323,418		
Provisions	7,737	4,492	3,245
<b>Total non-current liabilities</b>	<b>1,331,155</b>		
<b>TOTAL LIABILITIES</b>	<b>1,362,668</b>		
<b>NET ASSETS/(LIABILITIES)</b>	<b>11,268</b>		
<b>SHAREHOLDER'S EQUITY</b>			
Share capital	100,000		
Accumulated profits/(losses)	(88,732)		
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>11,268</b>		
Accumulated profit/(loss) as start of year	(79,302)		
Profit/(loss) for the year	(9,430)		
Accumulated profit/loss at end of year	<b>(88,732)</b>		

**Balance sheet as at 30 June 2000**

Description	Audited financial statements \$'000	Aero services	Non-Aero services \$'000
	1999/00	1999/00	1999/00
<b>CURRENT ASSETS</b>			
Cash	165		
Receivables	10,771	4,642	6,129
Inventories	668	521	147
Accrued revenue	80	54	26
Other			
<b>Total current assets</b>	<b>11,684</b>	<b>5,217</b>	<b>6,302</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	723,487	429,009	294,478
Intangibles	599,420		599,420
<b>Total non-current assets</b>	<b>1,332,907</b>	<b>429,009</b>	<b>893,898</b>
<b>TOTAL ASSETS</b>	<b>1,334,591</b>	<b>434,226</b>	<b>900,200</b>
<b>CURRENT LIABILITIES</b>			
Creditors	12,200		
Borrowings	20,231		
Provisions	3,619	2,425	1,194
<b>Total current liabilities</b>	<b>36,050</b>		
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	1,277,573		
Provisions	270	181	89
<b>Total non-current liabilities</b>	<b>1,277,843</b>		
<b>TOTAL LIABILITIES</b>	<b>1,313,893</b>		
	<b>20,698</b>		
<b>SHAREHOLDER'S EQUITY</b>			
Share capital	100,000		
Accumulated profits/(losses)	(79,302)		
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>20,698</b>		
Accumulated profit/loss at start of year	(59,012)		
Profit/loss for the year	(20,290)		
Accumulated profit/loss at end of year	<b>(79,302)</b>		



**Statement of cash flows for the year ended 30 June 2001**

Description	Audited Financial Accounts 2000 ‘000	Audited Financial Accounts 2001 ‘000
<b>Cash flows from operating activities</b>		
Receipts from customers	164,749	202,450
Payments to suppliers and employees	(45,164)	(53,153)
Interest and bill discounts received	147	133
Interest and other costs of finance paid	(95,873)	(134,909)
Goods and Services Tax remitted	-	(10,195)
<i>Net cash provided by operating activities</i>	<b>23,859</b>	<b>4,326</b>
<b>Cash flows from investing activities</b>		
Payment for property, plant and equipment	(16,488)	(28,361)
Proceeds from sale of property, plant and equipment	113	139
<i>Net cash used in investing activities</i>	<b>(16,375)</b>	<b>(28,222)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	103,000	1,142,396
Other	-	1,620
Loan funds repaid to entities in wholly owned group	(1,996)	-
Repayment of borrowings	(111,000)	(1,115,180)
<i>Net cash (used in)/provided by financing activities</i>	<b>(9,996)</b>	<b>28,836</b>
Net increase/(decrease) in cash held	<b>(2,512)</b>	<b>4,940</b>
Cash at the beginning of the financial year	(147)	(2,659)
Cash at the end of the financial year	<b>(2,659)</b>	<b>2,281</b>

## Australia Pacific Airports (Melbourne) Regulatory Accounts

### Summary of accounting policies

#### *Financial Reporting Framework*

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

#### *Going Concern*

The financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe that the company is a going concern based on future positive operating cash flows and financing facilities available. Should the company be required to realise its assets and extinguish its liabilities other than in the normal course of trading, such assets may realise amounts different from those stated in the financial report.

#### *Significant Accounting Policies*

Accounting policies are selected and applied in a manner, which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby, ensuring that the substance of the underlying transactions and other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

##### *(a) Depreciation*

Depreciation is provided on property, including buildings, plant and equipment, roads, runways and other infrastructure. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method.

The following estimated useful lives are used in the calculation of depreciation:

- |   |             |
|---|-------------|
| • Buildings                               | 10-40 years |
| • Roads, Runways and Other Infrastructure | 13-80 years |
| • Plant and Equipment                     | 3- 10 years |

##### *(b) Lease Land and Lease Premium Amortisation*

Land leased as part of the airport acquisition has been valued at acquisition at fair value and the cost of acquisition of the airport business in excess of net tangible assets has been capitalised as lease premium.

The Leased land and Leased premium are amortised on a straight line basis over the period of the lease, which is 99 years.

(c) *Acquisition of assets*

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

(d) *Capitalisation of Borrowing Costs*

Borrowing costs directly attributable to assets under construction are capitalised as part of the costs of those assets up to the date of completion of each asset.

(e) *Derivative Financial Instruments*

The company enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps and forward interest rate contracts.

Interest Rate Contracts

Gains and losses on forward interest rate contracts are deferred and amortised over the period of the underlying borrowing.

Interest Rate Swaps

Gains and losses on interest rate swaps are included in the determination of interest expense.

During the year the Company repaid all acquisition debt, and entered into new borrowings. As a result of these transactions, certain interest rate swaps were terminated early resulting in payments totalling \$35,783,000 to various financial institutions. These costs have been expensed during the year.

(f) *Inventories*

Inventories are valued at the lower of cost and net realisable value.

(g) *Receivables*

Trade receivables are recorded at amounts due less any provision for doubtful debts.

(h) *Recoverable Amount of Non-Current Assets*

Non-current assets are written down to recoverable amount where the carrying value of any non-current assets exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

(i) *Accounts Payable*

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

(j) *Interest Bearing Liabilities*

Bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis. Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

(k) *Comparative Figures*

The Company has adopted the presentation and disclosure requirements of Accounting Standards AASB 1018 "Statement of Financial Performance", AASB 1034 "Financial Report Presentation and Disclosure" and AASB 1040 "Statement of Financial Position" for the first time in the preparation of this financial report. In accordance with the requirements of these new/revised Standards, comparative

amounts have been reclassified in order to comply with the new presentation format. The reclassification of comparative amounts has not resulted in a change to the aggregate amounts of current assets, non-current assets, current liabilities or equity, or the net profit/loss of the company as reported in the prior year financial report.

*(l) Income Tax*

Tax effect accounting principles have been adopted whereby income tax expense has been calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in provision for deferred income tax and future income tax benefit, as applicable.

The future income tax benefit relating to income tax losses has not been recognised as an asset in the financial statements, as the Directors are not "virtually certain" that these losses will be recovered.

*(m) Employee Entitlements*

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, other leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provision made in respect of wages and salaries, annual leave, long service leave, sick leave, and other employee entitlements expected to be settled within 12 months, are measured at their nominal values.

Provisions made in respect of other employee entitlements which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to the reporting date.

*(n) Revenue Recognition*

Aeronautical Revenue

Revenue from Landing fees is recognised on an accruals basis when the service is provided.

Retail Revenue

Revenue from retail customers is recognised on an accruals basis when the service or goods are provided.

Property Revenue

Revenue from the rental of property and buildings throughout the Airport is recognised on an accruals basis in accordance with the terms of the relevant lease agreements.

Outgoings, Security and Other Income

Revenue received from recharging of Outgoings, Security and Sundry Other Income is recognised on an accruals basis when the service or goods are provided.

*(o) Revisionary Assets*

I. Any assets that have reverted back to the company have been recognised as an asset by a transfer of value from lease premium. The value of the transfer was the value of that asset at the date of acquisition of the airport.

*(p) Goods and Services Tax*

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverables from, or payable to, the taxation authority is included as part of receivables or payables.

## Appendix 6: Operational statistics

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

Description	1997/98	1998/99	1999/00	2000/01
<b>PASSENGERS</b>				
Domestic Passengers	11,331,637	11,568,545	12,266,238	13,442,022
International Passengers (excluding transit)	2,563,164	2,725,843	2,988,855	3,363,491
International Transit Passengers	229,225	213,351	238,145	318,904
Domestic On-Carriage	77,314	75,607	77,536	120,504
<b>TOTAL PASSENGERS</b>	<b>14,201,340</b>	<b>14,583,346</b>	<b>15,570,774</b>	<b>17,244,921</b>
<b>AIRCRAFT MOVEMENTS</b>				
Regular Public Transport Aircraft Movements	143,994	154,332	163,118	185,030
General Aviation Aircraft Movements	10,136	2,470	1,558	2,334
<b>TOTAL AIRCRAFT MOVEMENTS</b>	<b>154,130</b>	<b>156,802</b>	<b>164,676</b>	<b>187,364</b>
<b>TOTAL TONNES LANDED</b>	<b>7,174,299</b>	<b>7,262,427</b>	<b>7,775,976</b>	<b>8,324,969</b>
<b>AVERAGE STAFF EQUIVALENTS</b>				
Aeronautical Services	142	131	137	134
Non-Aeronautical Services	48	56	51	58
<b>TOTAL AVERAGE STAFF EQUIVALENTS</b>	<b>190</b>	<b>187</b>	<b>188</b>	<b>192</b>
<b>AREA (HECTARES)</b>				
Aeronautical Services	1,742.76	1,742.76	1,742.76	1,742.76
Non-Aeronautical Services	624.54	624.54	624.54	624.54
<b>TOTAL AREA (HECTARES)</b>	<b>2,367.30</b>	<b>2,367.30</b>	<b>2,367.30</b>	<b>2,367.30</b>



# **REGULATORY REPORT**

## **PERTH INTERNATIONAL AIRPORT 2000/01**

**January 2002**





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

## Price Cap Compliance

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

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

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

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

## Operating & Financial Performance

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

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

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

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

### **Quality of service**

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

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

## **Introduction**

The Australian Competition and Consumer Commission (the Commission) has primary responsibility for implementing and administering the economic regulatory measures applying to 'core regulated' airports. 'Core regulated' airports include the Phase I airports sold in May 1996, the Phase II airports sold in May/June 1997, and Sydney Kingsford Smith Airport.

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

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

### **The report**

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

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

### **Perth International Airport**

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

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



## **1 Quality of service monitoring**

This section details quality of service monitoring at Perth International Airport. It begins by providing an overview of the Commission's role in quality of service monitoring. Following this is a summary of the 2000/01 quality of service results for Perth International Airport and a review of results over the period of monitoring since 1997/98.

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

#### **Regulations**

The Commission is required to conduct quality of service monitoring pursuant to Part 8 of the Airports Act.<sup>1</sup> Under the regulations to the Airports Act, airport operators are required to provide the Commission with information on a range of indicators. These indicators cover various aspects of an airport's service quality performance and are detailed in Appendix 1.

Generally, quality of service monitoring is aimed towards:

- providing transparency about airport performance;
- discouraging airport operators from providing unsatisfactory standards for services which are associated with significant market power; and
- assisting in the assessment of an airport operator's conduct as part of the review of prices oversight arrangements.

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

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

In reporting on the quality of service indicators, the Commission focused on the standard and availability of facilities and services provided by, or which could be influenced by, the airport operator. These facilities and services included airside facilities such as runways, taxiways and aprons; terminal facilities, such as international departure lounges and baggage claim; car parking; and taxi and bus pick up and drop off points. Domestic terminals owned and/or operated by airlines were not included as part of the quality monitoring report.

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

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

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<sup>1</sup> For a detailed description see *Quality of service Monitoring Post Leasing*, ACCC February 1997 available on the Commission's web site at [www.accc.gov.au](http://www.accc.gov.au)

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

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

Passenger perception surveys were used as a source of information in assessing the quality of various services and facilities at Perth International Airport. WAC, in conjunction with a market research firm, designed the survey and administered over a ten day period from 31 May to 9 June inclusive.

The areas covered by the passenger 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-up and drop-off of passengers.

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

Passengers were asked to rate their level of satisfaction on a scale from one to seven:



An overview of the results of the survey are given in section 1.2 below. An explanation of each indicator is given in Appendix 2.

### ***Airline surveys***

In order to gain information on the quality standard of airside facilities and terminal facilities, the Commission conducted a survey of the airlines that used Perth International Airport over the 2000/01 period. Seven surveys were received from the following airlines: Ansett Australia, Qantas, Cathay Pacific, Royal Brunei Airlines, Singapore Airlines, Malaysian Airlines and Air New Zealand.

As part of the survey, airlines were requested to rate the availability and standard of particular facilities and services on a five-point scale ranging from 'very poor' to 'excellent'. Under the availability category, the 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. Results from the airline survey are detailed in Appendix 3.

### ***Airport operators***

Westralia was required to provide the Commission with information on the 'static indicators' for Perth International Airport. These indicators included the number of



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

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

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

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

### ***Issues***

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

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

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

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

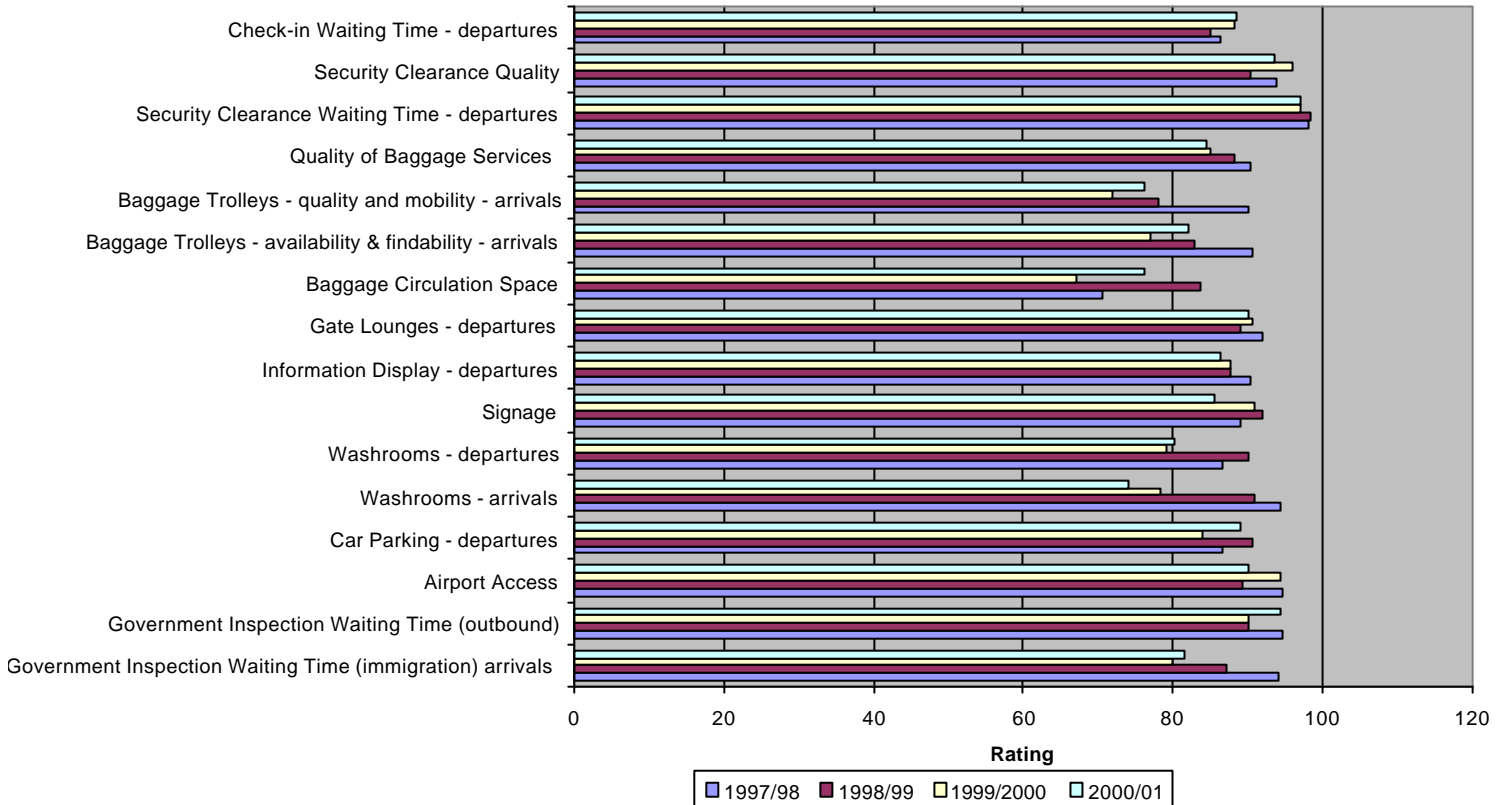
Overall, results for 2000/01 suggest that airport users and passengers were reasonably satisfied with the availability and standard of the facilities and services provided at Perth International Airport.

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

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

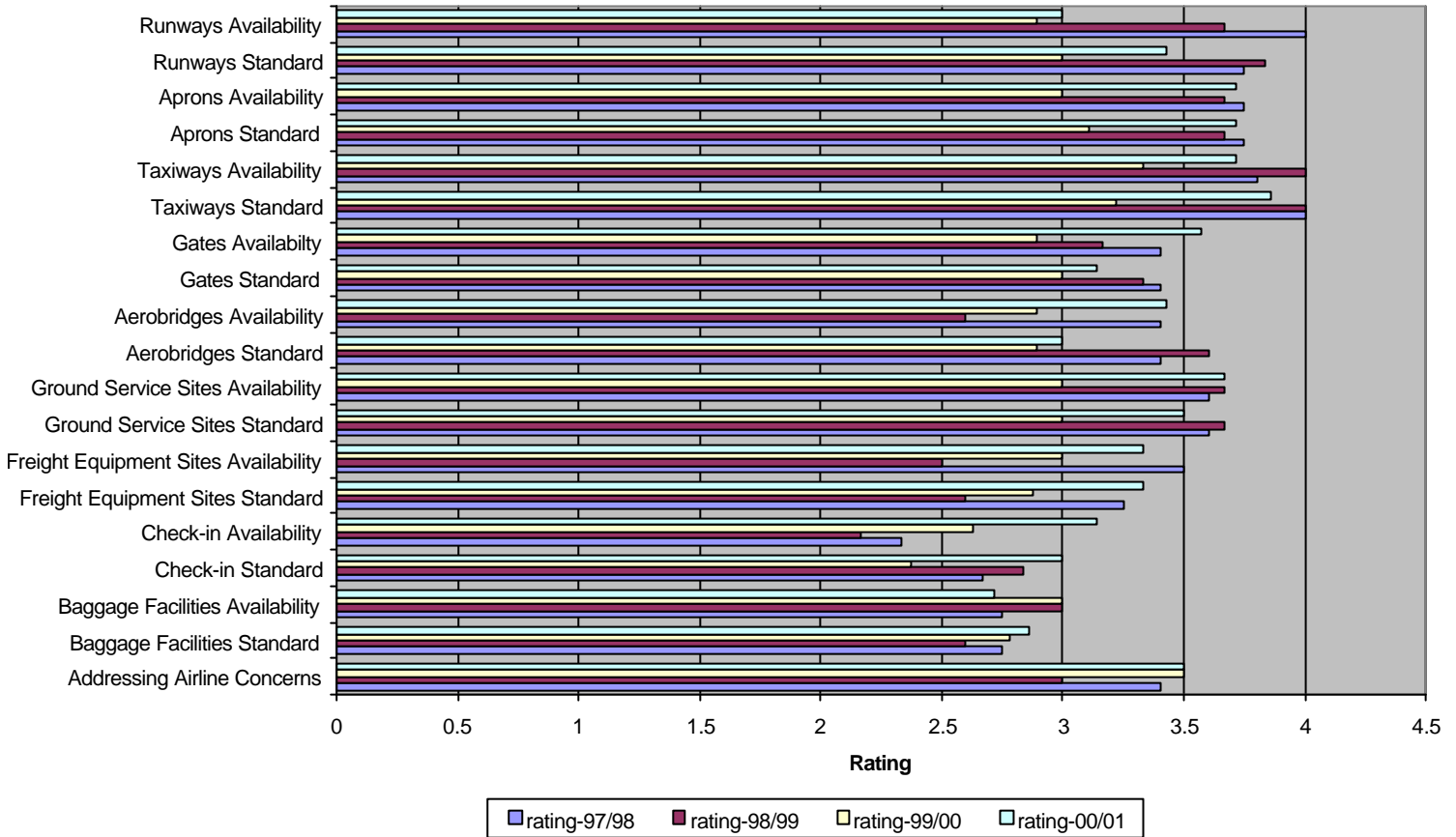
The Passenger Perception Survey results show that for 2000/01 most services were rated by over 80% of respondents at 5 or above out of 7. These ratings indicate that passengers are satisfied with the quality of services and facilities at Perth International Airport. Over the four years of monitoring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

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



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

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



**Runways, aprons and taxiways**

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

*2000/01*

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

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

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

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

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

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

#### *1997/98-2000/01*

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

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

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

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

#### ***Gates***

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

#### *2000/01*

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

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

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

#### *1997/98-2000/01*

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

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

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

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

*2000/01*

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

A comment received indicated that sufficient space is available.

*1997/98-2000/01*

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

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

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

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

*2000/01*

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

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

*1997/98-2000/01*

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

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

#### ***Aerobridges***

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

*2000/01*

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

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

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

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

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

#### *1997/98-2000/01*

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

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

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

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

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

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

#### *2000/01*

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

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

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

#### *1997/98-2000/01*

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

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

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

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

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

#### *2000/01*

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

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

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

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

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

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

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

*1997/98-2000/01*

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

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

### ***Security***

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

*2000/01*

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

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

*1997/98-2000/01*

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

### ***Gate lounges***

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

*2000/01*

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

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



*1997/98-2000/01*

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

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

***Baggage processing facilities and trolleys***

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

*2000/01*

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

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

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

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

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

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

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

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

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

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

*1997/98-2000/01*

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

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

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

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

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

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

*2000/01*

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

*1997/98-2000/01*

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

### ***Washrooms***

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

*2000/01*

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

*1997/98-2000/01*

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

### ***Car parking and kerbside access***

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

*2000/01*

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

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

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

*1997/98-2000/01*

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

### ***Consultation with airlines***

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

*2000/01*

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

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

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

*1997/98-2000/01*

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



## **2 Regulatory accounts reporting**

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

### **2.1 The Commission's Approach**

Under Part 7 of the Airports Act, operators of the Phase I airports are required to provide the Commission with annual financial accounts within 90 days after 30 June of that year.<sup>2</sup> The accounts include a Profit and Loss Statement and Balance Sheet, and a Statement of Cash Flows. In addition, other supporting information, such as statements on accounting policies and cost disaggregations between aeronautical and non-aeronautical costs are required.

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

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

### **2.2 Westralia Airports Corporation, regulatory accounts 2000/01**

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

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

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

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

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<sup>2</sup> Phase I airports refer to Melbourne, Brisbane and Perth airports.

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

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

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

### **3 Prices Surveillance and Price Cap Compliance**

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

#### **3.1 The Commission's Role**

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

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

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

#### **3.2 Price Cap Compliance 2000/01**

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

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

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

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

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

<sup>5</sup> A copy of direction 24 is available on the Commissions website, under airports

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

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

To assist the Commission in assessing price cap compliance at Perth International Airport, Westralia provided disaggregated revenue data for aeronautical services for the 2000/01 financial year. The information provided also included the number of units (eg. tonnes landed) and annual revenue for each category of charges. A summary of price cap compliance at Perth International Airport is provided in Table 4, below.

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



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

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

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

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

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

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

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

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

The price cap regime allows airport operators to 'pass-through' to users 100 per cent of the costs related to Government mandated airport security requirements, without those increases affecting compliance with the price cap. Under Direction 24 pursuant to Section 20 of the PS Act, the Commission is directed to allow the airport operator to charge sufficient to recover the direct costs for providing mandated security requirements. Any over recovery, or under recovery, of the costs incurred in providing these security functions in a particular year is factored into future charges.

The requirements cover Australian Protective Services, Checked Baggage Screening and Passenger Screening. The sections below show the costs and revenues over the year in the provision of these requirements.

#### ***Australian Protective Services***

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

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

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

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

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

#### ***Checked Baggage Screening***

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

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

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

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

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

### ***Passenger Screening***

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

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

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

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



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

This section covers the Commission's role in the monitoring of aeronautically related services which are outside the price cap arrangements. This section begins with an outline of the Commission's approach to monitoring and is followed by a report on the activities of Perth International Airport for the 2000/01 financial year.

### **4.1 The Commission's monitoring role**

In May 1998 the Treasurer directed that aeronautically related services be the subject of formal price monitoring pursuant to section 27A of the PS Act. The monitoring covers the costs, revenues and profits of an airport. The rationale for monitoring is that airport operators may exert significant market power in relation to the monitored services at individual airports. As such, the Government considered that these services should be monitored for misuse of any market power the airport operator may have in setting prices.

Aeronautically related services include aircraft refuelling, aircraft maintenance sites and buildings, freight facilities, and car parking. A full list of aeronautically related services is given in the Treasurer's Direction no. 25, available on the Commission's web site. For a more complete outline of the Commission's monitoring role, see the Commission publication titled "*Aviation*", May 2000.

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

In exercising its role, the Commission may investigate particular pricing issues where users have raised concerns and it appears that the airport operator may have taken advantage of its market power. To date this has included the proposed imposition of fuel throughput levies at Brisbane and Perth International Airports.

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

### **4.2 Price monitoring –Perth International Airport, 2000/01**

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

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

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

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

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

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

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

While revenues tended to exceed costs, it is important to note that the costs did not include amortisation of intangible assets or interest. These were significant, amounting to \$62.7 million in 2000/01, or 64 per cent of total costs. The Commission asked that these items be excluded for the purposes of the monitoring reports because (a) their allocation to services would have involved a degree of subjectivity, and (b) there would be risk of circularity if an allocation of the cost of the lease premium were included. However, the Commission acknowledges that an allocation that recognises a cost of capital would be appropriate in any detailed analysis.

<sup>6</sup> Car parking rates are provided in Table 10, on page 25.

**Table 10: Car Parking Rates, at 30 June 2001**

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

## Appendix 1: Outline of quality of service indicators

The regulations to the Airports Act specify performance indicators to be used in quality of service monitoring. These cover a range of services and infrastructure for which the airport operator has some, or complete influence over. An outline of the indicators and the source of data for each is given in table 11 below.

Table 11: Quality of service indicators

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



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

## Appendix 2: Passenger survey indicators

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

**Table 12: Indicator summary**

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

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

### Appendix 3: Airline survey results

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

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

**Table 13: Responses from airline surveys**

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

\* Not all airlines responded to all questions.

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

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

## Appendix 5: Perth International Airport regulatory accounts (Summary)

### Profit and Loss Account for the year ended 30 June 2001<sup>7</sup>

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

<sup>7</sup> The Commission does not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.

**Profit and Loss Account for the year ended 30 June 2000<sup>8</sup>**

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

<sup>8</sup> The Commission does not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.

**Balance sheet as at 30 June 2001**

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



**Balance sheet as at 30 June 2000**

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

**Cash Flow Statement for year ended 30 June 2001**

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

## Summary of significant accounting policies

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

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

### (a) Principles of Consolidation

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

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

### (b) Income Tax

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

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

### (b) Foreign Currency Translation

#### (i) Transactions

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

#### (ii) Specific Commitments

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

### (d) Revenue Recognition

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

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

**(e) Receivables**

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

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

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

**(g) Acquisition of Assets**

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

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

**(h) Recoverable amounts**

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

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

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

**(i) Infrastructure, Plant and Equipment**

(i) *Cost and valuation*

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

(ii) *Depreciation and amortisation*

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

Depreciation and amortisation rates used are as follows:

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

(iii) *Leasehold improvements*

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

(iv) *Major repairs and maintenance*

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

(v) *Non-current assets under construction*

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

**(j) Lease Franchise Fee and Expenditure Carried Forward**

(i) *Lease franchise fee*

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

(ii) *Capitalised bid costs*

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

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

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

(iv) *Capitalised masterplan costs*

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

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

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

**(k) Accounts payable**

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

**(l) Borrowing costs**

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

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

**(m) Derivative financial instruments**

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

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

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

**(n) Maintenance and repairs**

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

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

**(o) Employee entitlements**

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

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

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

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

**(p) Cash**

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

## Appendix 6: Perth International Airport operational statistics

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

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





# **REGULATORY REPORT**

## **SYDNEY AIRPORT 2000/01**

**November 2001**



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# 1 Introduction

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

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

## *The report*

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

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

## *Sydney Airport*

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



## **2 Quality of service monitoring**

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

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

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

Quality of service monitoring is aimed at:

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

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

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

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

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

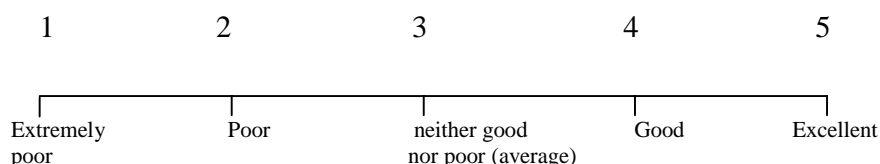
#### ***Passenger perception surveys***

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

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

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

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



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

### ***Airline surveys***

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

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

### ***Airport Operators***

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

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

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

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

### ***Issues***

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

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

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

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

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

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

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

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

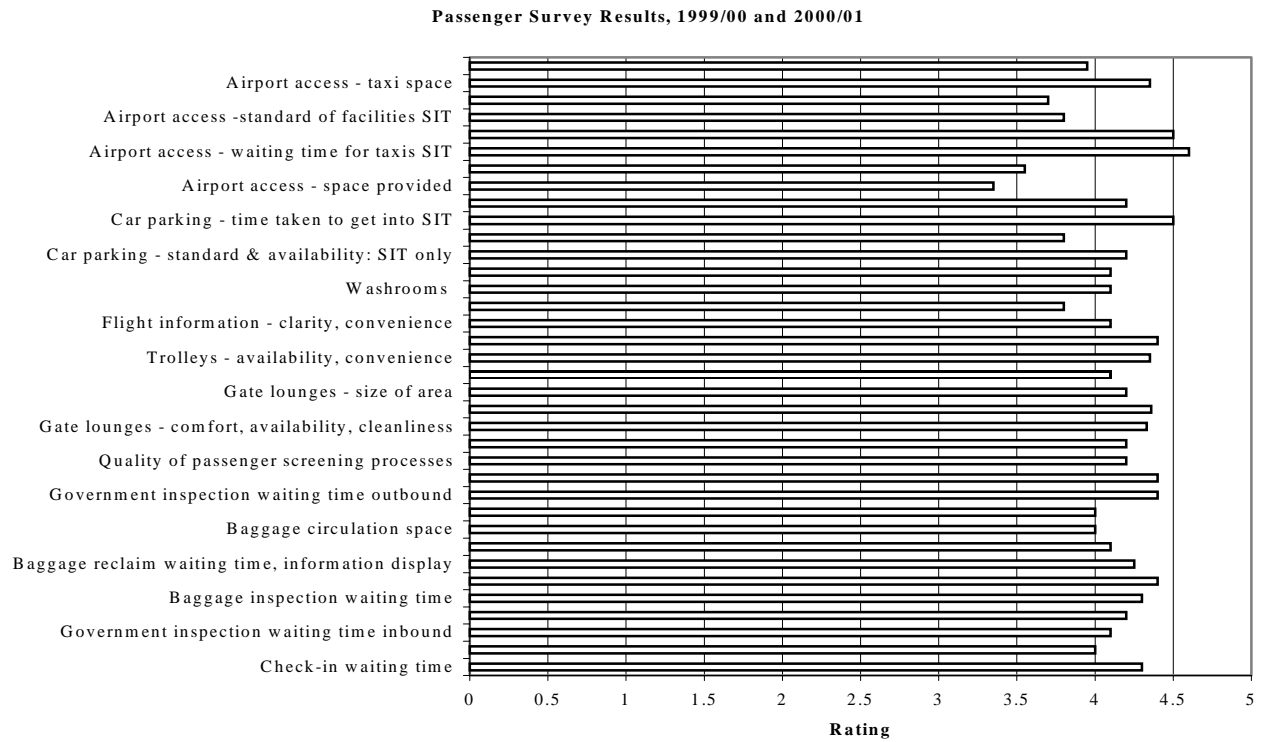
Over the three years of monitoring from 1998/99 the quality of service has shown reasonable improvement.

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

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

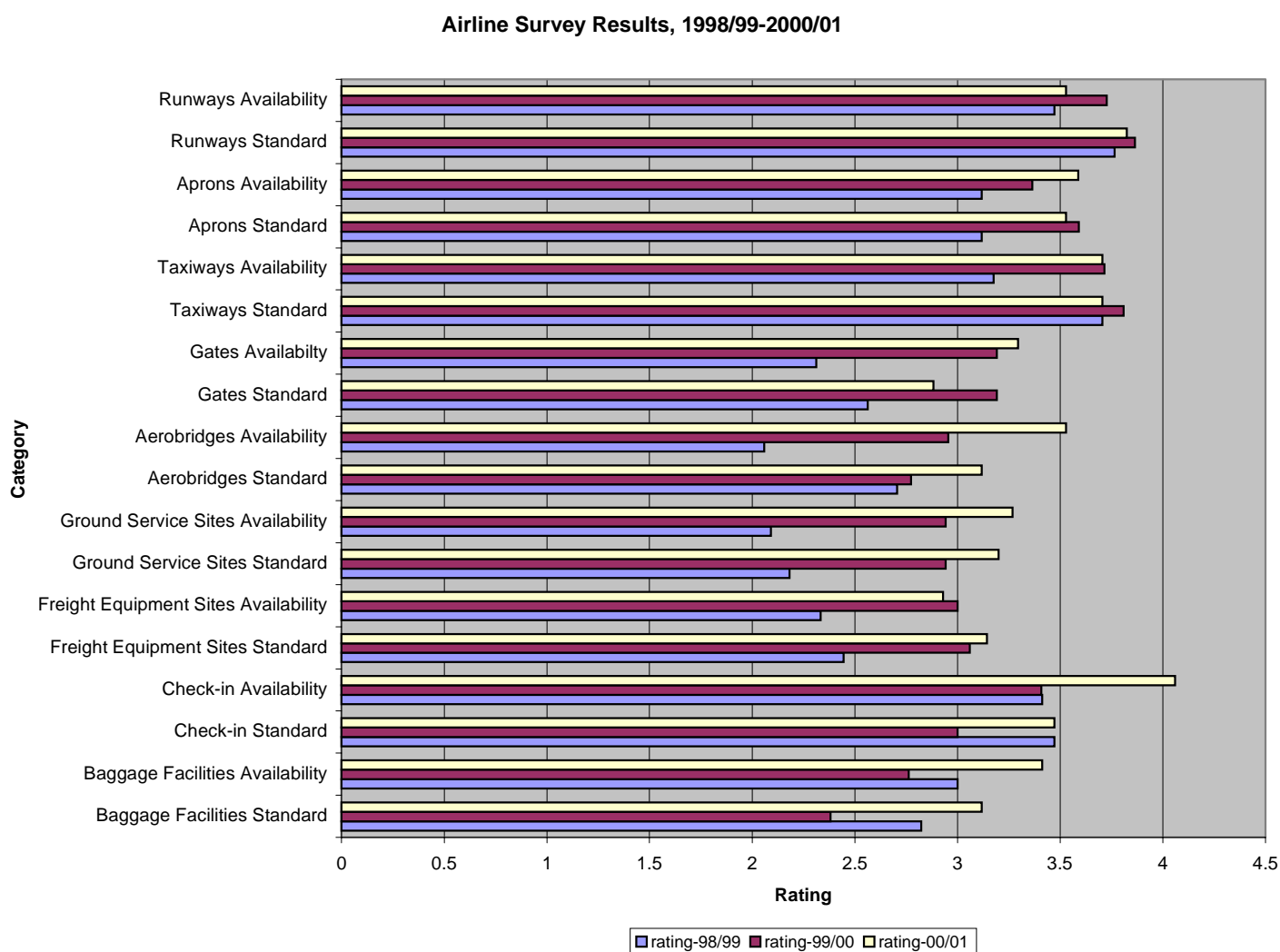


Chart 1: Comparison of Passenger Surveys, 1999/00 and 2000/01



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

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



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

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

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

#### *2000/01*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Gates**

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

#### *2000/01*

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

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

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

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

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

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

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

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

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

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

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

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

*2000/01*

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

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

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

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

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

*1998/99-2000/01*

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

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

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

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

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

*2000/01*

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

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

*1998/99-2000/01*

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

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

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

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

*Aerobridges*

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

*2000/01*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### *2000/01*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### *2000/01*

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

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



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

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

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

*1998/99-2000/01*

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

### ***Security***

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

*2000/01*

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

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

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

*1998/99-2000/01*

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

### ***Gate lounges***

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

*2000/01*

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

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

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

*1998/99-2000/01*

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

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

***Baggage processing facilities and trolleys***

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

*2000/01*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### *2000/01*

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

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

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

#### ***Washrooms***

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

*2000/01*

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

*1998/99-2000/01*

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

### ***Car parking and kerbside access***

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

*2000/01*

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

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

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

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

*1998/99-2000/01*

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

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

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

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

### ***Consultation with airlines***

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

*2000/01*

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

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

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

*1998/99-2000/01*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **4.1 The ACCC's monitoring role**

In May 1998, the Treasurer directed that aeronautically related services be the subject of formal price monitoring pursuant to section 27A of the PS Act. The monitoring covers the costs, revenues and profits of an airport. The rationale for monitoring is that airport operators may exert significant market power in relation to the monitored services at individual airports. As such, the Government considered that these services should be monitored for misuse of any market power the airport operator may have in setting prices.

Aeronautically related services include aircraft refuelling, aircraft maintenance sites and buildings, freight facilities, and car parking. A full list of aeronautically related services is given in the Treasurer's Direction no. 21, available on the ACCC's web site. For a more complete outline of the ACCC's monitoring role, see the publication titled "Economic Regulation of Airports".

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

In exercising its role in this area, the ACCC may investigate particular pricing issues where users have raised concerns and it appears that the airport operator may have taken advantage of its market power.

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

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

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



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

Costs	Aero-Related services 1999-00 Total <sup>(1)</sup>	Aero-Related services 2000-01 Total <sup>(1)</sup>
<b>AERO-RELATED SERVICES</b>	<b>\$'000</b>	<b>\$'000</b>
Refuelling services	806	834
Aircraft maintenance sites & buildings	6,541	7,377
Freight equipment storage sites	69	84
Cargo facility sites & buildings	1,560	1,648
Ground support equipment sites	-	-
Check-in counters and related facilities <sup>(2)</sup>	2,464	3,596
Public car parking and staff parking	16,511	19,085
<b>TOTAL AERO-RELATED COSTS</b>	<b>27,951</b>	<b>32,624</b>

Notes:

1. Costs exclude amortisation of intangibles and interest.
2. At terminals operated by airport-operator companies.
3. For information on cost allocation see the accounts reporting section 3.2.

**Table 2: Monitored services: aero-related revenue for the periods ended 30 June 2000 and 30 June 2001**

Description	Basis of Charge(s)	Revenue \$'000	Revenue \$'000
		1999-00	2000-01
<b>AERO-RELATED SERVICES</b>			
Refuelling services	\$ per square metre	1,071	1,117
Aircraft maintenance sites & buildings	\$ per square metre	9,353	10,600
Freight equipment storage sites	\$ per square metre	143	169
Cargo facility sites & buildings	\$ per square metre	1,539	1,649
Check-in counters and related facilities (2)	\$ per hour	4,959	6,401
Service desks	\$ per hour	356	772
Public car parking <sup>2</sup>	Various	43,635	46,020
Staff car parking	Various	1,965	2,946
<b>TOTAL AERO-RELATED REVENUE</b>		<b>63,021</b>	<b>69,674</b>

It is important to note that the costs do not include borrowing costs or interest expense. Interest costs were significant, amounting to \$79.4 million for the airport. The ACCC asked that interest costs be excluded because their allocation to services would have involved a degree of subjectivity. However, the ACCC notes that an allocation that recognises a cost of capital would be appropriate in any detailed analysis.

<sup>2</sup> Car Parking Rates: First 30 minutes \$6, 31-60 mins \$11, 1 – 2 hours \$16, 2 – 3 hours \$18, 3 – 4 hours \$20, 4 – 5 hours \$26, 5 – 6 hours \$28, 6-7 hours \$30 and 7-24 hours \$34. Long stay car park: first 2 days \$34 per day, everyday thereafter \$13 per day.

## Appendix 1: Outline of quality of service indicators

The regulations to the Airports Act specify performance indicators to be used in quality of service monitoring. These cover a range of services and infrastructure for which the airport operator has some, or complete influence over. An outline of the indicators and the source of data for each are given in Table 3 below.

**Table 3: Quality of service indicators**

<b>Service/ Infrastructure</b>	<b>Type of indicator</b>	<b>Source of data</b>
Runways, apron , taxiway system	<ul style="list-style-type: none"> <li>• Average aircraft movements in 30/60 busiest half-hours per month.</li> <li>• Various delay indicators.</li> <li>• Airlines and Airservices Australia questionnaire regarding adequacy of facilities.</li> </ul>	Airservices Australia;  Airservices Australia;  Survey of airlines
Gates	<ul style="list-style-type: none"> <li>• Number of aircraft parking bays.</li> <li>• Satisfaction with the standard and availability of facilities.</li> </ul>	Airport operator;  Survey of airlines
Ground service equipment	<ul style="list-style-type: none"> <li>• Satisfaction with the standard and availability of facilities.</li> </ul>	Survey of airlines
Freight facilities	<ul style="list-style-type: none"> <li>• Satisfaction with the standard and availability of facilities.</li> </ul>	Survey of airlines
Aerobridges	<ul style="list-style-type: none"> <li>• Number of aerobridges.</li> <li>• Number and percentage of passengers using aerobridges for boarding and disembarkation.</li> <li>• Satisfaction with the standard and availability of the facilities.</li> </ul>	Airport operator  Airport operator  Survey of airlines
Check-in	<ul style="list-style-type: none"> <li>• Number of desks.</li> <li>• Number of hours when more than 80 per cent of check-in desks are open.</li> <li>• Satisfaction with the standard and availability of facilities.</li> <li>• Satisfaction with waiting time.</li> </ul>	Airport operator  Survey of airlines  Passenger perception survey

<b>Service/ Infrastructure</b>	<b>Type of Indicator</b>	<b>Source</b>
Government inspection	<ul style="list-style-type: none"> <li>• Number of desks.</li> </ul>	Airport operator
Security	<ul style="list-style-type: none"> <li>• Number of clearance systems.</li> <li>• Satisfaction with the system.</li> </ul>	Airport operator Passenger perception survey
Gate lounges	<ul style="list-style-type: none"> <li>• Number of seats in gate lounges.</li> <li>• Satisfaction regarding quality and availability of seating and crowding.</li> </ul>	Airport operator Passenger perception survey
Baggage trolleys	<ul style="list-style-type: none"> <li>• Passenger satisfaction with findability of trolleys.</li> </ul>	Passenger perception survey
Flight information display and signs	<ul style="list-style-type: none"> <li>• Passenger satisfaction with the system.</li> </ul>	Passenger perception survey
Washrooms	<ul style="list-style-type: none"> <li>• Passenger satisfaction with the standard of facilities.</li> </ul>	Passenger perception survey
Car parking	<ul style="list-style-type: none"> <li>• Number of car parking spaces.</li> <li>• Throughput of the car park.</li> <li>• Passenger satisfaction with standard of facilities and availability of spaces and time taken to get into car park.</li> </ul>	Airport operator Airport operator Passenger perception survey
Kerbside access	<ul style="list-style-type: none"> <li>• Passenger satisfaction with space and waiting time for taxis.</li> </ul>	Passenger perception survey

## Appendix 2: Airline survey results

The Commission received surveys from 18 airlines that used Sydney Airport over the 2000/01 year. These airlines were: Qantas, Ansett, Air Vanuatu, Polynesian Airlines, Japan Airlines, Gulf Air, China Eastern, Cathay Pacific, Air Calin, Air Canada, British Airways, Egyptair, United Airlines, Singapore Airlines, Asiana Airlines, Lauda Air, Olympic Airways and Air New Zealand.

Ratings were given with regard to both the availability and standard of facilities. Under availability, the Commission sought from airlines an assessment of the absence of delays in being able to use infrastructure and equipment. Under standard, the Commission sought an assessment of the capability of equipment to perform the functions intended and its reliability.

**Table 4: Responses from airline survey**

Facility	Aspect	Very Poor	Poor	Satisfactory	Good	Excellent
Runways	Availability		1	7	10	
	Standard		1	3	12	2
Aprons	Availability		1	6	10	1
	Standard		1	6	10	1
Taxiways	Availability			6	11	1
	Standard			6	11	1
Gates	Availability	1	1	9	6	1
	Standard	2	4	6	6	
Aerobridges	Availability		1	9	6	2
	Standard	1	4	7	4	2
Ground service equipment storage	Availability		4	5	6	1
	Standard		4	4	6	1
Freight equipment storage sites	Availability	2	2	7	5	
	Standard	2	2	7	4	
Check-in facilities	Availability		1	4	10	3
	Standard		2	6	10	1
Baggage processing facilities	Availability	1	2	6	7	2
	Standard	2	3	5	7	1
Addressing airline concerns			1	9	7	1



### Appendix 3: Static indicators provided by SACL

Airport operators are required to report on the 'static indicators' of an airport for each year. The 'static indicators' as they relate to Sydney Airport are given in Table 5 below, and will be used in future years monitoring reports to assess changes in quality of service.

Table 5: Static indicators as provided by SACL

Indicator	At 30 June	At 30 June	At 30 June
	1999	2000	2001
Number of (international) aircraft parking bays at 30 June 2001	24	39	40
Number of aerobridges at 30 June 2001	8	27	27
Percentage of passengers (embarking) using an aerobridge	80.8%	77.1%	97.3%
Percentage of passengers (disembarking) using an aerobridge	76.2%	74.7%	97.7%
Number of check-in desks	130	192	214
International Passengers/Check-in desks	56,981	41,918	40,760
Number of baggage inspection desks	35	45	62
Number of inbound immigration desks	62	62	62
Number of outbound immigration desks	54	54	54
Number of security clearance systems-international terminal	7	11	11
Number of security clearance systems-domestic express terminal	NA	NA	1
Number of seats in gate lounges-international terminal	2,167	3,169	4,109
International Passengers/Seats in gate lounges	3,418	2,539	2,123
Number of seats in gate lounges-domestic express terminal	NA	NA	441
Capacity of outbound baggage handling equipment (bags per hour)	4,940	7,128	7,128
Capacity of inbound baggage reclaim system (bags per hour)	7,350	11,325	11,325
Number of car park spaces – International	1,364	2,020	2,068
- Domestic	2,763	2,519	2,559
- Long Term Car Park	1,320	1,867	2,692
- Domestic Express	NA	NA	308
Throughput of the car park – International	1,685,585	1,720,975	1,684,095
- Domestic	1,152,527	1,162,890	1,026,970
- Long Term	59,564	70,445	81,046
- Domestic Express	NA	NA	93,744

## Appendix 4: Sydney Airports Corporation Limited accounts summary

Profit and loss account for the period ended 30 June 2001<sup>3</sup>

Description	Audited financial statements	Aero services	Non-Aero services
<i>Description</i>	\$'000	\$'000	\$'000
<b>Revenue</b>			
Aeronautical revenue	152,622	152,622	
Non-Aeronautical revenue	221,330		221,330
Interest and dividend revenue	3,649	189	80
<b>Total Revenue</b>	<b>377,601</b>	<b>152,811</b>	<b>221,410</b>
<b>Expenditure</b>			
Salaries and wages	48,913	32,153	16,760
Depreciation	95,450	66,060	29,390
Services and utilities	40,915	25,455	15,460
Property Maintenance	16,618	11,957	4,661
Australian Protective Service costs	8,030	8,030	-
Other costs	36,666	18,055	18,611
<b>Total Expenditure</b>	<b>246,592</b>	<b>161,710</b>	<b>84,882</b>
<b>Operating Profit/(Loss)</b>	<b>131,009</b>	<b>(8,899)</b>	<b>136,528</b>
Abnormal items	-	-	-
<b>Earnings Before borrowing costs and Tax</b>	<b>131,009</b>	<b>(8,899)</b>	<b>136,528</b>
Borrowing Costs	79,405		
<b>Operating profit before tax</b>	<b>51,604</b>		
Tax charge	28,761		
<b>Operating profit after tax</b>	<b>22,843</b>		
Transfer from asset revaluation reserve	51,600		
Dividends paid or provided	(110,475)		
Decrease in Retained Earnings	(36,032)		
<b>Retained Earnings</b>	<b>-</b>		

\* Note: costs do not include amortisation of intangible assets or borrowing costs.

<sup>3</sup> The Commission did not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.

**Profit and loss account for the period ended 30 June 2000<sup>4</sup>**

Description	Audited financial statements	Aero services	Non-Aero services
<i>Description</i>	1999-00 \$'000	1999-00 \$'000	1999-00 \$'000
<b>Revenue</b>			
Aeronautical revenue	120,052	120,052	
Non-Aeronautical revenue	190,001		190,001
Other	2,649		
<b>Total Revenue</b>	<b>312,702</b>	<b>120,052</b>	<b>190,001</b>
<b>Expenditure</b>			
Salaries and wages	37,293	27,712	9,581
Depreciation	70,203	46,654	23,549
Services and utilities	29,022	14,871	14,151
Property Maintenance	17,268	13,031	4,237
Australian Protective Service costs	6,515	6,515	0
Other costs	32,242	17,220	15,022
<b>Total Expenditure</b>	<b>192,543</b>	<b>126,003</b>	<b>66,540</b>
<b>Operating Profit/(Loss)</b>	<b>120,159</b>	<b>(5,951)</b>	<b>123,461</b>
Abnormal items	-	-	-
<b>Earnings Before borrowing costs and Tax</b>	<b>120,159</b>	<b>(5,951)</b>	<b>123,461</b>
Net borrowing Costs	57,463		
<b>Operating profit before income tax</b>	<b>62,696</b>		
Income tax	19,854		
<b>Operating profit after income tax</b>	<b>42,842</b>		
Dividends paid or provided	25,744		
<b>Increase to Retained Earnings</b>	<b>17,098</b>		
<b>Total revenue including interest income</b>	<b>313,992</b>		

\* Note: costs do not include amortisation of intangible assets or borrowing costs.

<sup>4</sup> The Commission did not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.



**Balance sheet as at 30 June 2001**

Description	Audited financial statements	Aero services	Non-Aero services
	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>			
Cash	6,706		
Receivables	34,507	28,851	5,127
Inventories	-		
Accrued revenue	9,578	857	8,721
Other	3,999		
<b>Total current assets</b>	<b>54,790</b>		
<b>NON-CURRENT ASSETS</b>			
Receivables	-		
Investments	127		
Property, plant & equipment	3,160,660	1,625,504	1,535,156
Work in progress	16,553		
Other	8,623		
<b>Total non-current assets</b>	<b>3,185,963</b>		
<b>TOTAL ASSETS</b>	<b>3,240,753</b>		
<b>CURRENT LIABILITIES</b>			
Accounts payable	58,566		
Borrowings	861,462		
Provisions	59,081	5,091	2,654
<b>Total current liabilities</b>	<b>979,109</b>		
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	400,000		
Provisions	27,480	636	332
<b>Total non-current liabilities</b>	<b>427,480</b>		
<b>TOTAL LIABILITIES</b>	<b>1,406,589</b>		
<b>NET ASSETS/(LIABILITIES)</b>	<b>1,834,164</b>		
<b>SHAREHOLDER'S EQUITY</b>			
Share capital	794,000		
Reserves	1,040,164	274,340	765,824
Retained profits	-		
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>1,834,164</b>		
Accumulated profit/loss at the start of the year	36,032		
<b>Movements:</b>			
Profit/loss for the year	22,843		
Transfer from asset revaluation reserve	51,600		
Dividends provided or paid	(110,475)		
Accumulated profit/loss at the end of the year	-		

## Balance sheet for the period ended 30 June 2000

Description	Audited financial statements	Aero services	Non-Aero services
	1999-00 \$'000	1999-00 \$'000	1999-00 \$'000
<b>CURRENT ASSETS</b>			
Cash	7,382		
Receivables	23,266	9,360	7,808
Inventories	-		
Accrued revenue	7,757	96	7,661
Other	7,705		
<b>Total current assets</b>	<b>46,110</b>		
<b>NON-CURRENT ASSETS</b>			
Receivables	10,000		
Investments	34,190		
Property, plant & equipment	3,061,503	1,574,081	1,487,422
Work in progress	90,357		
Other	8,841		
<b>Total non-current assets</b>	<b>3,204,891</b>		
<b>TOTAL ASSETS</b>	<b>3,251,001</b>		
<b>CURRENT LIABILITIES</b>			
Accounts payable	68,961		
Borrowings	9,000		
Provisions	24,346	4,813	1,665
<b>Total current liabilities</b>	<b>102,307</b>		
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	1,216,000		
Provisions	14,873	684	236
<b>Total non-current liabilities</b>	<b>1,230,873</b>		
<b>TOTAL LIABILITIES</b>	<b>1,333,180</b>		
<b>NET ASSETS/(LIABILITIES)</b>	<b>1,917,821</b>		
<b>SHAREHOLDER'S EQUITY</b>			
Share capital	794,000		
Reserves	1,087,789	274,340	813,449
Retained profits	36,032		
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>1,917,821</b>		
Retained profits at the start of the year	18,934		
<b>Movements:</b>			
Profit for the year	17,098		
Retained profits at the end of the year	36,032		

## Cash Flow Statement for the periods ending 30 June 2001 &amp; 30 June 2000

	Audited Financial Statements 1999-00	Audited Financial Statements 2000-01
	\$'000	\$'000
Cash flows from operating activities		
Inflows:		
<b>Receipts from customers</b>	<b>309,945</b>	<b>403,571</b>
<b>Interest received</b>	<b>1,290</b>	<b>1,131</b>
<b>Dividends received</b>	<b>755</b>	<b>364</b>
Outflows:		
<b>Payments to suppliers and employees</b>	<b>(126,504)</b>	<b>(170,005)</b>
<b>Borrowing costs paid</b>	<b>(50,921)</b>	<b>(82,539)</b>
<b>Income tax paid</b>	<b>(47,193)</b>	<b>(22,865)</b>
<b>Goods and Services tax paid</b>	<b>-</b>	<b>(21,660)</b>
Net cash flows provided from operating activities	87,372	107,997
Cash flows applied to investing activities		
Inflows:		
<b>Proceeds from short term deposits</b>	<b>13,955</b>	<b>-</b>
<b>Proceeds from sale of property, plant and equipment</b>	<b>194</b>	<b>269</b>
<b>Liquidation of investments in subsidiaries</b>	<b>628</b>	<b>2,527</b>
<b>Advances to related parties</b>	<b>1,089</b>	<b>-</b>
<b>Other</b>	<b>-</b>	<b>-</b>
Outflows:		
<b>Acquisition of property, plant and equipment</b>	<b>(382,605)</b>	<b>(124,218)</b>
<b>Advances to related parties</b>	<b>-</b>	<b>(146)</b>
<b>Capitalised borrowing costs</b>	<b>(11,667)</b>	<b>(2,628)</b>
Net cash flows from investing activities	(378,406)	(124,196)
Cash flows from financing activities		
Inflows:		
<b>Proceeds from borrowings</b>	<b>375,000</b>	<b>45,462</b>
Outflows:		
<b>Repayment of borrowings – bank loans</b>	<b>(49,000)</b>	<b>(9,000)</b>
<b>Dividends paid</b>	<b>(29,571)</b>	<b>(20,939)</b>
Net cash flows provided from financing activities	296,429	15,523
<b>Net Increase/(Decrease) in cash held</b>	<b>5,395</b>	<b>(676)</b>
<b>Add opening cash brought forward</b>	<b>1,987</b>	<b>7,382</b>
Closing Cash	7,382	6,706

## ***Sydney Airports Corporation Limited regulatory accounts***

### ***Significant Accounting Policies***

This special purpose financial report has been prepared in accordance with the requirements of the Regulatory Information Requirements under Part 7 of the Airports Act 1996 and Sections 21 and 27A of the Prices Surveillance Act 1983 – Guideline Version No. 2 – September 1998, for Sydney Airport.

The financial report has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

The financial statements have been prepared on a going concern basis. Borrowing facilities maturing in March 2002 were re-classified from non-current to current liabilities during the financial year. Negotiations for renewing the facilities have not been concluded, pending completion of the sale process and change in SACL's ownership.

The ability of SACL to pay its debts as and when they fall due depends on the renewal and/or refinancing of the current facilities which is expected to occur as part of the sale process now in progress. If the sale does not proceed prior to March 2002, the directors have a reasonable expectation that SACL's current financial projections and financial standing will enable the renewal or extension of credit facilities. Accordingly, the directors are satisfied that the going concern basis adopted for the preparation of this financial report is appropriate.

#### ***Subsequent events***

- a. Included in current assets are debts due from Ansett of \$9.2m less provision of \$0.7m of which at 21 September 2001, \$2.6m was still outstanding. The recoverability of these amounts and any further amount due from trading with Ansett is dependent on the outcome of the administration of Ansett.
- b. The attacks on the World Trade Centre on 11 September 2001 have brought about disruption in world travel and economic markets. The impact of this disruption on SACL's operations, insurances, asset values and the recoverability of amounts owed to SACL cannot readily be determined.

#### ***Changes in accounting policies***

The accounting policies adopted are consistent with those of the previous financial year, except for the accounting policy with respect to revaluation of non-current assets.

SACL has adopted the revised Accounting Standards AASB 1041 "Revaluation of Non-Current Assets" and AASB 1010 "Recoverable Amount of Non-Current Assets. Under the transitional provisions of these standards, the directors have made the following elections:

- Property, plant and equipment, previously carried at revalued amount, will be measured at their deemed cost, being the carrying value of these assets at 1 July 2000;
- Investments in controlled entities, which were previously measured at cost, will be carried at their fair value; and
- Other classes of non-current assets will continue to be carried at cost.

#### ***Revenue recognition***

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. Revenue principally comprises:

##### ***Aeronautical revenue***

Aeronautical revenue is recognised based on aircraft runway movements (take-off or landing) at the invoiced amount of runway charges based on the maximum take off weight of aircraft for fixed wing aircraft.

Aeronautical revenue in relation to rotary wing aircraft is recognised on a charge per landing based on maximum take off weight of the aircraft.

Aeronautical revenue also includes domestic common user passenger terminal and international terminal use charges which are based on the number of arriving and departing passengers and time-based aircraft parking charges.

Aeronautical security recovery revenue includes charges for the recovery of counter terrorist first response costs which are charged per landing and are based on the maximum take off weight of aircraft over a certain size. It also includes international passenger and checked baggage screening charges levied per departure and based on the maximum take off weight of aircraft.

Also recognised as Aeronautical revenue in this financial report are: check-in counter revenue; domestic terminal infrastructure charges; and parking infringement notices, being reimbursement of costs for administering parking infringements on behalf of the Commonwealth Government; and, any proceeds of sale in relation to aeronautical assets.

#### *Non-Aeronautical revenue*

Non-Aeronautical revenue represents the following classes of revenue:

##### *Retail revenue*

Retail revenue comprises rental due from tenants whose activities include: duty free; food and beverage; other retail; banking and currency; and advertising.

##### *Property revenue*

Property revenue is recognised on the invoiced amount of rent due from airport property, including terminals, buildings and other leased areas.

##### *Commercial trading revenue*

Commercial trading revenue comprises time-based charges from public and staff car parking and concession charges from car rental.

##### *Asset sales*

Asset sales revenue in relation to non-aeronautical assets, is recorded as the proceeds from sale. The profit on sale is recognised as the difference between the proceeds and the carrying value of the assets sold, net of selling costs. Asset sales revenue is recorded at the date proceeds from the sale are receivable.

#### ***Income Tax***

Tax effect accounting principles are observed whereby income tax expense for the period is matched with the pre-tax result adjusted for permanent differences. The account "Provision for deferred income tax" records the income tax effect of items, which will cause taxable income to be higher than book profits in the future. "Future income tax benefits" records the income tax effect of items, which cause taxable income to be lower than book profits in the future.

Where assets are revalued no provision for potential capital gains has been made until disposal of the asset.

The deferred tax balances have been adjusted for the decreased corporate tax rate of 34% for the year ended 30 June 2001 and 30% thereafter. The corresponding adjustment has been charged to income tax expense.

#### ***Cash***

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

#### ***Receivables***

Trade receivables are recorded at amounts due less any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Credit sales are on 30-day terms.

### ***Investments***

Investments in controlled entities are measured on a fair value basis. Other non-current investments are valued at the lower of cost and recoverable amount. Dividend income is taken into profit once the receipt of revenue is controlled.

### ***Property, plant and equipment***

#### *Carrying value*

The cost of non-current assets constructed includes all direct costs incurred. These costs include materials, labour, borrowing costs, and other directly related expenditure, including costs associated with dispute resolution.

Property, plant and equipment which were previously revalued are stated at deemed cost as described above.

#### *Depreciation and amortisation*

Property, plant and equipment assets are depreciated on a straight-line basis at various rates being the shorter of the average useful life for that asset type and the remaining period of the lease. Leasehold improvements are amortised over the remaining period of the lease or estimated useful life whichever is the shorter, using the straight-line method.

The original estimated useful lives of each class of asset are:

Leasehold land	term of the lease
Leasehold buildings	5-60 years
Runways, taxiways and aprons	2-99 years
Other infrastructure	9-40 years
Operational plant and equipment	14-20 years
Other plant and equipment	1-20 years

### ***Assets acquired***

Assets acquired are recorded at the cost of the acquisition, being the purchase consideration plus costs incidental to the acquisition.

### ***Recoverable amount***

Where the carrying value of non-current assets exceeds their recoverable amount, the assets are written down to their recoverable amount. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market-determined risk-adjusted discount rate.

### ***Maintenance***

Major periodic maintenance expenditure on runways, taxiways and aprons is capitalised and written off over the period between major repairs. This recognises that major maintenance will increase the value of the asset and apportion the cost over the period of related benefit. Other maintenance costs are expensed as incurred.

### ***Borrowing costs***

Establishment costs are amortised on a straight-line basis over the term of the applicable borrowings.

Borrowing costs comprise interest and the amortisation of costs incurred in establishing borrowing facilities.

Where borrowings are specifically incurred in relation to qualifying assets, the actual borrowing costs are capitalised to those assets. Where borrowings are not specifically incurred in relation to qualifying assets the capitalisation rate is determined as the proportion of the total borrowing costs which relate to the capital

development. Borrowing costs are capitalised up to the date when the asset is substantially complete and ready for use and are subsequently amortised over the useful life of the asset.

### ***Employee entitlements***

In respect of Sydney Airports defined benefits superannuation plans, any contributions made to the superannuation funds by the company are charged against profits when due.

Provision is made for employee benefits and related on costs accumulated as a result of employees rendering services up to balance date. The benefits include wages and salaries, incentives, annual leave, and long service leave. Provisions made in respect of employee entitlements expected to be settled within 12 months are measured at their nominal values and those not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows. In determining the present value of future cash outflows, the interest rates attached to government guaranteed securities, which have terms to maturity approximating the terms of the related liability are used.

Provision for executives' incentives is made when the outflow of economic benefits is probable and the amount can be measured reliably. Incentives are included in the executives' and directors' remuneration, as applicable, once these benefits have vested with the employee.

### **Foreign currencies**

Transactions in foreign currencies are converted to local currency at the rate of exchange ruling at the date of the transaction. Amounts payable to and by SACL that are outstanding at the balance date and are denominated in foreign currencies have been converted to local currency using the rates of exchange ruling at the end of the financial year. Resulting exchange gains and losses are included in the operating result for the financial year.

### ***Liabilities***

Amounts payable to other parties are recorded at the principal amount. Trade payables are normally settled within 30 days. Settlement terms for other liabilities are set out in the respective notes.

### ***Dividends payable***

Dividends payable are recorded when declared.

### ***Derivative financial instruments***

Derivative financial instruments, predominantly interest rate swaps and forward foreign exchange contracts, are transacted to manage financial risk. Speculative trading is specifically prohibited by policy.

Interest income and expense incurred under interest rate swap contracts is recognised in the statement of financial performance on the same basis as the interest on the underlying financial liabilities. The carrying amounts of interest rate swaps, being a net interest receivable or payable, are accrued and included in the assets or liabilities respectively.

Gains and losses on other derivative instruments are accounted for on the same basis as the underlying exposures that are being hedged. Accordingly, these gains and losses are brought to account when the gains and losses arising on the underlying exposures are recognised in the statement of financial performance.

### ***Contributed equity***

Ordinary share capital is recognised at the fair value of the consideration received by SACL.

### ***Fair value***

Fair values are determined by reference to purchasing prices in appropriate markets at the time of valuation.

### ***Comparatives***

Comparative information is not required under the Regulatory Information Requirements Part 7 of the Airports Act 1996 and Sections 21 and 27A of the Prices Surveillance Act 1983 – Guideline Version No.2 – September 1998 for Sydney Airport.

## Appendix 5: Sydney Airport operational statistics

### Operational statistics for the years ended 30 June 2000 and 30 June 2001

Description	Number		
	1998-99	1999-00	2000-01
<b>PASSENGERS</b>			
Domestic passengers (includes regional)	14,162,607	15,405,739	17,304,786
International passengers (excluding transit)	7,407,506	8,048,190	8,722,667
International transit passengers	577,686	517,080	487,536
Domestic on-carriage	306,069	346,522	409,050
<b>TOTAL PASSENGERS</b>	<b>22,453,868</b>	<b>24,317,531</b>	<b>26,924,039</b>
<b>AIRCRAFT MOVEMENTS</b>			
Regular Public Transport aircraft movements	254,323	262,171	290,492
General Aviation aircraft movements	26,978	30,939	26,847
<b>TOTAL AIRCRAFT MOVEMENTS</b>	<b>281,301</b>	<b>293,110</b>	<b>317,339</b>
<b>TOTAL TONNES LANDED</b>	<b>12,466</b>	<b>12,925</b>	<b>13,892</b>
<b>AVERAGE STAFF EQUIVALENTS</b>			
- Aeronautical services	338	352	346
- Non-aeronautical services	89	122	136
<b>TOTAL AVERAGE STAFF EQUIVALENTS</b>	<b>427</b>	<b>474</b>	<b>482</b>
<b>AREA (HECTARES)</b>			
- Aeronautical services	718.6	669.37	669.37
- Non-aeronautical services	167.9	216.68	228.68
<b>TOTAL AREA (HECTARES)</b>	<b>886.5</b>	<b>886.05</b>	<b>898.05</b>