



Australian  
Competition &  
Consumer  
Commission

# Airport monitoring report for price monitored airports

## Quality of service, price monitoring and financial reporting

Adelaide  
Brisbane  
Canberra  
Darwin  
Melbourne  
Perth  
Sydney



2006–07



Australian  
Competition &  
Consumer  
Commission

# Airport monitoring report for price-monitored airports

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2006–07

March 2008

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## Snapshot 2006–07

- Passenger numbers increased at all airports for the fourth consecutive year, most notably at Darwin and Perth.
- Average prices for aeronautical services<sup>1</sup> increased at all airports, most notably at Adelaide and Darwin airports. Adelaide's increase was primarily the result of the first full year effect of the passenger facilitation charge (PFC) that was introduced at commencement of operations at the new terminal during the 2005–06.<sup>2</sup>
- The average cost<sup>3</sup> incurred by airports in providing aeronautical services increased at all airports except Brisbane and Perth. Average costs increased significantly at Canberra, predominantly because of an increase in wages and salaries expenses.
- Most airports reported increased profitability<sup>4</sup> of providing aeronautical services. Margins decreased at Canberra airport as a result of operating expenses increasing at a faster rate than aeronautical revenue.
- Most airports reported increased average prices for 'aeronautical-related' services (which are predominantly car-parking and check-in counters), with the more significant increases being at Adelaide and Darwin. However, the margins earned on these services varied across airports.
- Adelaide and Brisbane rated most highly for overall quality of service. The rise in ranking of Adelaide from lowest overall in 2004–05 reflects the commencement of operations at the new terminal during 2005–06.
- All airports invested in assets that provide aeronautical services.

## Percentage change in key indicators for all airports

	Passengers		Total aeronautical revenue		Aeronautical operating revenue per passenger (adjusted) <sup>5</sup>		Aeronautical operating expenses per passenger	
	2006–07	Since 2001–02	2006–07	Since 2001–02	2006–07	Since 2001–02	2006–07	Since 2001–02
Adelaide	8.3%	51%	57%	512%	55%	306%	4.8%	74%
Brisbane	8.7%	45%	11%	134%	1.8%	62%	-7.5%	6.1%
Canberra	5.3%	47%	14%	100%	7.9%	35%	40%	35%
Darwin	15%	52%	36%	221%	19%	111%	14%	35%
Melbourne	5.0%	36%	11%	143%	3.8%	44%	5.7%	10%
Perth	13%	67%	15%	220%	0.9%	75%	-0.6%	27%
Sydney	6.2%	29%	12%	64%	5.5%	27%	2.0%	-5.6%

1 Measured as indicative aeronautical charges for aircraft movement and passenger processing facilities and activities.

2 As a result of the introduction of the PFC, Adelaide airport's aeronautical revenue now includes those revenues previously received under airline domestic terminal leases (DTL) which were previously classified as non-aeronautical. See section 3.1.2 of this report.

3 Measured as aeronautical operating costs on a per passenger basis.

4 Measured as aeronautical operating margins per passenger and as returns on assets.

5 Care should be taken when comparing airports on the above measure because, for example, certain estimates include domestic terminal revenue and others do not. Canberra's results do not include terminal services. The emphasis in preparing this chart has been to ensure a consistent series for each airport over time. In addition, relying on clause 3 in direction 27, reported aeronautical revenue for Perth, Brisbane and Sydney exclude revenue from fuel throughput services and is therefore understated.



# Contents

Snapshot 2006–07	iii
Glossary	ix
Summary	xi
<b>I. Introduction</b>	<b>I</b>
1.1. Background	1
1.2. Services provided by airports	4
1.3. The basis of charging for airport services	6
1.4. Approach to preparing this report	7
<b>2. Airport comparison</b>	<b>17</b>
2.1. Prices monitoring results	17
2.1.1. Activity	17
2.1.2. Prices	18
2.1.3. Revenues, costs and profits	20
2.2. Quality of service results	29
2.2.1. Overall airport average ratings	29
2.2.2. Average ratings for availability of airport facilities	31
2.2.3. Average ratings for standard of airport facilities	32
2.2.4. Average international terminal services ratings	33
2.2.5. Average domestic terminal services ratings	34
2.2.6. Average airside services ratings	35
2.2.7. Runway traffic—demand and delays	36
<b>3. Adelaide airport</b>	<b>37</b>
3.1. Adelaide airport price monitoring results	37
3.1.1. Activity	37
3.1.2. Prices	39
3.1.3. Revenues, costs and profits	42
3.2. Adelaide airport quality of service results	54
3.2.1. International services	54
3.2.2. Domestic services	61
3.2.3. Airport services	67

4.	Brisbane airport	71
4.1.	Brisbane airport price monitoring results	71
4.1.1.	<b>Activity</b>	71
4.1.2.	<b>Prices</b>	72
4.1.3.	<b>Revenues, costs and profits</b>	74
4.2.	Brisbane airport quality of service results	86
4.2.1.	<b>International services</b>	86
4.2.2.	<b>Domestic services</b>	94
4.2.3.	<b>Airport services</b>	100
5.	Canberra airport	103
5.1.	Canberra airport price monitoring results	103
5.1.1.	<b>Activity</b>	103
5.1.2.	<b>Prices</b>	104
5.1.3.	<b>Revenues, costs and profits</b>	106
5.2.	Canberra airport quality of service results	118
5.2.1.	<b>International services</b>	119
5.2.2.	<b>Domestic services</b>	120
5.2.3.	<b>Airport services</b>	122
6.	Darwin airport	125
6.1.	Darwin airport price monitoring results	125
6.1.1.	<b>Activity</b>	125
6.1.2.	<b>Prices</b>	126
6.1.3.	<b>Revenues, costs and profits</b>	128
6.2.	Darwin airport quality of service results	
6.2.1.	<b>International services</b>	139
6.2.2.	<b>Domestic services</b>	144
6.2.3.	<b>Airport services</b>	148
7.	Melbourne airport	151
7.1.	Melbourne airport price monitoring results	
7.1.1.	<b>Activity</b>	151
7.1.2.	<b>Prices</b>	152
7.1.3.	<b>Revenues, costs and profits</b>	154
7.2.	Melbourne airport quality of service results	166
7.2.1.	<b>International services</b>	166
7.2.2.	<b>Domestic services</b>	173
7.2.3.	<b>Airport services</b>	179

8.	Perth airport	183
8.1.	Perth airport price monitoring results	183
8.1.1.	<b>Activity</b>	<b>183</b>
8.1.2.	<b>Prices</b>	<b>184</b>
8.1.3.	<b>Revenues, costs and profits</b>	<b>187</b>
8.2.	Perth airport quality of service results	199
8.2.1.	<b>International services</b>	<b>199</b>
8.2.2.	<b>Domestic services</b>	<b>207</b>
8.2.3.	<b>Airport services</b>	<b>214</b>
9.	Sydney airport	217
9.1.	Sydney airport price monitoring results	
9.1.1.	<b>Activity</b>	<b>217</b>
9.1.2.	<b>Prices</b>	<b>218</b>
9.1.3.	<b>Revenues, costs and profits</b>	<b>222</b>
9.2.	Sydney airport quality of service results	234
9.2.1.	<b>International services</b>	<b>234</b>
9.2.2.	<b>Domestic services</b>	<b>243</b>
9.2.3.	<b>Airport services</b>	<b>250</b>
I	Price monitoring and financial reporting appendix	253
I.1.	Airport regulatory accounts	253
I.2.	Airport operational statistics	345
I.3.	Airport car-parking charges	352
2.	Quality of service appendix	362
2.1.	Indicators of airport quality of service	362
2.2.	Base data for objective indicators	366
	<b>Contacts</b>	<b>401</b>





## Glossary

AAL	Adelaide Airport Limited
AASB	Australian Accounting Standards Board
AASB1	Australian Accounting Standard (first-time adoption of AIFRS)
ACCC	Australian Competition and Consumer Commission
ACI	Airports Council International
ACS	Australian Customs Service
AGAAP	Australian Generally Accepted Accounting Principles
AIFRS	Australian equivalents to International Financial Reporting Standards
APS	Australian Protective Service
AQIS	Australian Quarantine and Inspection Service
ASQ	airport service quality
availability	Describes the capacity of an airport's service or facilities or the ability to provide services or facilities. An assessment of <b>availability</b> gives an indication of whether Airport Operators are undertaking capacity-enhancing investment.
BARA	Board of Airline Representatives of Australia
CBS	checked-bag screening
CTFR	Counter Terrorism First Response
CPI	consumer price index
DOTARS	formerly Department of Transport and Regional Services, now Department of Infrastructure, Transport, Regional Development and Local Government
DTL	domestic terminal lease
FID	flight information display
EBITA	earnings before interest, tax and amortisation
EBITDA	earnings before interest, tax, depreciation and amortisation
GST	goods and services tax
IATA	International Air Transport Association
IASB	International Accounting Standards Board
LAGs	liquids, aerosols and gels
MTOW	maximum take-off weight
OAC	operationally agreed capacity
PC	Productivity Commission
PFC	passenger facilitation charges
phase I airports	airports privatised in 1997—Brisbane, Melbourne and Perth
phase II airports	airports privatised in 1998—Adelaide, Canberra and Darwin (of the price-monitored airports)

price-monitored airports	Adelaide, Brisbane, Canberra, Darwin, Melbourne, Perth and Sydney airports
RPT	regular public transport
standard	Describes the physical condition of an airport's service or facilities. An assessment of <b>standard</b> gives an indication of whether services or facilities meet the <b>standard</b> requirements of users.
STAR	state of the art
T1	multi-user integrated terminal (Adelaide airport)

# Summary

This report provides the results of the Australian Competition and Consumer Commission's monitoring of prices and quality of aeronautical services at Adelaide, Brisbane, Canberra, Darwin, Melbourne, Perth and Sydney airports. The report has been prepared based on information supplied by the airports under the provisions of Parts 7 and 8 of the *Airports Act 1996* and direction 27 made under s. 95ZF of the *Trade Practices Act 1974*.

In 2006–07, the overall results show that, for the airports' aeronautical activities, a combination of increased demand and increased charges has contributed to increased profitability. Passenger numbers continued to grow during the year. Aeronautical revenue per passenger (as a proxy for prices) also increased at all airports. Increased passenger numbers, combined with increased revenue per passenger, resulted in increases in total aeronautical revenue of between 11 and 57 per cent. Aeronautical operating expenses per passenger increased at most airports but not to the same extent as revenues, leading to increases in the operating margin per passenger at most airports. Returns on assets used to provide aeronautical services increased at all airports except Canberra and Sydney.

Significant results identified in this year's report include increases in aeronautical revenue at both Adelaide and Darwin. At Adelaide airport the increase was primarily the result of the first full-year effect of the passenger facilitation charge (PFC) introduced at beginning of operations at the new terminal during 2005–06. As a result Adelaide airport's aeronautical revenue now includes those revenues previously received under airline domestic terminal lease (DTL), which other airports typically classify as non-aeronautical. At Darwin airport, the revenue increase resulted from further increases in the PFC and a large increase in passenger numbers.

In 2006–07, Adelaide and Brisbane rated most highly for overall quality of service. On a scale ranging from very poor to excellent, the overall rating of the quality of services provided by the seven airports has ranged from satisfactory to good over the five-year period from 2002–03 to 2006–2007.

## Key findings

Passenger numbers continued to increase strongly in 2006–07, with increases ranging from 5 per cent at Melbourne to 15 per cent at Darwin. This continues the trend of increases since 1997–98, which was only interrupted by a fall in traffic in 2001–02.

## Price monitoring

### Aeronautical services

- In 2006–07 average aeronautical revenue per passenger (including landing charges and passenger processing charges) increased at all airports. The measure increased by 0.9 per cent at Perth, 1.8 per cent at Brisbane, 3.8 per cent at Melbourne, 5.5 per cent at Sydney, 7.9 per cent at Canberra, 19 per cent at Darwin and 55 per cent at Adelaide. Adelaide commenced the construction of a new airport terminal (T1) in November 2003 that was officially opened in October 2005, at a total cost of \$260 million.<sup>6</sup> Adelaide's increase in average aeronautical revenue per passenger is primarily the result of the first full-year effect of the introduction of a PFC on the beginning of operations at the new T1 during 2005–06. As a result, Adelaide airport's aeronautical revenue now includes those revenues previously received under airline DTL's, which other airports typically classify as non-aeronautical.
- In 2006–07 increases in average aeronautical revenue per passenger excluding security ranged between 2.3 per cent at Canberra and 22 per cent and 57 per cent at Darwin and Adelaide respectively. Security revenue per passenger as a proportion of aeronautical revenue per passenger was between 8.6 per cent at Melbourne and 16 per cent at Brisbane and Sydney.

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6 The \$260 million reflects total construction cost over the period November 2003 to October 2005 (see [www.aal.com.au/media](http://www.aal.com.au/media), fact sheets).

- Increased passenger numbers and increased average aeronautical revenue resulted in increases in total aeronautical revenue ranging from 11 per cent at Melbourne and Brisbane airports to 36 per cent at Darwin and 57 per cent at Adelaide in 2006–07. Total aeronautical revenue generated by the price-monitored airports increased by 112 per cent to \$830.4 million between 2001–02 and 2006–07. Increases at individual airports over this period ranged from 64 per cent at Sydney to approximately 220 per cent at Perth and Darwin airports and 512 per cent at Adelaide.
- In 2006–07 aeronautical operating expenses per passenger increased at most airports. Changes at six of the airports ranged between a reduction of 7.5 per cent at Brisbane and an increase of 14 per cent at Darwin. However, Canberra reported a 40 per cent increase, primarily the result of a 90 per cent increase in salaries and wages.
- Greater security requirements imposed on airports since 2001 have contributed to increases in aeronautical operating expenses. From 2002–03 to 2006–07 security expenses on a per passenger basis increased at all airports from 4.9 per cent at Melbourne to 182 per cent at Adelaide. In 2006–07 security expenses per passenger as a proportion of aeronautical expenses per passenger decreased at most airports to represent between 7.9 per cent at Canberra and 24 per cent at Adelaide.<sup>7</sup>
- The aeronautical operating margin per passenger (the difference between the average revenue per passenger and the average operating expenses per passenger) continued to increase at most airports in 2006–07; for example, by between 4.2 per cent at Perth, 30 per cent at Brisbane and 128 per cent at Adelaide. The exception was Canberra where operating margin per passenger decreased by 34 per cent. Margins per passenger ranged from \$1.86 at Brisbane to \$8.15 at Darwin.

### Aeronautical-related services

- Average revenue per passenger from aeronautical-related services (including car-parking fees, taxi fees, check-in counter charges and aircraft light and emergency maintenance sites and buildings) increased in 2006–07 at most airports with increases from between 2.2 per cent at Perth and approximately 18 per cent at Darwin and Adelaide, while it decreased by around 1 per cent at Brisbane and Sydney airports. Car-parking revenue contributed between 69 per cent and 92 per cent of aeronautical-related revenue at airports.
- Changes in the operating margin per passenger for aeronautical-related services varied across airports in 2006–07, with increases ranging from 3.1 per cent at Melbourne to 41 per cent at Canberra while decreases ranged from 1.8 per cent at Sydney to 14 per cent at Perth. The margin per passenger ranged from \$0.98 at Adelaide to \$2.40 at Melbourne.

### Rates of return

- In 2006–07 all airports achieved positive earnings before interest, tax and amortisation expenses (EBITA) on average tangible non-current aeronautical assets. Returns increased at most airports, with rates of return ranging from 3.4 per cent at Brisbane to 14 per cent and 15 per cent at Melbourne and Darwin respectively.
- Returns on average tangible non-current assets from all airport services were higher than for aeronautical services alone, with returns in 2006–07 increasing at most airports except Melbourne and Brisbane. Returns on total airport services ranged from 6.4 per cent at Canberra to 32 per cent at Perth.
- The total airport measures have been affected by all airports reporting upwards revaluations of non-aeronautical investment property, which is described as property assets that are held to earn rentals and/or for capital appreciation.

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<sup>7</sup> This follows the Australian Government's decision to meet costs associated with Counter Terrorism First Response (CTFR) measures at major Australian airports from January 2006.

## Quality of service

Over the reported period Brisbane airport has been the highest ranked airport, with an overall rating of good. Melbourne airport's decline in rating halted in 2005–06, remaining stable in 2006–07 following an increase to between satisfactory and good in 2005–06. Sydney airport also recovered slightly in 2006–07, to be rated just below the midpoint between satisfactory and good. Canberra and Darwin have generally rated at the satisfactory level, with Darwin's overall rating decreasing since 2003–04 to be just below satisfactory followed by an increase in 2006–07. Following ratings of satisfactory over the reporting period, Adelaide's overall rating increased significantly to just below good, which appears to follow the opening of the new T1 in 2005–06. In 2006–07 Adelaide airport's overall rating was around the same as Brisbane airport's rating.

### International terminal services

- In 2006–07 Adelaide airport was rated the best international terminal at just below good, up from a low of below satisfactory in 2004–05. Brisbane airport's rating dropped from just below good in 2005–06, with both Brisbane and Perth airports rating at just above the midpoint between satisfactory and good in 2006–07. Sydney and Melbourne airports' international terminals rated between satisfactory and good in 2006–07, with Melbourne airport's rating remaining stable and Sydney airport's rating increasing on 2005–06.
- Darwin airport's rating increased to satisfactory in 2006–07 from between poor and satisfactory in 2005–06 following a decrease from between satisfactory and good in 2004–05. Canberra airport rated between very poor and poor in 2006–07; however, regular public transport (RPT) international services do not operate at the airport and international aircraft are processed on an ad hoc basis.

### Domestic terminal services

- Brisbane airport has been consistently rated as the best domestic terminal over the reporting period although its rating decreased from between good and excellent in 2005–06 to move closer to good in 2006–07. Adelaide airport's domestic terminal ratings increased from a low of below the midpoint between satisfactory and good in 2004–05 to just below good in 2005–06 following the transfer of operations to the new T1. This rating increased further for Adelaide to just above good in 2006–07.
- Sydney airport's rating of domestic terminal services remained stable at just below the midpoint between satisfactory and good in 2006–07. Melbourne airport's rating for this measure increased slightly to between satisfactory and good in 2006–07, as did Canberra airport, up from satisfactory in 2005–06.
- The domestic terminal at Perth airport decreased in its rating to just below good in 2006–07 from just above good in 2005–06, following increases over the remainder of the reporting period from a low of below satisfactory in 2002–03. Conversely, Darwin airport's rating decreased over the reporting period to between poor and satisfactory in 2004–05, but this was followed with a slight increase in 2005–06 and a further increase to just above satisfactory in 2006–07.

### Airside services and runway demand

- Brisbane airport's airside services rated the highest among airports over most of the reporting period, rating as good in 2006–07. Sydney and Darwin maintained their ratings at just above satisfactory, and in 2006–07 Adelaide and Canberra airports' ratings decreased slightly from just above the midpoint between satisfactory and good. Melbourne airport's airside services ratings also decreased in 2006–07, but from a higher base than Adelaide and Canberra airports. In 2006–07 Perth airport had the biggest drop in rating—to just above the level of Sydney and Darwin, which is below the midpoint between satisfactory and good.
- In 2006–07 runway demand at Sydney airport was relatively high compared with agreed operational capacity during the morning peak hour.
- In 2006–07 runway demand at Brisbane and Melbourne airports was generally within agreed operational capacity during the morning peak hour; however, delay times increased at both airports. In general, reported delay times at Brisbane airport were shorter than for Melbourne and Sydney. The average system delay time at Brisbane airport was 3.3 minutes, compared with 5.3 minutes at Melbourne airport and 4.4 minutes at Sydney airport.



# I. Introduction

This report presents the results of the ACCC's price and quality of service monitoring at the seven price-monitored airports—Adelaide, Brisbane, Canberra, Darwin, Melbourne, Perth and Sydney—for the 2006–07 financial year. This report does not provide recommendations on the matters covered. This year, for the first time, the quality of service and the price monitoring and financial reporting documents have been combined in a single report<sup>8</sup> to enable better analysis of the link between quality of service and the pricing and investment cycles.

Section 1 of the report outlines the ACCC's price monitoring and financial reporting, and its quality of service role. This is followed by a discussion of the approach of the ACCC, and then the methodology of the analysis. It also includes an introduction to the 2002 and 2006 Productivity Commission's reviews of price regulation of airport services, as well as the federal government response to the 2006 PC review.

Section 2 compares the performance of the airports on quality of service measures and a number of key price, cost and profitability. Sections 3 to 9 contain specific results for each individual airport. The appendixes contain the airports' base data for the quality of service monitoring, regulatory accounts, operational statistics and details of car-parking charges.

## I.1. Background

The ACCC's regulatory role in airports began in 1997, when the privatisation of Australian airports began. This role was specified in the *Prices Surveillance Act 1983* and the *Airports Act 1996*. The ACCC's role involved administering CPI-X price caps, price monitoring and quality of service monitoring.

Monitored airports<sup>9</sup> are subject to the financial accounts reporting provisions of Part 7 of the Airports Act, under which these airports are required to provide the ACCC with annual financial accounts.

Although the quality of service report was originally introduced as an input and complement to price regulation<sup>10</sup>, quality of service monitoring is now considered an important complement to price monitoring. Quality of service monitoring provides an incentive (in addition to commercial incentives) to airports to maintain appropriate service standards and adds a level of transparency and comparability between airports that would not otherwise exist.

### I.1.1. 2002 PC price regulation of airport services report

In 2001 the Productivity Commission inquired into price regulation of airport services.<sup>11</sup> In particular, the PC recommended that price notification and price caps under the Prices Surveillance Act be discontinued for all airports (with the exception of regional air services at Sydney airport). Additionally, the PC recommended that price monitoring for Adelaide, Brisbane, Canberra, Darwin, Melbourne, Perth and Sydney airports be introduced for a five-year period, and that a review be conducted at the end of that time.<sup>12</sup>

The 2002 PC report also introduced new quality of service measures. Since 2002–03 the ACCC has reported on an increased number of measures of service quality. In particular, a number of 'objective measures' were introduced to complement the (largely subjective) surveys of airport users' perceptions. Basic measures of number, or size, of facility have been converted to indicators of adequacy or quality of service.

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8 The Federal Government agreed with the Productivity Commission's 2006 recommendation no. 5.4, which recommended that price and service quality outcomes should be presented in a single report, published annually. For more information see former Treasurer Peter Costello's 2007 press release 2007/032 'Productivity Commission Report—Review of Price Regulation of Airport Services'.

9 The monitored airports are Adelaide, Brisbane, Canberra, Darwin, Melbourne, Perth and Sydney.

10 The ACCC was required to consider the quality of service in its deliberations on airport pricing proposals.

11 Productivity Commission, Price Regulation of Airport Services, report no. 19, 23 January 2002.

12 Government response to the Productivity Commission *Report on price regulation*, May 2002.



## 1.1.2. 2006 PC price regulation of airport services report and the government response

During 2006 the PC inquired into the regulation of airport services and provided the government with an inquiry report entitled *Review of Price Regulation of Airport Services*.

In its response to the 2006 PC report, the government announced the regulatory arrangements that are intended to be in place for six years with an independent review to be undertaken in 2012 to ascertain the need for future price regulation. The government also supported the recommendation the ACCC price monitoring and quality of service monitoring report be combined into a single airport monitoring report.

On 1 July 2007 the Airports Act and Airports Regulations were amended to reflect the:

- change in the definition of ‘aeronautical services and facilities’ as part of implementing the government’s response to the PC report
- DOTARS review of the Airports Act, which was completed in November 2005.<sup>13</sup>

These amendments do not apply to the 2006–07 monitoring report, but will apply for the 2007–08 report and subsequent reports. Reference to the Airports Act in this report refers to the Airports Act as applicable up to 30 June 2007.<sup>14</sup>

The amended definition of ‘aeronautical’ will incorporate some services and facilities that were excluded from monitoring due to an exclusion clause in direction 27 that covered certain leases and licences. For example, under the new definition of aeronautical services, aircraft fuel throughput services will now be included as aeronautical services. The government also supported the recommendation that the monitoring regime apply only to Adelaide, Brisbane, Melbourne, Perth and Sydney airports, thereby excluding Canberra and Darwin airports.

In addition, the government supported the PC’s recommendation to implement the monitoring of a ‘line in the sand’ asset value which reflected:

- the value of tangible (non-current) aeronautical assets reported to the ACCC as at 30 June 2005, adjusted as necessary to reflect the proposed service coverage of the new regime
- plus new investment
- less depreciation and disposals.

Table 1.1 shows the starting base of the ‘line in the sand’ asset values for each airport subject to monitoring under the new regime as at 30 June 2005.

**Table 1.1 Starting line in the sand asset base, as at 30 June 2005**

Airport	Land (\$)	Property, plant and equipment (\$)	Total line in the sand asset base (\$)
Adelaide	72 594 000	233 194 000	305 788 000
Brisbane	32 113 000	531 465 000	563 578 000
Melbourne	49 190 000	424 359 000	473 549 000
Perth	41 564 000	154 629 000	196 193 000
Sydney	425 632 000	1 161 777 000	1 587 409 000

These values will be rolled forward from 30 June 2005 as part of the 2007–08 airport monitoring report.

The ACCC is conducting a public consultation process to update the *Airports reporting guideline—information requirements under Parts 7 and 8 of the Airports Act 1996 and section 95ZK of the Trade Practices Act 1974*. This guideline will assist airports with their requirements under the relevant legislation applicable under the new monitoring regime that becomes effective for the financial period 2007–08 onwards.

13 On 14 November 2005 the former minister for DOTARS, the Hon. Warren Truss, announced the outcomes of the review of the Airports Act. In particular, these outcomes included an emergence of a need for to integrate the overall legislative framework by addressing and resolving crossovers between Parts 7 and 8 of the Airports Act and Trade Practices Act. For more information, see [www.minister.infrastructure.gov.au](http://www.minister.infrastructure.gov.au).

14 Available at [www.austlii.edu.au/au/legis/cth/num\\_act/aa1996129/](http://www.austlii.edu.au/au/legis/cth/num_act/aa1996129/).

## Current regulatory framework

The ACCC's regulatory role in airports for the 2006–07 year involves monitoring the:

- prices, costs and profits at these airports
- quality of service provided relating the supply of aeronautical-related services by Adelaide, Brisbane, Canberra, Melbourne, Darwin, Melbourne, Perth and Sydney airports.

## Price monitoring

Apart from regional air services provided by Sydney, airports are not subject to price caps and are not required to notify the ACCC before increasing prices.

Direction 27 under s. 95ZF of the Trade Practices Act stipulates that the ACCC is required to monitor the prices, costs and profits relating to the supply of the aeronautical and aeronautical-related services by the seven designated airports.

The financial accounts reporting provisions of the Airports Act apply in addition to prices monitoring under the Trade Practices Act. The designated airports are required to provide the ACCC with annual financial accounts within 90 days of the end of a prescribed accounting period (although in 2006–07 the ACCC allowed extensions of time for the smaller airports.) The accounts include a profit and loss statement, balance sheet and statement of cash flows. Other supporting information, such as statements on accounting policies and cost disaggregations between aeronautical and non-aeronautical, is also required.<sup>15</sup>

Regulations made under subs. 141(2) of the Airports Act state that the airport-lessee company for a specified airport must prepare, for each relevant period:

- Consolidated accounts and financial statements in accordance with Australian Accounting Standards Board (AASB) Standard No. 127 ('Consolidated and Separate Financial Statements') as in force for that period for itself and all airport-management companies for the airport, as if those airport-management companies were subsidiaries of the airport-lessee company.
- Consolidated financial statements for airport operations, in relation to the airport, of itself and all airport-management companies at the airport, that separately show financial details in relation to the provision of:
  - i. aeronautical services and facilities
  - ii. non-aeronautical services and facilities

including the details of costs associated with maintenance (including repairs) of those services and facilities.<sup>16</sup>

## Quality of service

Part 8 of the Airports Act requires the ACCC to monitor and evaluate the quality of airport services and facilities against certain criteria prescribed by regulations made under s. 153 of the Airports Act and by 'such other criteria as the ACCC determines in writing'.<sup>17</sup>

Part 8 of the Airports Regulations 1997 sets out a number of prescribed performance indicators used by the ACCC to monitor and evaluate the quality of airport services and facilities of particular airports. They include several objective, or 'static', indicators about the number, availability and adequacy of particular facilities and a number of subjective satisfaction ratings by airport users (airlines and passengers).

As noted above, the Airports Act and Airport regulations were amended on 1 July 2007 to reflect the DOTARS review of the Airport Act completed in November 2005.<sup>18</sup>

15 In March 2004 the ACCC issued its revised *Guidelines for quality of service monitoring at airports*, which set out information requirements under Part 7 of the Airports Act and s. 95ZF of the Trade Practices Act; in addition to further details about reporting requirements, the guidelines outline principles that airports must follow in the preparation of regulatory statements.

16 This requirement, as described at reg. 7.03, reflects those Airport Regulations as amended in 1 July 2007.

17 Subsection 155(1) of the Airports Act.

18 On 14 November 2005 the former Minister for DOTARS, the Hon. Warren Truss, announced the outcomes of the review of the Airports Act. In Particular, these outcomes included an emergence of a need for integrating the overall legislative framework by addressing and resolving cross-overs between Parts 7 and 8 of the Airports Act and Trade Practices Act. For more information see [www.ministers.dotars.gov.au](http://www.ministers.dotars.gov.au).

These amendments are not applicable to the 2006–07 report, but will apply for the 2007–08 report onwards.

### 1.1.3. Transition to Australian equivalent of international financial reporting standards

During the 2005–06 year, the monitored airports made the transition in accounting standards from Australian generally accepted accounting principles (AGAAPs) to Australian equivalents to international financial reporting standards (AIFRS). The 2005–06 monitoring report provides the background to this transition.

In this report the ACCC's approach to describing the effect of the transition to AIFRS has been to publish commentary and notes on the accounts prepared by the airports. Where possible, this report separately identifies the effect of AIFRS on measure of performance.

Comparisons of post 2005–06 results and previous years should take into account the possible effects of the transition to AIFRS. Generally, information for prices and revenues has not been materially affected—the greater effect has been seen in costs (including assets) and earnings.

## 1.2. Services provided by airports

Services provided by airports can be broken into three categories:

- aeronautical
- aeronautical-related
- non-aeronautical.

### 1.2.1. Aeronautical services

Generally, aeronautical services are those provided by infrastructure that facilitates aircraft movements and passenger processing. Direction 27 defines aeronautical services as follows:

Aircraft movement facilities and activities:

- i. airside grounds, runways, taxiways and aprons
- ii. airfield lighting, airside roads, and airside lighting
- iii. airside safety
- iv. nose-in guidance
- v. aircraft parking
- vi. visual navigation aids
- vii. aircraft refuelling services.

Passenger processing facilities and activities:

- i. forward airline support area services
- ii. aerobridges and airside buses
- iii. departure lounges and holding lounges (but excluding commercially important persons lounges)
- iv. immigration and customs service areas
- v. security systems and services (including closed circuit surveillance systems)
- vi. baggage make-up, handling and reclaim
- vii. public areas in terminals, public amenities, public lifts, escalators and moving walkways
- viii. flight information display and public address systems.

Airports Act regulations, under which airports must provide financial statements separated between aeronautical and non-aeronautical services, define aeronautical services slightly differently.

The definition of aeronautical services in the Airports Act includes check-in facilities and landside terminal access roads, which are considered aeronautical-related services under direction 27, but excludes aircraft refuelling services. In addition, where a service does not fall under the definition of aeronautical, it is considered to be a non-aeronautical service under the Airports Act. There is no aeronautical-related category. As noted in section 1.1.2 these definitions apply up to the 2006–07 financial year.

## 1.2.2. Security services

Following the terrorist incidents in the United States of America (USA) on 11 September 2001, the Australian Government introduced additional security requirements at Australian airports.<sup>19</sup> These included increased passenger and baggage screening and an increased Australian Federal Police Protective Services (AFPPS) presence at airports. Further security measures were introduced in 2002, including the introduction of 100 per cent checked bag screening for all international flights by 31 December 2004 and capacity for domestic checked bag screening (CBS) at the major airports.<sup>20</sup>

On 10 March 2005 the *Aviation Transport Security Act 2004* and the Aviation Transport Security Regulations 2005—including a requirement that domestic CBS at the major airports be in place by 1 January 2006—were enacted to further strengthen Australia's aviation transport security systems. In September 2007 the Aviation Transport Security Regulations were further amended to require those airports operating international air services to establish a liquids, aerosols and gels (LAGs) screening point at the airport.

Additional measures in the new legislation and regulations, in particular the requirement of 100 per cent CBS, contributed to the increase in costs (and associated revenues) during 2004–05 through the investment in security equipment and personnel used to implement the additional measures. This includes the equipment installed to ensure airports are capable of screening both international and domestic passengers as well as checked baggage. Melbourne also identified investment in other security equipment such as the installation of overt and covert closed-circuit television security cameras to enhance the coverage of airport facilities.<sup>21</sup>

Further, Darwin airport, which operates an integrated international and domestic terminal, noted in 2006–07 that the LAGs screening requirement has resulted in increased operating costs because it necessitated a separate and additional screening point being established for international passengers only.

## 1.2.3. Aeronautical-related services

Aeronautical-related services can be described as those that support the operation of aeronautical services, but which may not be supplied using the infrastructure that facilitates aircraft movements or passenger processing. They are defined under direction 27 as:

- (i) landside vehicle access to terminals
- (ii) landside vehicle services, including:
  - (a) public and staff car-parking (but not valet car-parking)
  - (b) taxi holding and feeder rank services on airport
- (iii) check-in counters and related facilities
- (iv) aircraft light and emergency maintenance and buildings.

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19 See the Australian Government Department of Transport and Regional Services website ([www.dotars.gov.au/transsec/aviation](http://www.dotars.gov.au/transsec/aviation)).

20 Adelaide, Melbourne, Brisbane, Sydney, Perth, Cairns, Canberra, Coolangatta and Darwin airports.

21 *Australia Pacific Airports Corporation annual report 2005*, p. 12.

## 1.2.4. Non-aeronautical services

For the purposes of the ACCC's monitoring role under direction 27, non-aeronautical services are those services supplied by an airport operator that do not fall within either of the direction 27 definitions of aeronautical services or aeronautical-related services.

However, as noted above, for the purposes of financial reporting under the Airports Act, the services defined as aeronautical differ from the definitions under direction 27. As such, the financial reports regard as non-aeronautical some services (including car-parking and taxi rank services) that are not classified as non-aeronautical under direction 27 definitions. Under both monitoring and financial reporting definitions, services such as retail outlets, hotels, corporate parks and factory outlets are classified as non-aeronautical services.

## 1.3. The basis of charging for airport services

### 1.3.1. Aeronautical services

The basis of charging for both categories of aeronautical services is substantially different between airports. Airports levy charges on a number of bases, such as the number of passengers, maximum take-off weight (MTOW) and time.

Further, while some airports levy charges for access to each aeronautical service component, other airports bundle services. For example, Sydney airport has a single charge for international movements and access to the international terminal for passenger services; Melbourne's aeronautical services contract also combines aircraft movement services with passenger processing services; while Perth separates landing charges from terminal access charges.

### 1.3.2. Aircraft movement facilities and activities

Within the aircraft movement facilities and activities category, airports generally levy charges for the landing and parking of aircraft.

Landing charges vary depending on the type of aircraft (i.e. rotary and fixed-wing), weight category and type of flight (i.e. international, domestic and regional). Adelaide, Brisbane, Perth and Sydney set minimum landing charges for some types of aircraft.

While Brisbane levies landing charges for domestic, general aviation and freight services on the basis of MTOW, all other airports levy landing fees for international and domestic regular public transport (RPT) services on a per passenger basis. Adelaide allows a choice of charging basis—either MTOW or per passenger for domestic landings.

Charges for aircraft parking and access to aprons are set on the basis of a fixed charge per unit of time. Brisbane sets different parking rates based on aircraft size, while Sydney sets different rates for access to major and general aviation aprons.

Airports also levy other aeronautical charges; for example, Adelaide levies an insurance recovery charge on a MTOW basis depending on weight category (and on a per pax basis where landing charges are on a per pax basis) and Canberra levies an airport development charge on a per passenger basis.

### 1.3.3. Passenger processing facilities and activities

Passenger processing facilities and activities include services such as access to passenger terminals and security services (such as baggage and passenger screening and Australian Protective Service security).

Charges for access to terminals are generally levied on the basis of the number of passengers and type of flight (i.e. international or domestic).

As noted above, some airports charge a single charge for landings and terminal services. In contrast, Brisbane (in the case of the domestic express terminal) and Perth (in the case of T3, the former Ansett terminal) levy separate charges for use of aerobridge facilities.

For security services, charges are generally levied based on the number of international or domestic passengers. Melbourne levies an Australian Protective Service (APS) security charge for freight services on an MTOW basis. For Brisbane, domestic landing charges are charged on a MTOW basis and the domestic express terminal only charges and international terminal charges are charged on a per passenger basis. Recently these charges have replaced APS, passenger screening, CBS and other charges previously split between the international and domestic terminals.

There is also a degree of bundling of charges for security services. For example, Darwin levies the same security charge on international and domestic passengers (because of having a single integrated terminal facility that services both international and domestic passengers), while Melbourne levies charges for common user passenger screening and baggage screening, international passenger and baggage screening, passenger APS and a charge of APS for freighters.<sup>22</sup>

### 1.3.4. Aeronautical-related services

Airports use a variety of charging bases to recover check-in counter costs. Sydney levies charges based on time for its international terminal and on the basis of passengers for its T2 domestic terminal as a part of a single T2 passenger charge. Perth's charge for use of its T3 (domestic multi-user) check-in counters is included in its terminal use charge. Adelaide levied a charge per square metre for its old international terminal while it was in operation until October 2005, and Darwin levies charges on a per passenger basis as part of its all-inclusive per passenger terminal charge.

Charges for taxi-holding and feeder services are levied on a charge per trip or per pick up only, with some airports charging different rates depending on the passenger capacity of the vehicle. Sydney introduced a charge for taxi-holder and feeder services in 2004–05 and advised that this was to generate revenue towards recovery of the cost of providing ground access service facilities not included in aeronautical charges. Adelaide and Darwin airports introduced a charge on taxi-holder and feeder services in 2005–06 and 2006–07 respectively.

Fees for public and staff car-parking are generally levied on a per hour (or part thereof) basis for short-term parking, and a per day basis for long-term parking.

Airports levy charges for aircraft light and emergency maintenance buildings on commercially agreed rates, including from ground leases, usually on a charge per square metre basis.

## 1.4. Approach to preparing this report

This section sets out the methodology used by the ACCC in preparing the measures used in this report. This year the ACCC price monitoring and quality of service monitoring reports have been combined into a single airport monitoring report in view of the government's support of the 2006 PC recommendation.

### 1.4.1. Prices monitoring and financial reporting

Direction 27 requires the ACCC to monitor the prices, costs and profits relating to the supply of aeronautical and aeronautical-related services at the seven designated airports. Under Part 7 of the Airports Act, operators of the core-regulated airports are required to provide the ACCC with annual financial accounts, including a profit-and-loss statement, balance sheet and statement of cash flows, which the ACCC may publish.

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22 APS charges did not apply from 1 November 2006.

### 1.4.1.1 Aeronautical and total airport measures

The ACCC does not monitor non-aeronautical services, other than those that have been defined by the government as aeronautical-related. As a result the ACCC is not reporting on the prices, costs and profits of specific non-aeronautical services.

However, the ACCC considers it appropriate to include information on total airport revenue, costs and profitability for a number of reasons, most notably the difficulties that exist in allocating costs and revenues between aeronautical and non-aeronautical services and the complementarity between airport services.<sup>23</sup>

In addition, some aeronautical services are included by airports as non-aeronautical. As explained at section 1.4.1.2 under the discussion of aeronautical revenue Brisbane, Perth and Sydney include the revenue they derive from aircraft refuelling as non-aeronautical.

The remainder of this section of the report describes measures used by the ACCC to assess prices, costs and profits.

### 1.4.1.2 Prices

The ACCC has used aeronautical revenue (adjusted) per passenger as the primary measure of aeronautical prices.<sup>24</sup> However, the price of aeronautical services can be measured in a number of ways.

Ideally the ACCC would use a direct measure of prices in the form of a price index. However, constructing such an index involves a number of complexities: the ACCC currently lacks the information necessary to compile price indexes and some matters, such as bundling of charges, make construction of a price index problematic. Therefore the aeronautical revenue (adjusted) per passenger is used as the primary measure of prices in this report. Additional information on actual and average prices has also been included. These measures, and the way they are interpreted, are discussed below.

## Aeronautical prices

As discussed in section 1.2.1 of this report, airports provide a number of aeronautical services and use different charging bases for these services. Since airport charges are levied on different bases—for example, some charges may apply on a per passenger basis, and others by aircraft weight—the price of using an airport cannot simply be measured by adding up the different charges in place at a given point in time. Furthermore, airports may offer discounts for certain periods or to certain users, or there may be minimum and maximum charges in place that affect some users but not others.

It is generally accepted that there is no single means of aggregating various prices to measure all aspects of price inflation.<sup>25</sup> The price changes for particular airport users may vary depending on the composition of the airport services they use, the times at which they use them and so on. For example, the costs to an airline of landing a domestic flight are likely to differ from those associated with landing an international one, because of differing security and processing requirements and other factors.

Under the previous price cap regime, a measure of the weighted average change in prices, with the weights based on the revenue share of each service in the preceding period, was used to measure changes in price. However, this was a complex approach, which involved estimating an average charge over a fixed time period with a significant number of adjustments required for matters such as new services or charges, changes to the basis of charging, the introduction of the goods and services tax (GST), and pass-throughs for items such as security costs and new investment.

The statements of financial performance and schedules of charges for individual airports are included in this report at appendix 1 ('Price monitoring and financial reporting section'). Where possible, the ACCC has reported on the percentage change in list prices for aeronautical services (the published charges for particular aeronautical services). This information was not provided to the ACCC under the previous price cap regime and, therefore, any time series analysis could only commence from 2002–03. As such,

23 For further information on the ACCC's position regarding total airport measures, see ACCC, *Airports price monitoring and financial reporting 200–06*, pp. 8–9.

24 Referred to in the 2002–03 report as average aeronautical charges per passenger.

25 For a detailed discussion of issues associated with measuring price changes, see Australian Bureau of Statistics, *Analytical framework for price indices*, 6421.0, 1997.

2002–03 has been taken as the base year, with 2003–04 being the first year that any change in prices is reported. For many of the airports these tables serve to highlight the difficulties faced by the ACCC in attempting to construct a price index for aeronautical services on the basis of the information it currently has available to it.

## Aeronautical revenue

The measure of aeronautical revenue (adjusted) per passenger is based on the aeronautical revenue generated by the airport, subject to a number of adjustments that are explained below, divided by the total number of passengers.

Aeronautical revenue (adjusted) per passenger has the advantage of providing a consistent service definition, as well as a measure of the cost to airlines expressed in terms of the most significant charging unit. A further advantage of this measure is that it is likely to most closely reflect the average cost of airport services to the ultimate user of those services, the consumer.<sup>26</sup>

The measure does not differentiate between domestic and international passengers, for whom the average revenue may vary. A precise measure for domestic and international passengers is difficult to construct, given gaps and discontinuities in the historical data from airports. Additional information would be required to construct these measures.<sup>27</sup>

As noted in section 1.2.1, the definition of aeronautical services under the Airports Act and direction 27 differs. The classification of some revenue items has also changed over time. Therefore, to obtain a consistent measure across time, aeronautical revenue has required some adjustments.

In general the ACCC has excluded from the adjusted measure of aeronautical revenue any new revenue earned from the provision of terminals formerly operated by Ansett.<sup>28</sup> Following the demise of Ansett in 2001, operation of Ansett terminals was transferred to the airport operator and revenue derived from such operation now falls within the definition of aeronautical. However, terminal lease revenue has historically been classified as non-aeronautical and the ACCC therefore does not have detailed historical data on revenue generated from the Ansett-operated terminals.<sup>29</sup>

As detailed in section 3.1.2, in previous reporting periods, the adjusted measure of aeronautical revenue at Adelaide airport excluded those revenues earned from the Qantas DTL as Adelaide classified this as non-aeronautical revenue. Furthermore, to maintain a consistent time series over the reporting period, this measure was further adjusted to exclude new revenue earned from the provision of the terminal formerly operated by Ansett. With the commencement of operations at the new T1 at Adelaide, the airport introduced a PFC, which represents a break in the time series of this measure as it now includes aeronautical revenue previously either excluded by the airport under direction 27 or adjusted by the ACCC to maintain the time series. Comparisons between the results of Adelaide with those of other airports should also recognise that the PFC has replaced the DTL charges that other airports typically classify as non-aeronautical.

The classification of aircraft refuelling services<sup>30</sup> changed from aeronautical-related under direction 27 to aeronautical in 2002–03, while not being included within the definition of aeronautical under the Airports Act. The 2002 PC report found that airports with market power are likely to have at least a moderate degree of market power in the provision of aircraft refuelling services and that the extent is likely to be highest for Perth and, to a lesser degree, Brisbane and Sydney.<sup>31</sup> However, clause (3) of direction 27 provides for exemption for the provision of services that, on the date the airport lease was granted, were the subject of a contract, lease, licence or authority given under the common seal of the Federal Airports Corporation.

26 The extent to which changes in the costs of airport services will be passed on to consumers will depend upon the extent of competition in airline markets, which may vary from case to case.

27 For example, airports are only required to provide information on the total tonnes landed each year, without differentiating between international and domestic traffic. In some cases this latter breakdown may not be available. A similar breakdown of revenue would also be required, which may not be available for all airports.

28 No adjustments have been made to aeronautical revenues for Brisbane, Darwin and Sydney as these airports generated domestic terminal revenues prior to 2002–03. In addition, no adjustment has been required for Canberra because it does not include terminal revenue in its reported aeronautical revenue.

29 Under the Airports Act and the ACCC's associated guidelines, airports are not required to disaggregate non-aeronautical revenue into component parts, as they are for aeronautical services.

30 Aircraft refuelling facilities are generally built and operated by oil companies on land leased from the airport operator.

31 Productivity Commission, *op cit.*, pp. 167–68.



While the ACCC would prefer to include aircraft refuelling services within aeronautical revenues and costs consistent with the classification of such services under direction 27, Brisbane, Perth and Sydney airports have relied on the clause 3 exemption and have not provided separate information. Such revenues and costs are included in Brisbane, Perth and Sydney's non-aeronautical revenues and costs. Before 2004–05 both Brisbane and Sydney reported this item as aeronautical. Aeronautical revenue for these airports is therefore understated.<sup>32</sup>

Total aeronautical revenue is also shown in section 2.1.3 of this report, to illustrate revenue growth from aeronautical services over time. This is an unadjusted measure.

In section 2.1.2 of this report, aeronautical revenue per passenger is reported. While the adjusted measure may be more relevant to reflect movements in the average cost to airlines of using aeronautical services, the unadjusted measure may better reflect changes in average revenue earned by the airport. The effect of the adjustments is that the quoted increases in aeronautical revenue (adjusted) per passenger will be the same or lower than the increases in aeronautical revenue per passenger.

## Aeronautical-related revenue

Direction 27 defines aeronautical-related services as landside vehicle access to terminals, landside vehicle services, check-in counters and related facilities, and aircraft light and emergency maintenance and buildings. Direction 27 lists public and staff car-parking (but not valet car-parking) and taxi-holding and feeder rank services at airports as specific landside vehicle services. Airports have only reported revenues and costs against the specific landside vehicle services listed and as such there may be other charges levied for landside vehicle services—for example, as from car rental firms—reported as non-aeronautical.

The ACCC's view is that car rental revenue may fall under the definition of landside vehicle services in direction 27 under aeronautical-related services, in which case this information should be provided.

### 1.4.1.3 Cost and profits

As with measures of price, the profitability of aeronautical services and airports can be evaluated in a number of ways. This report uses a number of measures to provide a general view of profitability. These measures, and the interpretation of them, are discussed below.

#### Operating margins

Aeronautical operating margin per passenger is defined as aeronautical revenue per passenger (i.e. aeronautical revenue (unadjusted) divided by number of passengers) less aeronautical operating expenses per passenger (i.e. aeronautical expenses excluding interest, tax and amortisation expenses divided by total passengers).<sup>33</sup>

Total airport operating margin has also been calculated and is defined as total airport revenue less operating expenses (total expenditure excluding interest, tax and amortisation expenses).

Operating margins provide a measure of airport operating performance, as distinct from financial performance. In this respect it can provide a consistent approach to revealing trends in operating performance over time and a comparison of the relative performance of airports.<sup>34</sup>

32 Under the monitoring regime to apply from 2007–08 onwards, the definition of aeronautical services contained in the Airports Regulations has been amended to specifically include aircraft refuelling.

33 Operating margin is also sometimes defined as operating profit as a percentage of revenue.

34 Comparisons between airports may also need to take into account different operating conditions.

However, this measure of profitability does not take into account the full capital cost associated with the provision of services, as it makes no allowance for a return on capital. Since it also includes non-cash items such as depreciation, neither does it provide a measure of net cash flow from airport operations.

#### 1.4.1.4 Rates of return

Most analyses of profitability focus on rate of return measures. The advantage of these indicators is that they adjust for the amount of capital invested in providing the services and thereby in generating profits for the airport owners.

A number of factors are relevant to understanding what measure of return (or profit) is being used and what constitutes the base to which that return is compared. Two common types of measures of rate of return are return on assets and return on equity. Within these two broad groupings are a number of alternative measures. For example, the returns may be pre- or post-tax, or they may include or exclude interest expenses and/or depreciation and amortisation.

##### Return on equity

The use of return on equity (i.e. profit (loss) after tax divided by total shareholder equity) as a measure in the 2002–03 report highlighted the unusual shareholder arrangements in place at the majority of Australian airports when compared with publicly listed companies. Shareholders at these airports are, generally speaking, also significant debt-holders. This means that some of the reported interest expense accrues to shareholders as interest income, rather than as dividends or capital growth, as would be the case if it took the form of equity.

Return on equity is intended to represent the returns on investment being earned by those who have invested capital in the firm. In the case of the price-monitored airports, it is clear that this measure does not appropriately capture this concept. The results generated from the return on equity measure appear to show that shareholders have been consistently earning significant negative returns on their investment, or holding negative levels of equity, while being solvent. The low base of shareholder equity at these airports results in extreme and variable rates of return on equity. However, the airports have generally been earning positive profits before interest, tax, depreciation and amortisation (EBITDA). The ACCC therefore considers this measure to currently be of limited value in relation to the price-monitored airports.

##### Return on assets

Given the problems in using a return on equity measure for these airports, the ACCC considers that EBITA on the average value (of opening and closing balances) of tangible non-current assets (EBITA on average tangible non-current assets) is a useful measure of an airport's rate of return and its operating performance. This is consistent with the approach taken by KPMG in its 2001 report to the ACCC.<sup>35</sup>

EBITA on tangible non-current assets is not affected by management decisions regarding capital structure, which can significantly affect interest expenses and tax payable (and thus post-tax returns), but which does not reflect the operating profitability of providing airport services. Similarly, by using assets as the basis for normalising returns, decisions over capital structure do not affect the ratio used in this measure.

Only **tangible** non-current assets are used in this measure, to limit the extent to which airport owners' expectations of growth in value (as reflected in goodwill or lease premiums) obscure changes in the profitability of providing services.<sup>36</sup> In particular, lease premiums paid could reflect the expectation of future price and profit increases that take advantage of the airport's monopoly power.

However, notwithstanding the advantages in this measure of profitability, it has the disadvantage of being reliant on the airport operator's valuation of its assets. As detailed in section 2.3.3 of this report, a number of airports have effected upward revaluations of their assets, thereby lowering the return on assets. While such revaluations may be in accordance with relevant accounting standards, such standards allow a variety of accounting treatments.

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<sup>35</sup> KPMG Consulting, op. cit., pp. 4–5.

<sup>36</sup> Sydney airport reports the value of leasehold land as an intangible asset as a result of the transition to AIFRS from 2005–06 while all other airports treat this asset as tangible. To maintain consistency for comparison purposes over the reporting period for Sydney airport and across airports, the intangible value of leasehold land and related amortisation charges have been included in the calculation of EBITA on average tangible non-current assets.

In preparing this report the ACCC has not attempted to evaluate the appropriateness of airport asset valuations, which would be necessary if prices were regulated. Asset valuation in the context of regulated prices is often complex and contentious. However, this report does provide details of asset values over time. The ACCC has not drawn any conclusions as to whether the reported levels of profitability are indicative of taking advantage of monopoly power.

## 1.4.2. Quality of service monitoring

The presentation of quality of service monitoring information in this year's report is significantly different from previous ACCC quality of service reports. In view of the Australian government's response to the 2006 PC report, the ACCC has undertaken a review to address some of the concerns raised by the government and by airports in their submissions to the PC inquiry.

In particular, some stakeholders were concerned that the presentation of quality of service monitoring information in previous ACCC reports may not have clearly reflected the way in which the program measured the quality of particular services. For example, previous monitoring reports presented results based on the source of the information (such as airline surveys, passenger surveys, etc.) and this was regarded by some stakeholders as a mechanistic approach that failed to account for the practicalities and complexities of service delivery.

This report now presents the results of monitoring on a service-by-service basis. Under this approach, all monitoring information related to a service is presented in a single graph, regardless of the source of that information. As well as addressing the airports' concerns expressed, presenting the monitoring results in this way improves the report's readability and provides a more useful basis to present an analysis.

### 1.4.2.1 Issues concerning interpretation of results

In assessing the quality of service for airports, it should be noted that a variety of factors outside the immediate control of the airport operator are likely to influence the quality of service results.

The first of these is the staffing of check-in services by airlines and, similarly, the staffing of immigration services by the ACS, which may affect the quality results obtained for related services. Secondly, Airservices Australia, airlines and other service providers might contribute to quality outcomes such as delays in aircraft departure.

Investment in terminal infrastructure is also 'lumpy' and there may be a lag between an increase in passenger and flight numbers and an increase in the capacity of the terminal infrastructure. Such a lag could highlight capacity constraints in the results of some quality of service indicators and therefore identify areas for increased investment.

The ACCC monitors only those facilities and services that are provided by, or 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 are not included.

The ACCC has tried to cover in its quality monitoring the range of facilities subject to price monitoring. These include both aeronautical and aeronautical-related services as defined in direction 27 under the Trade Practices Act.

This report draws on information from a number of different sources:

- airport operators
- passengers of the airport
- airlines
- Airservices Australia
- Australian Customs Service.

These are explained in detail below.

### 1.4.2.2 Airport operators

Airport operators provide the ACCC with a range of objective data related to the number or size of various facilities. These include the number of passengers at peak hours<sup>37</sup>, the number of aerobridges and size of gate lounges. The ACCC has converted these numbers and sizes to indicators of adequacy or quality of service, such as the area of lounge per passenger at peak hours. These objective indicators, listed in appendix 1, follow the ACCC’s revised *Guidelines for quality of service monitoring at airports* issued in March 2004.

The derived objective indicators are shown in tables in the body of the report for each airport for the five years they have been calculated (2002–03 to 2006–07). The data on which these objective indicators are based is detailed in appendix 2.2.

Measures relating to the size of facilities generally relate to the end of the financial year 2006–07, whereas measures of throughput, such as numbers of passengers or bags, relate to the whole financial year unless specified as daily or for peak hour.

In compiling this report, the ACCC provided all monitored airports with an extract for checking for accuracy and comment. Where appropriate, the ACCC has incorporated these comments into the report, particularly where these comments provide possible explanation for changes in ratings.

### 1.4.2.3 Passenger perception surveys

The passenger perception surveys arranged by each airport differ in their coverage and detail, but all broadly provide the information specified in the regulations and guidelines. The areas covered include passenger check-in, security clearance, government inspection, lounges, washrooms, baggage collection, signage, car-parking and vehicle access for arriving and departing passengers.

Surveys at most airports ask respondents to rate their level of satisfaction with the facilities on a scale from 1 to 5:

1	2	3	4	5
very poor	poor	average, fair or satisfactory	good	excellent

There is one main deviation from this approach: Sydney airport uses a global survey conducted by the Airports Council International (ACI).<sup>38</sup>

The ACCC accepted Sydney airport using the ACI survey because it is an authoritative independent survey by a user group that allows benchmarking against major world airports. Questions in the ACI survey are broadly equivalent, but not identical, to those expected in the Australian regulations. While a consistent methodology is desirable, the ACI survey does allow international comparisons and there is a time series back to 2000.

Before 2004–05 Perth airport used a 1 to 7 rating scale, which was converted to the ACCC’s 1 to 5 rating scale. However, since 2004–05 Perth has changed its survey methodology and now conducts its survey using a 1 to 5 rating scale.

As noted above, the regulations do not require Adelaide, Canberra or Darwin airports to undertake passenger surveys. Accordingly, the ACCC’s guidelines do not require these airports to undertake passenger surveys. Adelaide airport does, however, survey passengers for its own purposes and provides this information to the ACCC voluntarily.

The average ratings for each indicator in the passenger perception surveys are shown for each airport. The average ratings for domestic terminals and international terminals are shown, with a time series where this data is available.

<sup>37</sup> At some airports, arriving and departing peak hours occur during different hourly periods.

<sup>38</sup> Formerly conducted by International Air Transport Associated (IATA).

#### 1.4.2.4 Airline surveys

The ACCC has conducted a survey of airlines to gain information on their perception of the quality of facilities they use at the monitored airports. The facilities and services covered include:

- airside facilities—runways, taxiways, aprons, aircraft gates and ground equipment sites
- terminal facilities—aerobridges, check-in and baggage handling.

Airlines were asked to rate two aspects of these facilities:

- availability—the availability of infrastructure and equipment and the occurrence of delays in gaining access to those facilities
- standard—the ability of equipment to perform the function intended, the reliability of the equipment and the probability of it breaking down.

The airlines were also asked to rate the airport operator's responsiveness or approach to addressing problems and concerns with the above facilities.

Full details of the questions are contained in appendix 2.1.

The scale used for airline ratings, shown below, is similar to the passenger survey responses.

1	2	3	4	5
very poor	poor	satisfactory	good	excellent

Ratings given by airlines have been averaged (with equal weights) to give an overall rating for each facility at each airport.

Most airlines use airport facilities that are managed by the airport in both the domestic and international terminals. However, Canberra, Perth, Melbourne, Sydney and Brisbane airports lease operating space and facilities to Qantas. Qantas is not required to provide survey information for domestic facilities. In addition, Brisbane airport also leases operating space to other domestic airlines and therefore information about domestic services at Brisbane airport relates only to common user services and facilities.

#### 1.4.2.5 Airservices Australia

Airservices Australia was asked to provide certain data to indicate the adequacy of airport runways to handle the traffic. Airservices currently records a number of measures regarding peak-hour arrival performance on a monthly basis at Brisbane, Melbourne, and Sydney airports. The facilities necessary to gather this data were installed at Perth airport in May 2007 and this information will be made available to the ACCC for its 2007–08 quality of service report.

Airservices Australia's aircraft traffic measures

Airservices Australia's measures relate to the busiest morning peak hour at each of the three airports, generally 7:30 to 8:30 am, averaged across all days in the month or year specified. The following describes the traffic measures reported:

- Demand—counts the number of aircraft that, once airborne, have an estimated time of arrival within the measured period (morning peak hour).
- Actual arrivals—counts the actual number of aircraft that land during the measured period. This is always close to 'demand' since demand refers to aircraft already airborne, which generally land at the destination airport close to the estimated time of arrival.
- Agreed arrival rate—or operationally agreed capacity (OAC), is derived from modelling and expert consensus. It indicates the maximum number of aircraft that can land at the airport within the measured period. This varies for several different runway modes and depends on weather conditions.
- Peak demand within hour—demand for that part of the hour where demand equals or exceeds the agreed OAC, expressed as a pro rata hourly rate.

- Maximum pro-rata arrival rate—the highest arrival rate achieved for that part of the measured period where demand equalled or exceeded the agreed OAC, expressed as a pro rata hourly rate.
- Average system delay—the average of all airborne delay experienced by those aircraft that land during the measured period. This is the difference between the estimated time of landing after the aircraft becomes airborne and the actual time of arrival. ‘System delay’ covers all reasons for delays such as airspace limitations, weather, arrival clustering, air traffic control, air crew operations and airport infrastructure limitations. It does not reflect delays at the airport from which the aircraft left. The data currently collected does not apportion the reasons for delays.
- Maximum system delay—the maximum delay experienced by a flight during the measured period. The maximum delay for a monthly period is not the maximum delay experienced by an individual flight during the whole month, but an average of the maximum delays for all the daily peak hours in the month.

#### Interpretation of Airservices Australia’s measures

Airservices Australia’s measures have been devised as a guide to its own performance in handling air traffic, but give some indication of airport constraints and therefore the adequacy of runway infrastructure or management. In particular, if demand is consistently close to OAC for the peak hour, it suggests that there is little spare capacity for increased traffic at that time.

When high demand (relative to OAC) is combined with consistently long system delays, it indicates capacity constraints. However, when the peak demand is limited to a short period, it would not necessarily point to the need to expand the infrastructure as other measures to spread the demand more evenly could be more appropriate.

The full extent of capacity constraints cannot be seen from this data, because the agreed arrival rate has already been limited by constraints such as airport infrastructure. Potential economic demand in excess of capacity, which might, for example, indicate the need for new infrastructure, may therefore not be observed in this data. Airlines may not attempt, or may not be permitted, to schedule extra aircraft when capacity is clearly limited.

Airservices Australia was provided with an extract of this report for checking for accuracy and comment.

#### 1.4.2.6 Australian customs service

The ACCC conducted a survey of the ACS, asking it to rate facilities in the following areas provided by airports:

- arrivals (immigration)—adequacy of areas for circulation and queuing, signage, lighting, desks and passenger facilities (e.g. seating and toilets)
- arrivals (baggage inspection or examination area)—adequacy of space to avoid congestion, signage, provision for passenger privacy, appropriate access and security, passenger facilities and inspection facilities
- departures (immigration)—adequacy of circulation space to avoid congestion, signage and appropriate provision of desks.

The ACS was asked to give separate ratings for each area for:

- adequacy—the space and facilities made available for its operations, covering the amount of space provided and the likelihood of congestion and delays in passenger processing
- standard and condition in which areas are generally maintained.

The ACS was also asked to rate the airport operator’s responsiveness or approach to addressing problems and concerns with the above facilities.

Results from the survey are included in each airport’s section.

The ACS was provided with an extract of this report for checking for accuracy and comment.



## 2. Airport comparison

Part 2 of this report presents the results of prices and quality of service monitoring across the seven airports.

### 2.1. Prices monitoring results

This section presents some comparisons for key indicators across the price-monitored airports. The main focus of the comparison is on aeronautical services and looks at:

- activity levels
- prices
- revenues, costs and profits.

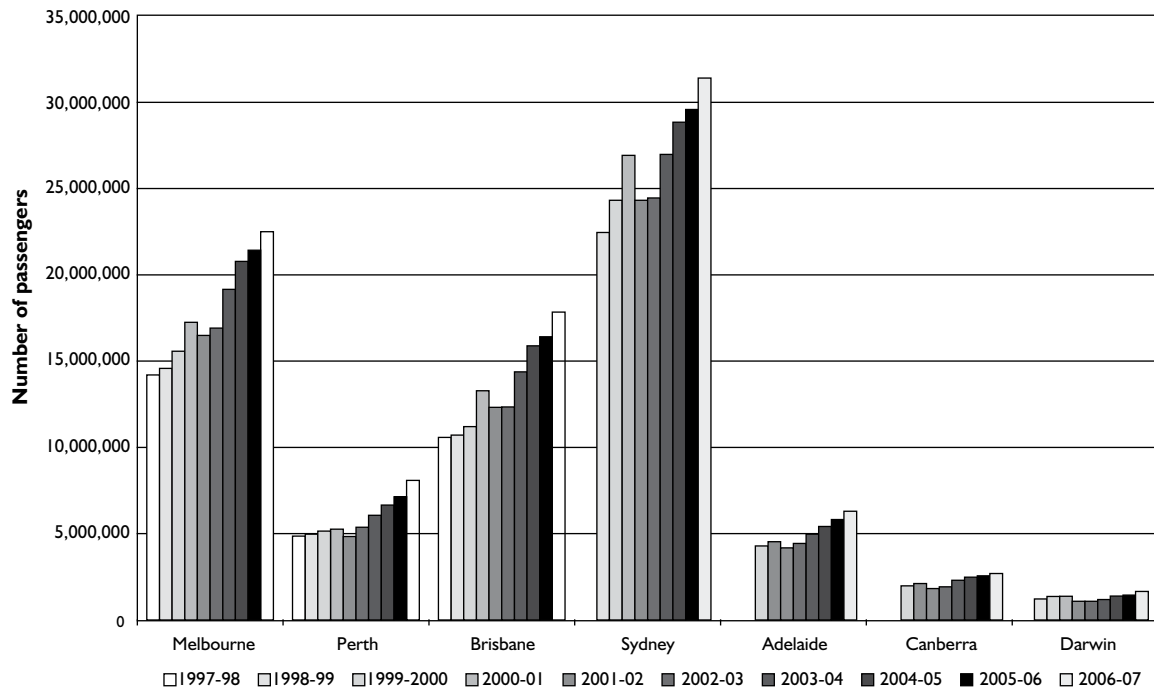
A comparison of total airport profitability is also included.

#### 2.1.1. Activity

Activity levels are an important determinant in assessing prices, costs and profitability of airports. This section of the report primarily uses activity levels expressed in terms of passenger numbers. As consumer demand is likely to be the primary driver of capacity needs at airports, passenger numbers are considered an appropriate measure of activity for the purposes of this section of the report. Other measures of activity levels, such as tonnage and movements, are further examined in sections 3 to section 9 on an airport by airport basis.

Chart 2.1 shows passenger numbers from 1997–98 to 2006–07 at each of the seven airports.

**Chart 2.1: Passenger numbers**



Note: Passenger numbers for Darwin airport for 1999–2000 and 2000–01 are estimated based on the passenger/aircraft ratio from 2001–02, because Darwin airport did not provide actual figures.



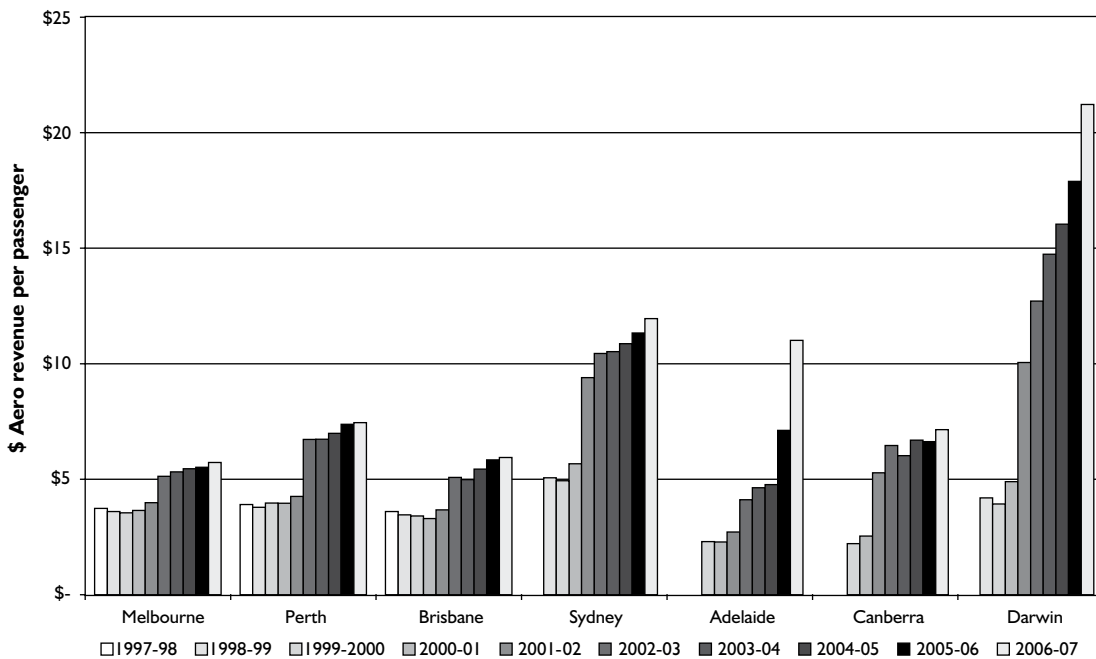
In 2006–07 passenger numbers increased at all airports by between 5.0 per cent at Melbourne and 15 per cent at Darwin. All airports generally experienced increases between 1997–98 and 2000–01. Following this, all airports experienced a decline during 2001–02, with a recovery occurring for most airports in 2002–03. Since 2002–03 passenger numbers have continued to increase, and by 2004–05 all airports were reporting numbers in excess of the 2000–01 levels.

### 2.1.2. Prices

As explained in section 1.1.2, while the ACCC would prefer to use price indices to measure changes in prices charged by the price-monitored airports, construction of price indices is complex, and issues such as changes to the price index bases of the charges and bundling of charges make construction problematic. Information on list prices is contained within airport results in sections 3 to section 9 of this report.

Chart 2.2 shows an average revenue measure (aeronautical revenue (adjusted) per passenger) from 1997–98 to 2006–07 for each of the seven airports. As noted in section 1, the adjusted measure of aeronautical revenue does not include all services defined as aeronautical in direction 27. In general, new revenue earned from terminals formerly operated by Ansett has been excluded.<sup>39</sup>

**Chart 2.2: Aeronautical revenue (adjusted)\* per passenger**



**Notes:** \* Care should be taken in comparing airports on the above measure because, for example, certain estimates include domestic terminal revenue and others do not. Canberra’s results do not include terminal services. The emphasis in preparing this chart has been to ensure a consistent series for each airport over time rather than a consistent base across airports. In addition, relying on clause 3 in direction 27, Perth, Brisbane and Sydney airports exclude revenue from fuel throughput services from aeronautical revenue and therefore the measure is understated.

Passenger numbers for Darwin for 1999–2000 and 2000–01 are estimated based on the passenger–aircraft ratio from 2001–02 because Darwin did not provide actual figures.

In previous years Adelaide airport’s aeronautical revenue was adjusted so that revenues earned from the common user terminal formerly operated by Ansett were excluded in order to maintain a consistent time series for the measure. As operations were performed at Adelaide airport’s new T1 for the full year of 2006–07, an adjustment is no longer necessary to exclude those revenues sourced from the old terminal formerly operated by Ansett.

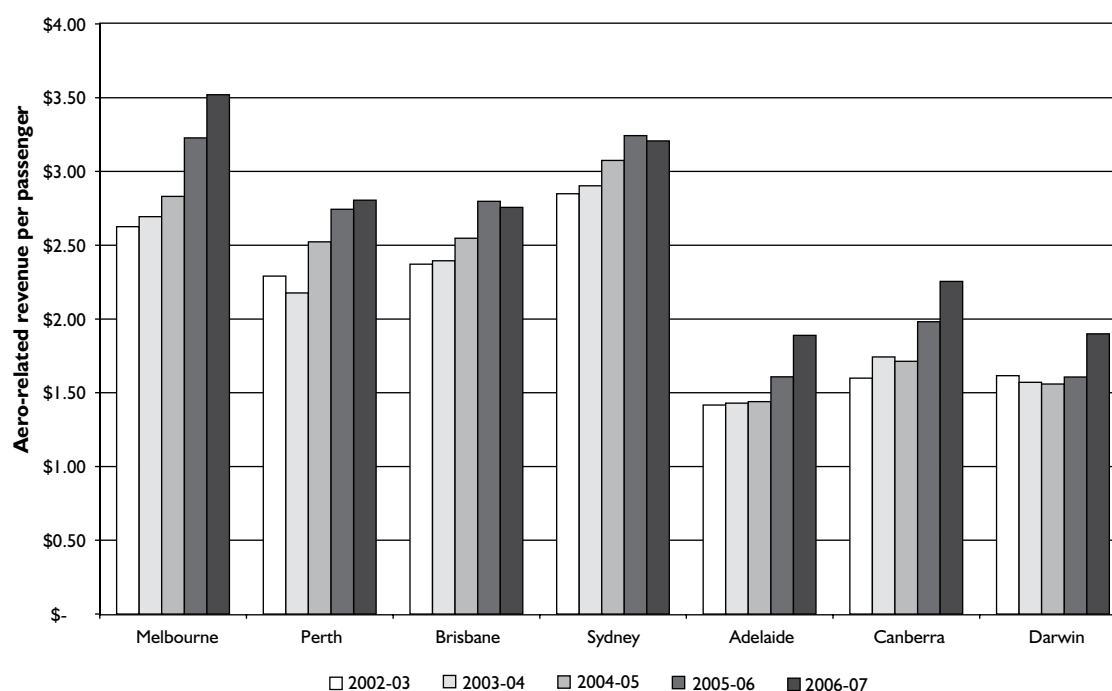
39 No adjustments have been made to aeronautical revenues for Brisbane, Darwin and Sydney as they generated domestic terminal revenues before 2002–03. In addition, no adjustment has been required for Canberra because it does not include terminal revenue in its reported aeronautical revenue. In 2006–07 an adjustment to Adelaide airport’s aeronautical revenue is applicable for the domestic common-user terminal with operations performed at T1 for the full year, thereby inflating airport’s aeronautical revenue. This is further detailed at section 3.1.2.

Aeronautical revenue (adjusted) per passenger increased at all airports in 2006–07, with increases ranging from just below 1 per cent at Perth to 19 per cent at Darwin and 55 per cent at Adelaide. Darwin airport’s increase in revenue per passenger is influenced by a 35 per cent increase in its passenger facilitation charge (PFC). The increase at Adelaide reflected the first full year application of the passenger facilitation charge following commencement of operations at the new T1 during 2005–06.

Average aeronautical revenue increased sharply between 2001–02 (when price caps were first removed) and 2002–03. Increases during 2002–03 ranged from approximately 11 per cent at Sydney to approximately 58 per cent at Perth. Since then the rate of increase has been lower.

Chart 2.3 shows the aeronautical-related revenue per passenger from 2002–03 to 2006–07 at each of the seven airports.

**Chart 2.3: Aeronautical-related revenue per passenger**



Aeronautical-related revenue includes revenue from car-parking fees, taxi fees and check-in counter charges. However, as noted in section 1.1.2, it does not, as currently reported by the airports, include other landside vehicle access or service charges, such as rental car revenue.

In 2006–07 aeronautical-related revenue per passenger continued to increase at most airports by between 2.2 per cent at Perth to 17 per cent and 18 per cent at Adelaide and Darwin, respectively. The measure decreased by 1.1 per cent at Sydney and 1.4 per cent at Brisbane.

Over the period 2002–03 to 2006–07 this measure has trended upward at Melbourne, Perth, Brisbane and Sydney. At Adelaide, Canberra and Darwin the measure remained stable until 2004–05 and then increased. Over the five-year period, the increase has ranged from 13 per cent at Sydney to 41 per cent at Canberra.

In 2006–07 the aeronautical-related operating margin per passenger ranged from \$0.98 at Adelaide to \$2.40 at Melbourne.

**In summary**  
 In 2006–07, increases in average revenue per passenger ranged from just below 1 per cent to 7.9 per cent for most airports with larger increases recorded at Darwin (19 per cent) and Adelaide (55 per cent).<sup>40</sup> Since 2002–03 increases in reported aeronautical-related revenue per passenger ranged from 13 per cent to 41 per cent.

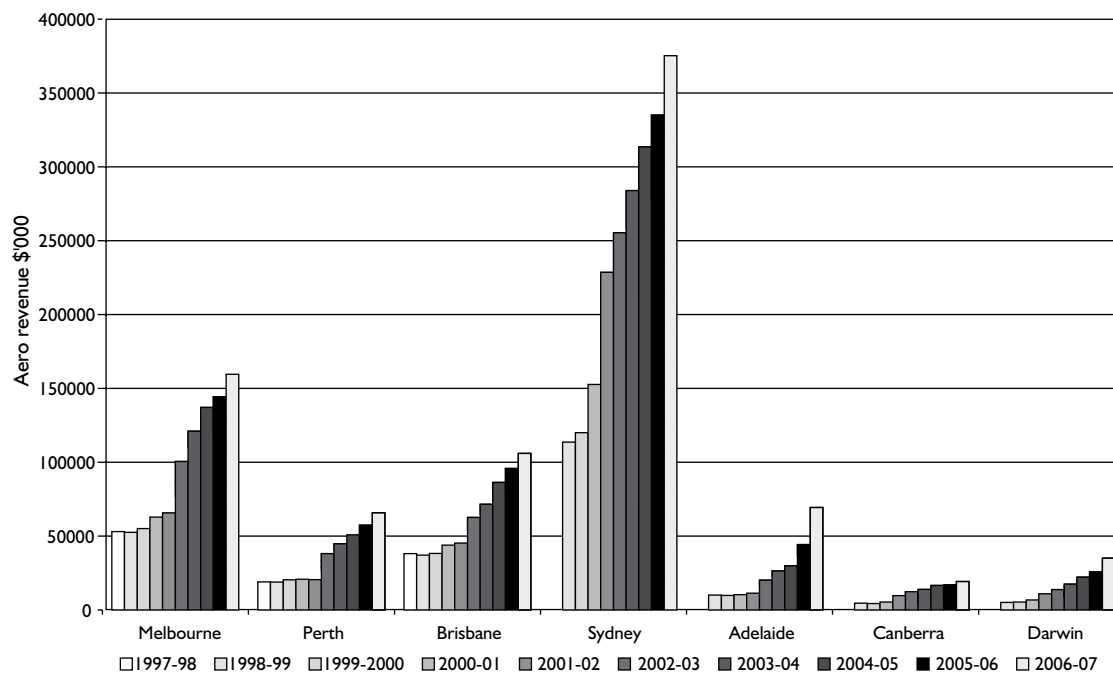
### 2.1.3. Revenues, costs and profits

#### Aeronautical services

This section examines the changes in revenues, costs and profits over the period 1997–98 to 2006–07. The analysis demonstrates that there have been large increases in both margins and passenger numbers. The effect of airports generally charging on a per passenger basis has been an increase in revenues. Costs have increased to a lesser extent, as they are largely fixed and are less influenced by passenger volumes.

Chart 2.4 shows total aeronautical revenue from 1997–98 to 2006–07 at each of the seven airports.

**Chart 2.4: Aeronautical revenue**



Note: Perth, Brisbane and Sydney airports exclude revenue from fuel throughput services from aeronautical revenue and therefore the measure is understated. Brisbane advised that in 2004–05 fuel throughput revenues had been incorrectly reported as aeronautical revenues in previous years, and that it is now relying on the clause 3 exemption to exclude this item from its aeronautical revenue. As a result, adjustments have been made to aeronautical revenues reported in 2002–03 and 2003–04 to exclude fuel throughput revenues.

In 2006–07 total aeronautical revenue increased at all airports with increases ranging from 11 per cent at Melbourne and Brisbane airports to 15 per cent at Perth and Darwin and 57 per cent at Adelaide airport. The increase at Adelaide reflected the first full year application of the passenger facilitation charge following commencement of operations at the new T1 during 2005–06.

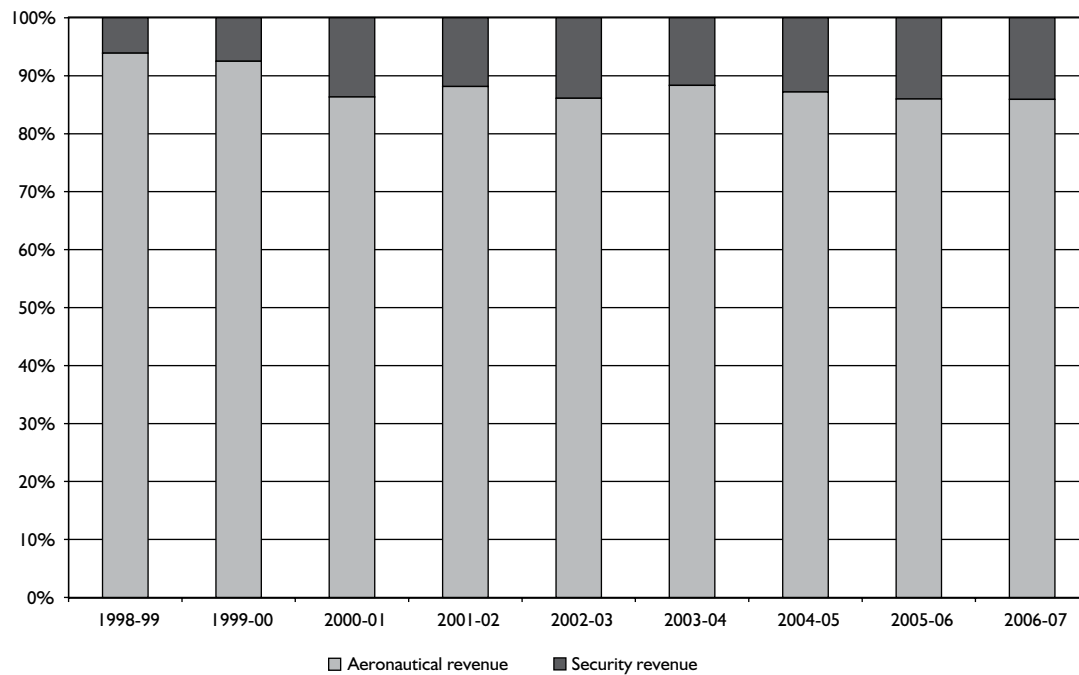
Total aeronautical revenue (unadjusted) generated by the price-monitored airports increased by

<sup>40</sup> The increase at Adelaide reflected the first full year application of the passenger facilitation charge following commencement of operations at the new T1 during 2005–06. Comparisons between the results of Adelaide with those of other airports should recognise that the PFC has replaced the DTL charges that other airports typically classify as non-aeronautical.

112 per cent to \$830.4 million between 2001–02 and 2006–07. Increases at the individual airports over this period ranged from 64 per cent at Sydney to 220 per cent at Perth and 512 per cent at Adelaide.

Chart 2.5 shows the weighted average<sup>41</sup> aeronautical revenue (excluding security) and security revenue shares for the period 1998–99 to 2006–07.

**Chart 2.5: Weighted average aeronautical revenue (excluding security) and security revenue shares 1998–99 to 2006–07**



Note: Relying on clause 3 in direction 27, Perth, Brisbane and Sydney airports exclude revenue from fuel throughput services from aeronautical revenue and therefore the measure of aeronautical revenue is understated.

The weighted average security revenue as a proportion of aeronautical revenue for the price-monitored airports has increased over the reporting period from 6.1 per cent in 1998–99 to be relatively stable over the period 2000–01 to 2006–07, when it ranged from 12 per cent to 14 per cent.

<sup>41</sup> The aeronautical revenue (excluding security) and security revenue shares are weighted by total aeronautical revenue at the price-monitored airports.

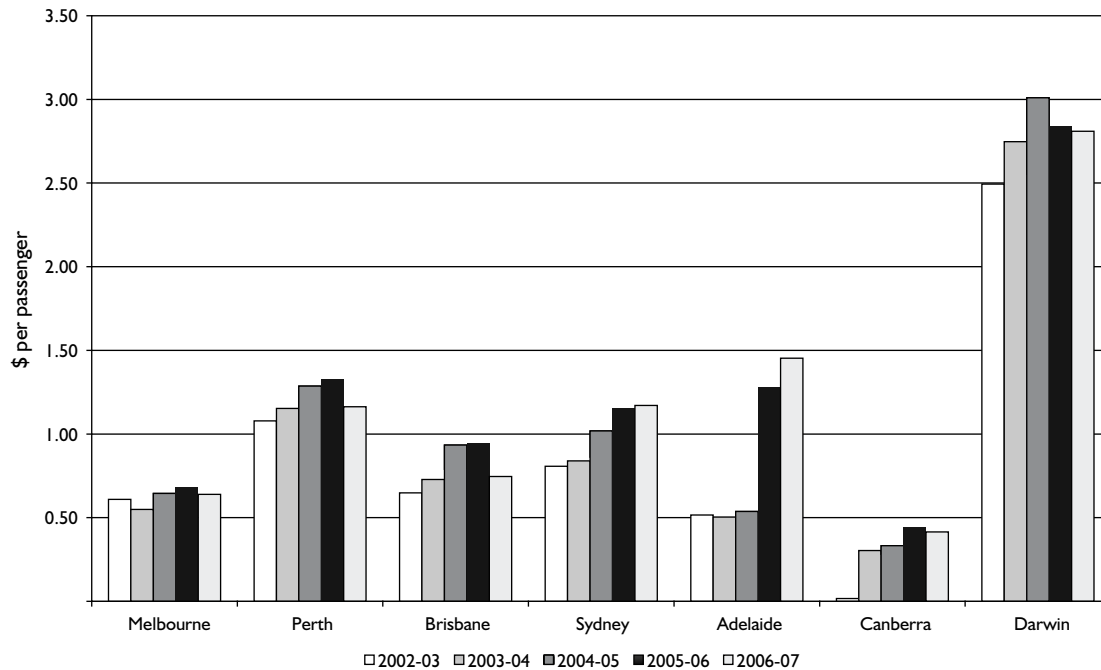
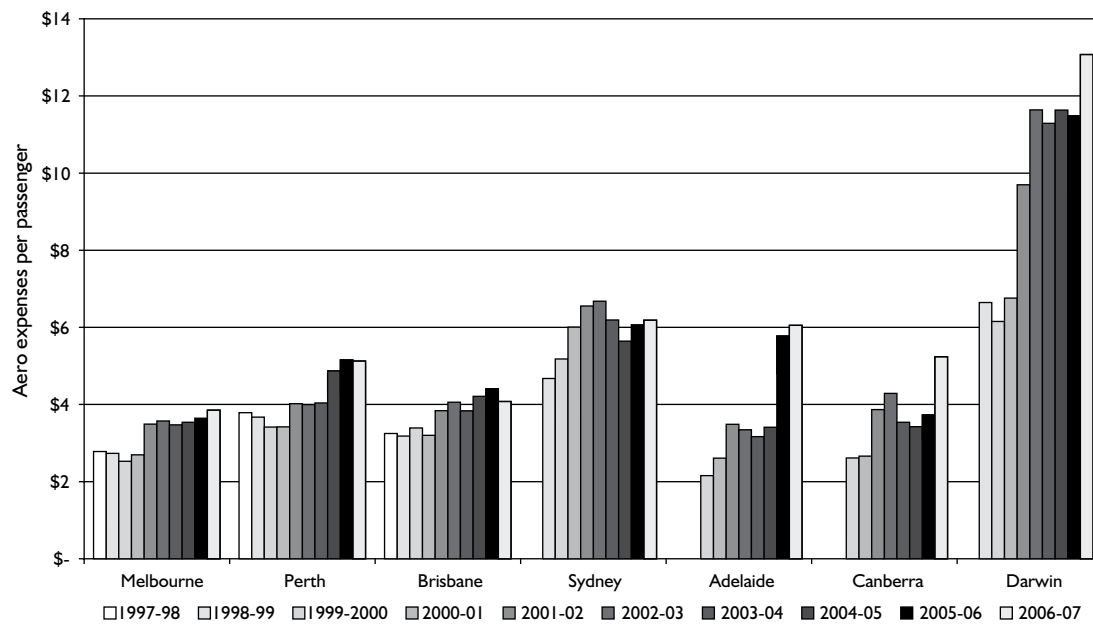
**Chart 2.6: Security expenses**

Chart 2.6 shows the impact of security on per passenger costs. It is important to note when making comparisons that the approach to recovering indirect, security-related costs (such as certain capital, staff and depreciation costs) may differ across airports. However, this comparison shows that security costs per passenger ranged from between \$0.42 at Canberra and \$2.81 at Darwin. In general, airports have advised that security costs are passed through to users in a way that airports do not profit from the provision of mandated security services. For those airports, the chart should also therefore reflect the effect of security requirements on aeronautical revenue. Most airports experienced a decrease in security expenses per passenger during 2006–07 as a result of the government’s decision to cease invoicing airports for the provision of Counter Terrorism First Response services provided by the Australian Federal Police (AFP).

Chart 2.7 shows the aeronautical operating expenses (including operating and maintenance costs and depreciation, but excluding interest, amortisation, tax and any allowance for return on capital) per passenger from 1997–98 to 2006–07 at each of the seven airports.

**Chart 2.7: Aeronautical operating expenses per passenger**



Notes: Passenger numbers for Darwin airport for 1999–2000 and 2000–01 are estimated based on the passenger/aircraft ratio from 2001–02 because Darwin airport did not provide actual figures. This measure does not include an allowance for return on capital.

In 2006–07 unit costs fell at Brisbane (7.5 per cent) and Perth (0.6 per cent) while they increased at Sydney (2.0 per cent), Adelaide (4.8 per cent) Melbourne (5.7 per cent), Darwin (14 per cent), and Canberra (40 per cent). The increase in Canberra’s aeronautical operating expenses per passenger results predominantly from an increase in wages and salaries expenses.

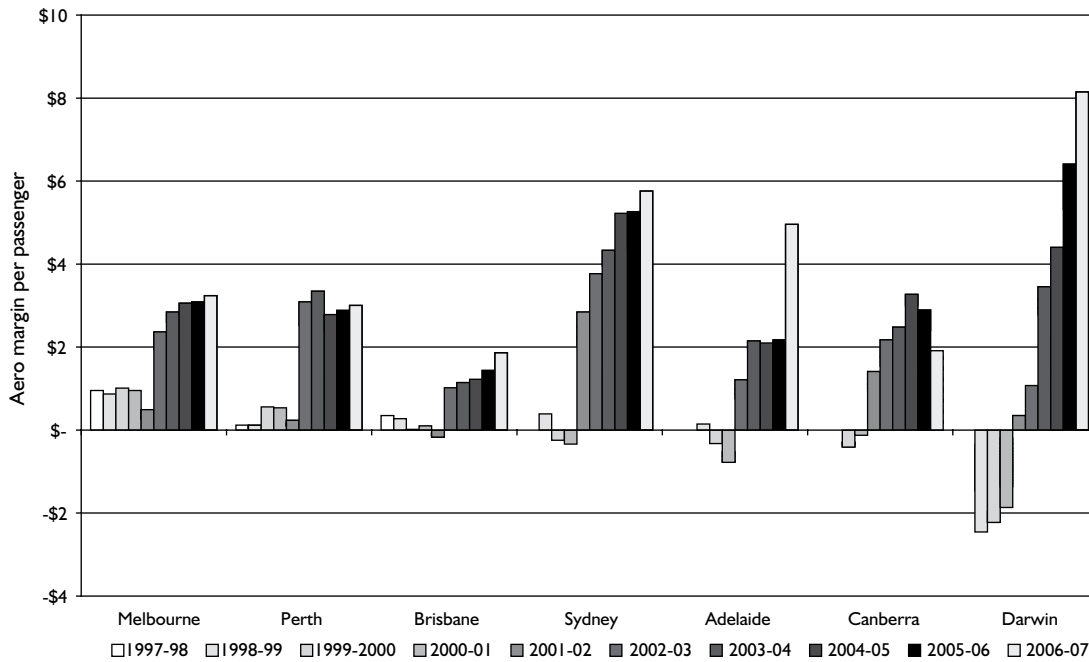
Since 2001–02 operating expenses per passenger have decreased at Sydney by 5.6 per cent. Over the same period, expenses have remained relatively stable at Brisbane and Melbourne airports, increasing by 6.1 per cent and by 10 per cent respectively. They have increased by 27 per cent at Perth, by 35 per cent at Darwin and Canberra, and by 74 per cent at Adelaide.

Marked increases in unit costs in 2001–02 can partly be explained by the reduction in activity in that year and partly by the increased security requirements imposed on airports since 2001. The impact of security on unit costs at individual airports is examined further in section 2.1.3 of this report.

It is also likely that increases in total costs could be attributed to most airports assuming control of the domestic terminals formerly leased to Ansett during the relevant period.

Chart 2.8 shows the aeronautical operating margin per passenger (the difference between the average aeronautical revenue per passenger and the average aeronautical operating expenses per passenger) from 1997–98 to 2006–07 at each of the seven airports.

**Chart 2.8: Aeronautical operating margin per passenger**



Notes: Passenger numbers for Darwin for 1999–2000 and 2000–01 are estimated based on the passenger-aircraft ratio from 2001–02 because Darwin did not provide actual figures.

This measure does not include an allowance for return on capital.

Relying on clause 3 in direction 27, Perth, Brisbane and Sydney airports exclude revenue from fuel throughput services from aeronautical revenue and therefore the measure is understated. Brisbane advised that in 2004–05 fuel throughput revenues had been incorrectly reported as aeronautical revenues in previous years and that it is now relying on the clause 3 exemption to exclude this item from its aeronautical revenue. As a result, adjustments have been made to aeronautical revenues reported in 2002–03 and 2003–04 to exclude fuel throughput revenues.

Operating margin per passenger increased markedly in 2002–03 at all airports and in 2001–02 in the case of Sydney, Canberra and Darwin. In 2006–07, this measure increased at most airports. Increases ranged from almost 4.2 per cent at Perth and 4.9 per cent at Melbourne to 27 per cent at Darwin and 30 per cent at Brisbane up to 128 per cent at Adelaide. Operating margin per passenger decreased at Canberra by 34 per cent. In 2006–07 all airports were generating positive operating margins from aeronautical services, with average margins ranging from \$1.86 (at Brisbane) to \$8.15 (at Darwin) per passenger. Operating margin per passenger has continued to increase at all airports since 2002–03 as a result of increased activity that has seen revenues increase while costs have remained largely fixed.

### Aeronautical-related services

In 2006–07 total revenue generated from aeronautical-related services increased at all airports by between 5 per cent at Sydney and 27 per cent at Adelaide and 36 per cent at Darwin. Since 2002–03 this increase ranged from 45 per cent at Sydney to 97 per cent at Canberra.

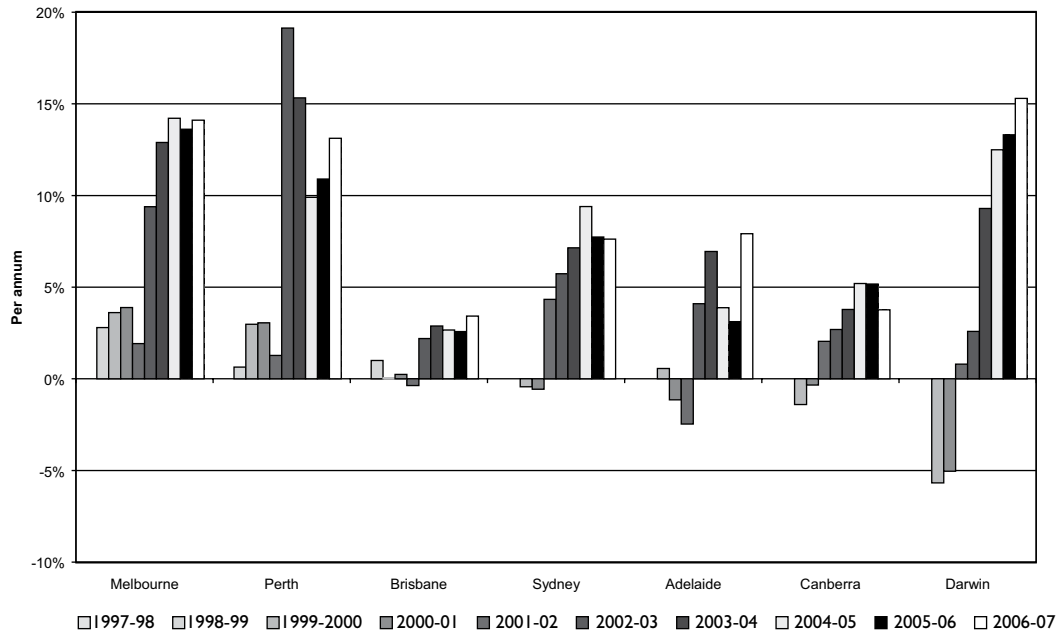
In 2006–07, total aeronautical-related operating expenses increased at Sydney (6.3 per cent), Brisbane (26 per cent), Melbourne (31 per cent), Perth (41 per cent) and Adelaide (70 per cent); and decreased at Darwin (22 per cent) and Canberra (12 per cent). Since 2002–03 expenses have ranged from a decrease of 34 per cent at Darwin to increases of 145 per cent at Perth and 690 per cent (from a low base) at Canberra. A large proportion of the increase in Canberra airport’s expenses occurred in 2002–03 because of an increase in salaries and wages expenses.

The operating margin for aeronautical-related services increased at all airports in 2006–07, with the increase ranging from 3.1 per cent at Adelaide to 47 per cent and 48 per cent at Darwin and Canberra respectively. The margin per passenger ranged from \$0.98 at Adelaide to \$2.40 at Melbourne.

## Return on assets

Chart 2.9 shows EBITA return on average tangible non-current aeronautical assets from 1998–99 to 2006–07 at each of the seven airports.

**Chart 2.9: EBITA on average tangible non-current assets—aeronautical assets**



Note: Sydney airport reports the value of leasehold land as an intangible asset as a result of the transition to AIFRS from 2005–06 while all other airports treat this asset as tangible. To maintain consistency for comparison purposes over the reporting period for Sydney airport and across airports, the intangible value of leasehold land has been included in the calculation of EBITA on average tangible non-current assets.

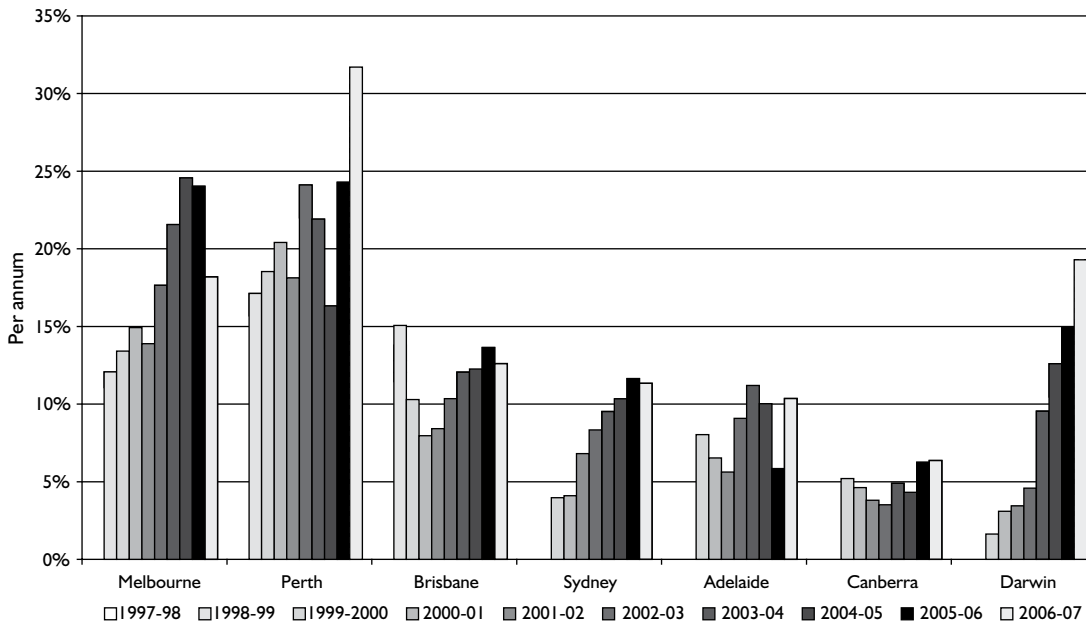
In 2006–07 EBITA on average tangible non-current assets for aeronautical services ranged from 3.4 per cent at Brisbane to 14 per cent at Melbourne and 15 per cent at Darwin. The changes in this measure over the 2005–06 results were mainly driven by changes in earnings rather than changes in the value of the aeronautical asset base.

The trends identified in chart 2.9 for EBITA on average tangible non-current assets for aeronautical services are similar to those for operating margins per passenger, which are shown in chart 2.8.

Chart 2.10 compares the EBITA to total average tangible non-current assets from 1998–99 to 2006–07 at each of the seven airports.



**Chart 2.10: EBITA on average tangible non-current assets—total airport**



Notes: Sydney airport reports the value of leasehold land as an intangible asset as a result of the transition to AIFRS from 2005–06 while all other airports treat this asset as tangible. To maintain consistency for comparison purposes over the reporting period for Sydney airport and across airports, the intangible value of leasehold land has been included in the calculation of EBITA on average tangible non-current assets.

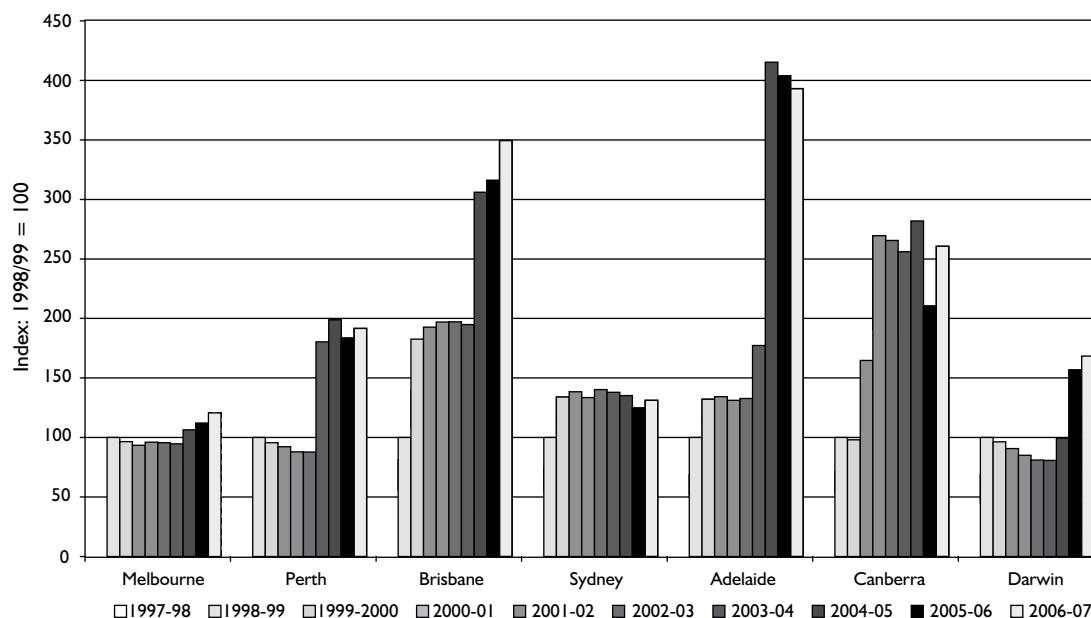
Additionally, in 2006–07 Sydney airport advised that certain inter-company receivables and investments overstated the airport’s assets. Sydney airport advised that these balances related to financing activities, they are not related to the operations of Sydney Airport and so should be excluded when calculating a return on the operational assets of the airport.

Rates of return on average tangible non-current assets from all airport services were higher than for aeronautical services alone. In 2006–07 total airport returns on tangible non-current assets increased at Adelaide, Perth, Darwin, Sydney and Canberra, while returns declined at Brisbane and Melbourne. During 2006–07 returns ranged from 6.4 per cent for Canberra to 32 per cent for Perth. The increase at Perth airport is primarily the result of the 52 per cent increase in EBITA.

Substantial upward revaluations in non-aeronautical asset values (as distinct from new investment) in recent years at Adelaide, Brisbane, Canberra and Perth have had a downward impact on these rates of return.

Chart 2.11 shows an index of the movements in the tangible non-current aeronautical asset base from 1998–99 to 2006–07 for each of the seven airports.

**Chart 2.11: Tangible non-current assets (indexed)—aeronautical**



Note: Each airport’s tangible non-current aeronautical asset base has been indexed to a common base year of 1998–99 equalling 100. This allows changes in the asset base to be more readily observed.

Sydney airport reports the value of leasehold land as an intangible asset as a result of the transition to AIFRS from 2005–06 while all other airports treat this asset as tangible. To maintain consistency for comparison purposes over the reporting period for Sydney airport and across airports, the intangible value of leasehold land has been included in the calculation of EBITA on average tangible non-current assets.

Aeronautical tangible non-current asset bases at a number of airports remained relatively stable across the period with additions to asset bases generally being offset by depreciation. However, in 2005–06 for Perth, Adelaide and Canberra the value of tangible aeronautical asset bases decreased significantly from the application of Australian equivalents to International Financial Reporting Standards (AIFRS), which was higher than the value of new investment. Sydney airport’s aeronautical asset base increased overall when the value of leasehold land, which Sydney categorises as intangible, is included.

Over the period 2003–04 to 2005–06 Adelaide invested \$210.2 million in aeronautical assets in the construction of its new integrated international, domestic and regional terminal. In 2006–07 airports undertook investments in aeronautical assets—\$1.8 million (Adelaide), \$11.8 million (Darwin), \$15.8 million (Perth), \$28.4 million (Canberra), \$60.6 million (Melbourne), \$92.5 million (Brisbane) and \$161.6 million (Sydney).

The total value of tangible non-current aeronautical assets for Canberra increased by 161 per cent from 1998–99 to 2006–07. Revaluations of land over this time added some \$45.7 million to the value of aeronautical land. Revaluations of aeronautical buildings were also significant, increasing by around \$79.1 million, with \$17.4 million of this increase occurring in 2004–05. However, in 2005–06 the airports’ application of AIFRS led to a decrease in the value of aeronautical assets of \$53 million.

Similarly, the introduction of AIFRS reduced Sydney (\$183.3 million or increased by \$635 million when the intangible value of leasehold land is included) and Perth (\$24.4 million) and increased Adelaide (\$76.6 million) airports’ tangible non-current aeronautical assets. At Darwin, the value of tangible non-current aeronautical assets increased by \$19.1 million following the airport’s application of AIFRS (including a revaluation of certain assets undertaken with the implementation of AIFRS). The effect of Brisbane’s adoption of AIFRS in 2004–05 increased the aeronautical asset base by \$355.1 million. The adoption of AIFRS at Melbourne airport did not involve any adjustment to the value of its aeronautical asset base.

Revaluations (totalling \$84.5 million) of aeronautical assets including land, land improvements and buildings by Brisbane in 1999–2000 contributed almost all of its 216 per cent increase in non-current aeronautical asset values over the period since 1998–99.

Perth revalued its assets by \$85.4 million in 2003–04, resulting in an increase of 105 per cent in the value of aeronautical assets. Adelaide also revalued aeronautical land and buildings by \$22.5 million during 1999–2000.

#### **In summary**

Total aeronautical revenue generated by the price monitored airports increased by 112 per cent to \$830.4 million between 2001–02 and 2006–07. Increases at the individual airports over this period ranged from 64 per cent to 512 per cent.

In 2006–07 the change in unit costs ranged from reductions of 7.5 per cent to increases of 40 per cent. Since 2001–02 the change in aeronautical operating expenses per passenger has ranged from reductions of 5.6 per cent to increases of 74 per cent.

Aeronautical operating margin per passenger (the difference between the average revenue per passenger and average operating expenses per passenger) continued to increase at most airports in 2006–07 with average margins ranging from \$1.86 to \$8.15 per passenger.

Returns on average tangible non-current assets for aeronautical services generally continued to increase and ranged from 3.4 per cent to 14 per cent in 2006–07. Returns on **total** average tangible non-current assets ranged from 6.4 per cent to 32 per cent in 2006–07. However, these returns were affected by the impact of increases in asset bases because of the recording of asset revaluations at some airports.

## 2.2. Quality of service results

This section presents some comparisons for key indicators across the monitored airports. Overall airport ratings since 2002–03 are displayed, as are overall results for the international and domestic terminal services and airside services. These results comprise quantitative measures of utilisation and survey results from passengers, airlines and the ACS.

### 2.2.1. Overall airport average ratings

The results obtained for each airport have been aggregated to give an overall view of the quality of service provided by the airport operators. The ACCC now has available five years of data for all indicators, which allows trends in overall quality of service to be examined over time. As such, some trends are beginning to emerge. Furthermore, movements in the indicators over time appear to reflect outcomes that could be expected from issues or events at particular airports. For example, Adelaide airport’s ratings, as illustrated below, have increased since the opening of the new multi-user integrated terminal (T1) in 2005–06.

Table 2.1 shows the overall ranking of quality of service ratings at all airports from 2002–03 to 2006–07. This rating is based on a weighted average<sup>42</sup> over the range of quality of service indicators examined at each airport.

**Table 2.1: Overall ranking of quality of service rankings**

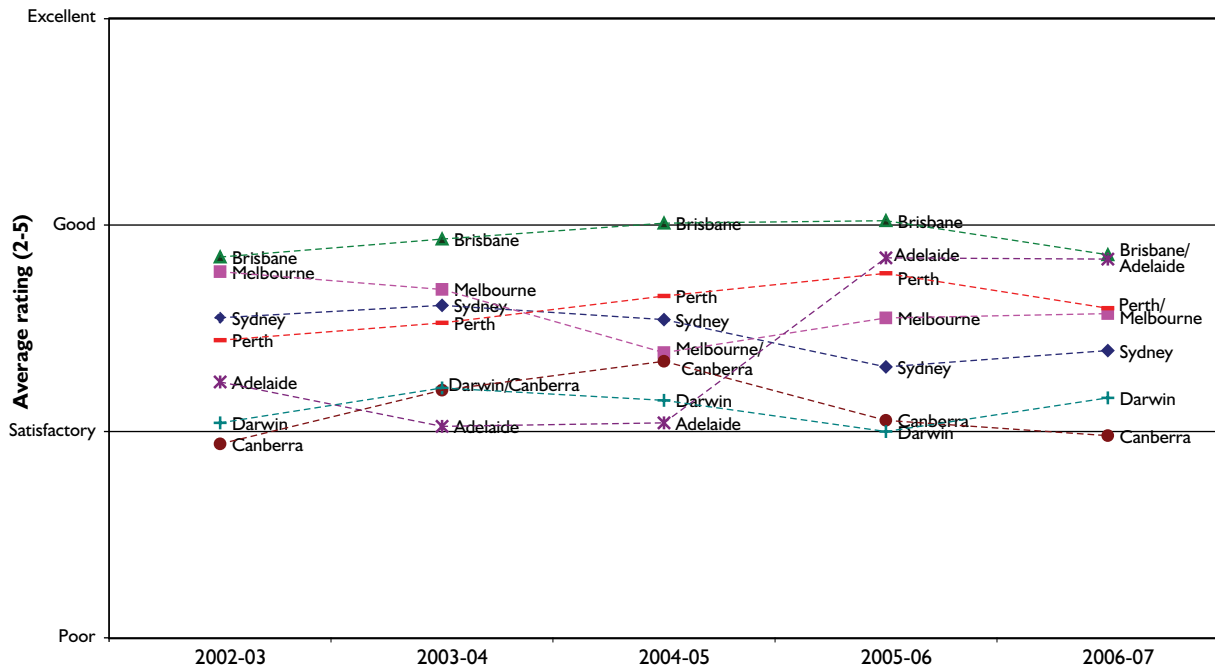
Rating	Rank	2002–03	2003–04	2004–05	2005–06	2006–07
Good	1 <sup>st</sup>	Brisbane	Brisbane	Brisbane	Brisbane	Brisbane and Adelaide
	2 <sup>nd</sup>	Melbourne	Melbourne	Perth	Adelaide	
	3 <sup>rd</sup>	Sydney	Sydney	Sydney	Perth	Perth and Melbourne
	4 <sup>th</sup>	Perth	Perth	Melbourne	Melbourne	
	5 <sup>th</sup>	Adelaide	Darwin	Canberra	Sydney	Sydney
	6 <sup>th</sup>	Darwin	Canberra	Darwin	Canberra	Darwin
Satisfactory	7 <sup>th</sup>	Canberra	Adelaide	Adelaide	Darwin	Canberra

Note: Additional information was made available from Adelaide airport for the period 2005–06 and due to the close range of ratings between some airports, Perth and Adelaide moved in their rankings to second and third respectively.

The table above shows the overall average rating of quality of service at all airports from 2002–03 to 2005–06. This rating is based on a weighted average over the range of quality of service indicators examined at each airport.<sup>43</sup>

<sup>42</sup> The overall airport ratings have been calculated by taking the average rating of each category of indicator (i.e. passenger, airline and ACS ratings and objective indicators) available for each airport and weighting these scores by the number of observations in each category. The objective indicators have been converted to the same 1–5 rating scale used in the other surveys. This has been achieved by taking the average of the results obtained for each indicator across airports and constructing quartiles in order to rate performance of each objective indicator.

<sup>43</sup> The overall airport ratings have been calculated by taking the average rating of each category of indicator (i.e. passenger, airline and ACS ratings and objective indicators) available for each airport and weighting these scores by the number of observations in each category. The objective indicators have been converted to the same 1–5 rating scale used in the other surveys. This has been achieved by taking the average of the results obtained for each indicator across airports and constructing quartiles to rate the performance of each objective indicator.

**Chart 2.12: Overall airport ranking**

The overall ratings of quality of service at the seven price-monitored airports have been relatively stable since 2002–03, with ratings ranging from satisfactory to good for all airports.

Over the reported period Brisbane airport has been the highest ranked airport, with an overall rating of good in each year, although decreasing to just below good in 2006–07. Melbourne and Sydney airports' ratings have generally declined over the period while still being rated at the midpoint between satisfactory and good. However, Melbourne airport's decline has halted over the last two periods, remaining stable following an increase to between satisfactory and good in 2005–06. Sydney airport recovered slightly in 2006–07 to be rated just below the midpoint between satisfactory and good. Perth airport has also been rated between good and satisfactory and its rating increased up to 2005–06, followed by a decrease to 2004–05 levels in 2006–07.

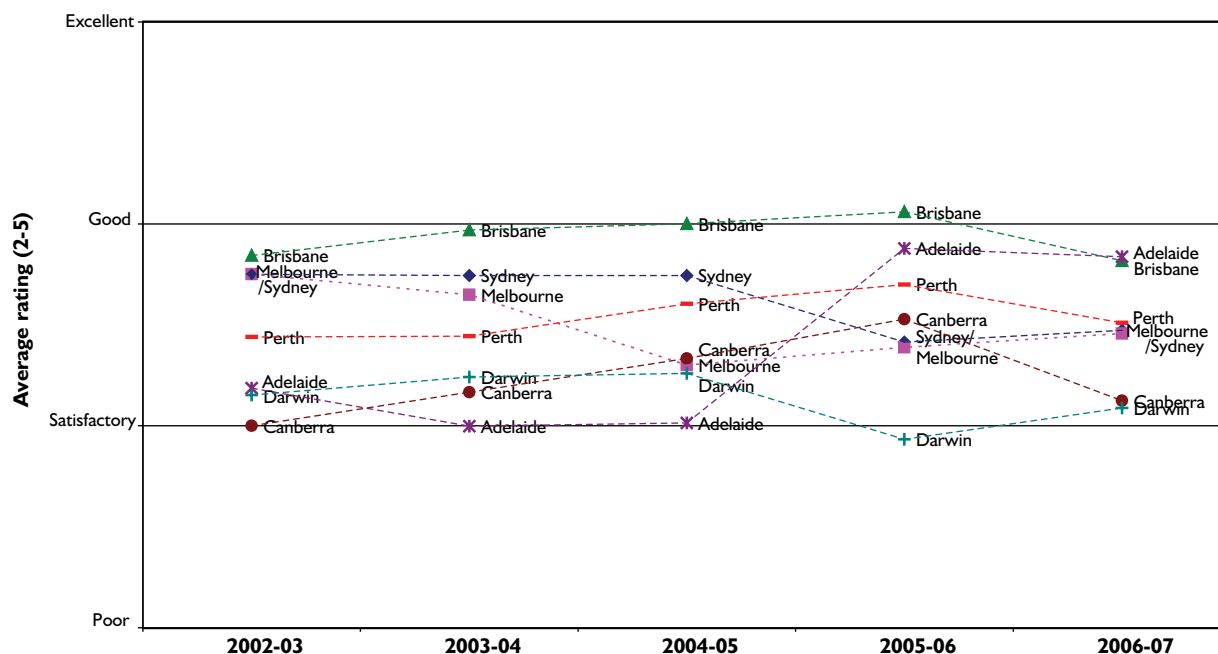
Canberra and Darwin have generally rated at the satisfactory level, with Darwin's overall rating decreasing since 2003–04 to be just below satisfactory followed by an increase in 2006–07. Canberra airport's rating decreased to just above satisfactory as a result of a large decrease in the rating by the ACS in 2005–06 and this has continued in 2006–07. It should also be noted that Canberra airport does not provide information on its quantitative measures of utilisation and neither Canberra's nor Darwin's overall ratings include passenger survey rating; therefore, both airports' overall ratings relate to a narrower range of indicators.

Following ratings of satisfactory over the reporting period, Adelaide's overall rating increased significantly up to just below good, which appears to follow the opening of the new T1 in 2005–06. International and regional operations transferred to T1 in October and December 2005 respectively. Domestic operations transferred in February 2006. In 2006–07, Adelaide airport's overall rating was around the same as Brisbane airport's rating.

Chart 2.13 shows the average ratings of the **availability** of facilities provided at all airports from 2002–03 to 2006–07. This rating is based on a weighted average over the range of quality of service indicators relating to the **availability** of facilities provided by each airport operator.

## 2.2.2. Average ratings for availability of airport facilities

**Chart 2.13: Availability of airport facilities**



In general, the overall airport rating of the **availability** of facilities has ranged between satisfactory and good for all airports over the reporting period. The exception to this is the rating for **availability** of facilities at Darwin airport since 2004–05, which has decreased to below satisfactory before increasing to slightly above satisfactory in 2006–07.

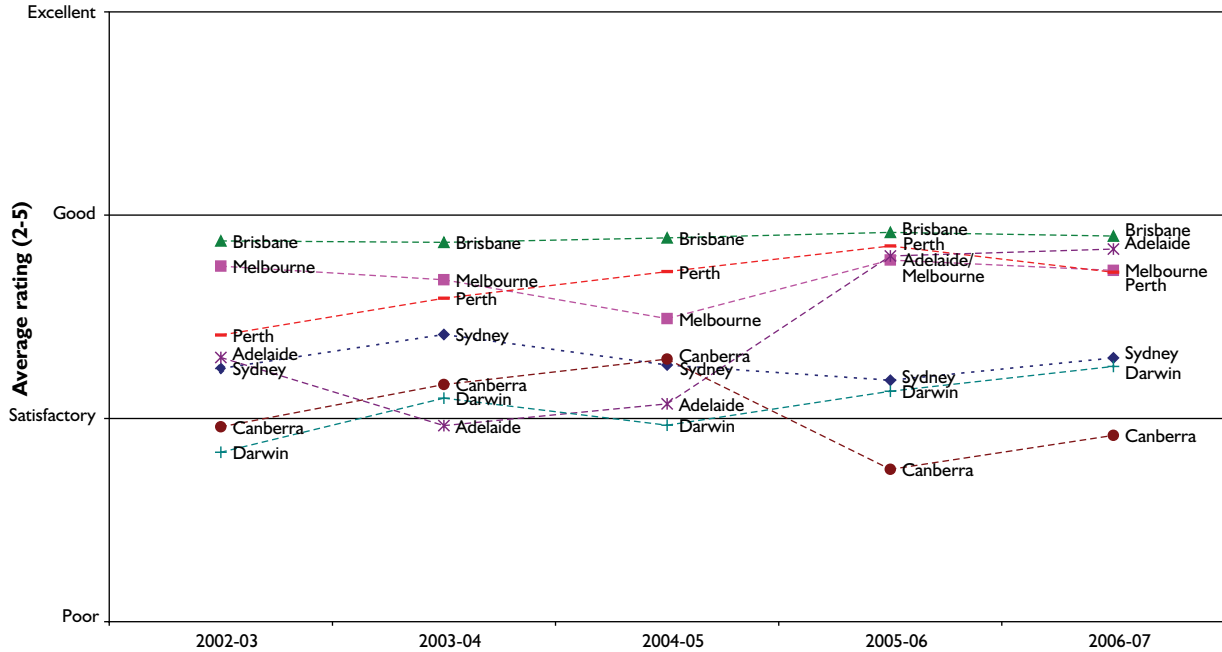
Prior to 2006–07, Brisbane airport was the highest ranked airport for the **availability** of facilities. However, despite decreasing slightly in 2006–07 Adelaide airport’s rating of **availability** was ranked highest among the airports by a slim margin following a large decrease in **availability** rating of Brisbane airport to between satisfactory and good during the same period. Melbourne and Sydney airports have generally been rated at the midpoint between satisfactory and good, with both airports rating remaining stable in 2006–07 at between satisfactory and good. Perth airport has also been rated between satisfactory and good; however, its rating has decreased in 2006–07.

Canberra and Darwin airports have generally been rated as satisfactory. However, Darwin’s rating decreased to below satisfactory last year, but increased back to above satisfactory in 2006–07. Canberra airport’s overall rating for **availability** improved up to 2005–06, but experienced a decrease to satisfactory in 2006–07. It should also be noted that Canberra airport does not provide information on its quantitative measures of utilisation and neither Canberra’s nor Darwin’s overall ratings include passenger survey rating; therefore, both airports’ overall ratings relate to a narrower range of indicators.

Chart 2.14 shows the average rating of the **standard** of facilities provided at all airports from 2002–03 to 2006–07. This rating is based on a weighted average over the range of quality of service indicators relating to the **standard** of facilities provided by each airport operator.

### 2.2.3. Average ratings for standard of airport facilities

**Chart 2.14: Standard of airport services**

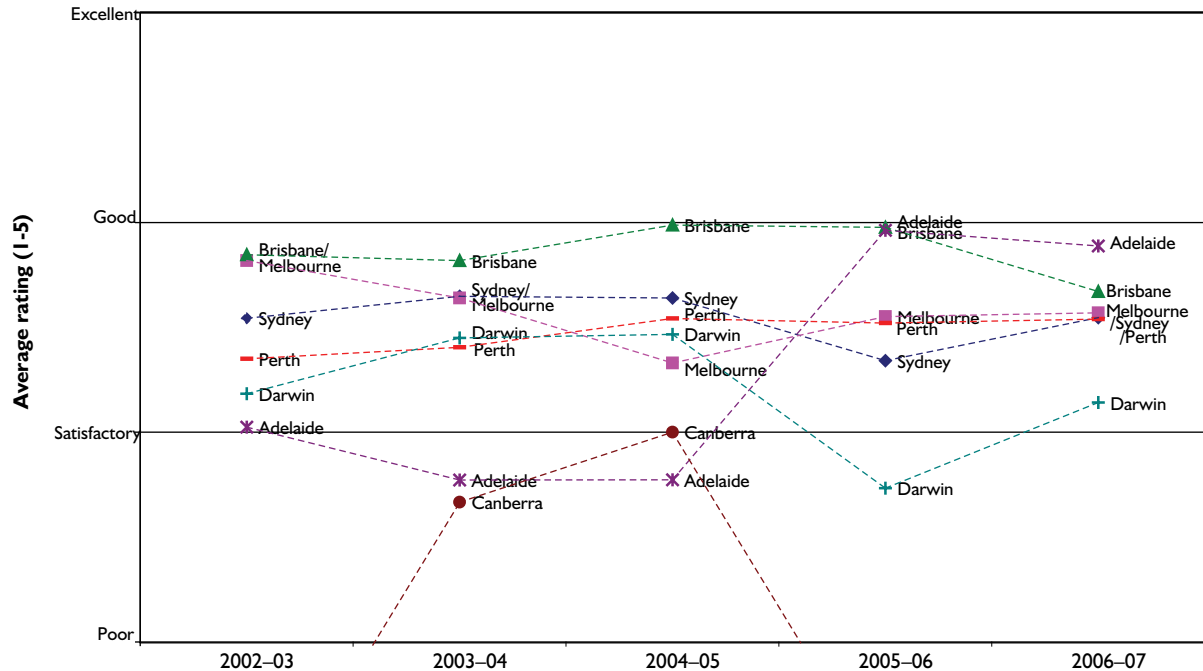


In general, the overall airport ratings of the **standard** of facilities have ranged between satisfactory and good for all airports.

Over the reporting period Brisbane airport has been the highest ranked airport with regard to the **standard** of facilities, remaining stable at just below good. Adelaide airport’s rating has increased since 2003–04 to just below good. Melbourne and Perth airports have generally been rated at the higher end of the range of satisfactory to good over the reporting period despite decreasing in rating in 2006–07. Sydney airport has generally been rated at the midpoint of this range of satisfactory to good increasing in 2006–07. Canberra and Darwin airports have generally been rated at satisfactory over the reporting period. Both airports’ ratings increased in 2006–07; however, while Darwin airport’s rating increased to around the same as Sydney airport’s rating, Canberra airport’s rating was still below satisfactory.

### 2.2.4. Average international terminal services ratings

**Chart 2.15: International terminal services**



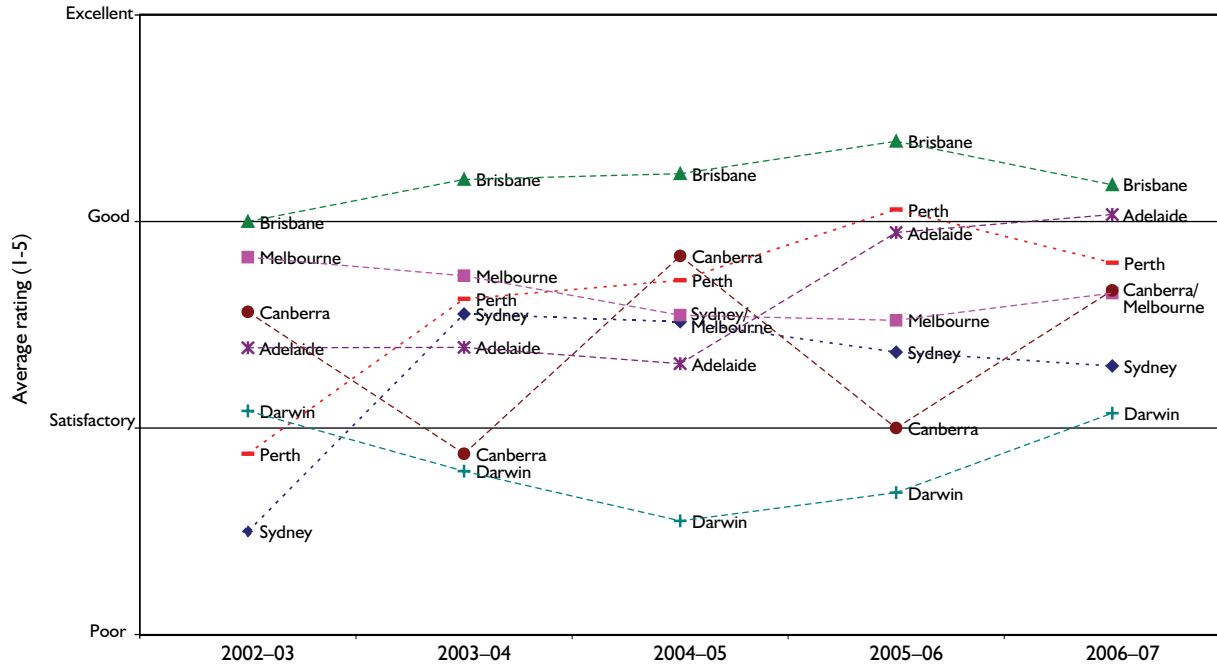
In 2006–07 Adelaide airport was rated the best international terminal at just below good, up from a low of below satisfactory in 2004–05. Brisbane airport’s rating dropped from just below good in 2005–06, with both Brisbane and Perth airports rating at just above the midpoint between satisfactory and good in 2006–07. Sydney and Melbourne airports’ international terminal rated between satisfactory and good in 2006–07, with Melbourne airport’s rating remaining stable and Sydney airport’s rating increasing on 2005–06.

Darwin airport’s rating increased to satisfactory in 2006–07 from between poor and satisfactory in 2005–06 following a decrease from between satisfactory and good in 2004–05. Although not represented on the above chart, Canberra airport rated between very poor and poor in 2006–07; however, regular public transport (RPT) international services do not operate at the airport and international aircraft are processed on an ad hoc basis.



### 2.2.5. Average domestic terminal services ratings

**Chart 2.16: Domestic terminal services**



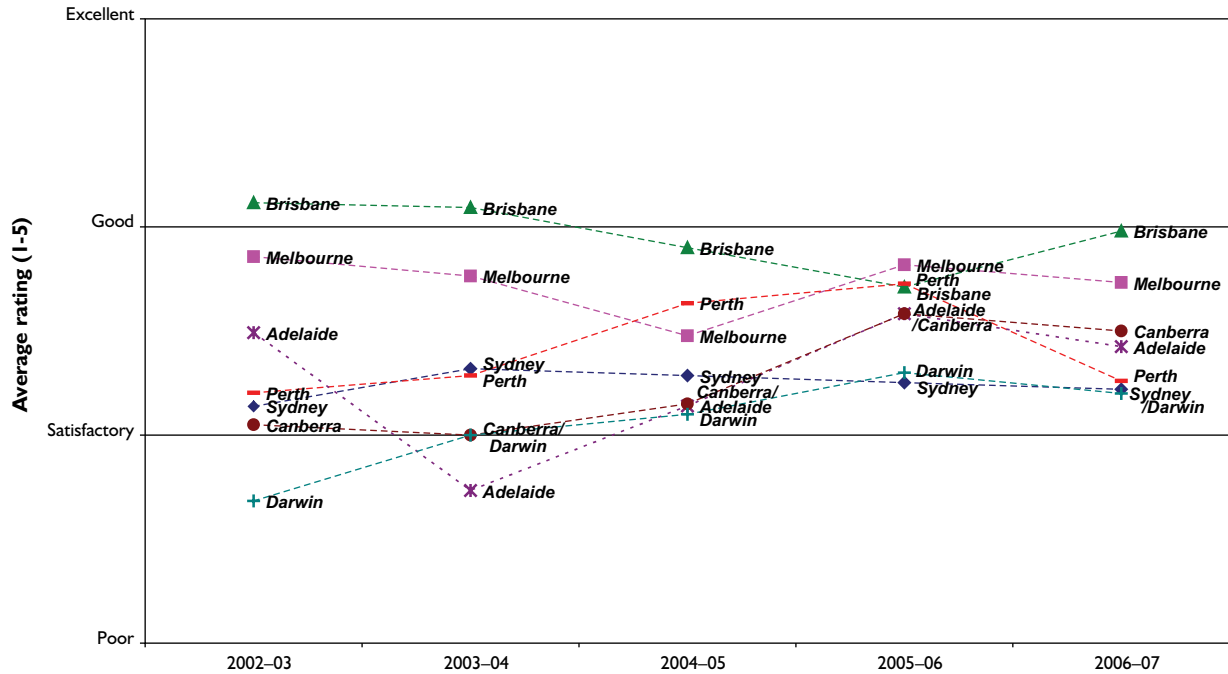
Brisbane airport has been consistently rated the best domestic terminal over the reporting period, although its rating decreased from between good and excellent in 2005–06 to good in 2006–07. Adelaide airport’s domestic terminal ratings increased from a low of below the midpoint between satisfactory and good in 2004–05 to just below good in 2005–06 following the transfer of operations to the new T1. This rating increased further for Adelaide to just above good in 2006–07.

Sydney airport’s rating of domestic terminal services remained stable at just below the midpoint between satisfactory and good in 2006–07. Melbourne airport’s rating for this measure increased slightly to between satisfactory and good in 2006–07, as did Canberra airport’s rating, up from satisfactory in 2005–06.

The domestic terminal at Perth airport decreased in its rating to just below good in 2006–07 from just above good in 2005–06, following increases over the remainder of the reporting period from a low of below satisfactory in 2002–03. Conversely, Darwin airport’s rating decreased over the reporting period to between poor and satisfactory in 2004–05, but this was followed with a slight increase in 2005–06 and a further increase to just above satisfactory in 2006–07.

## 2.2.6. Average airside services ratings

**Chart 2.17: Airside services and facilities**



Brisbane airport’s airside services rated the highest among airports over most of the reporting period, with a drop to just above the midpoint between satisfactory and good occurring in 2005–06 followed by an increase back up to good in 2006–07.

In 2005–06 most airports were rated as just above the midpoint between satisfactory and good, with the exception of Darwin and Sydney airports, which had ratings of just above satisfactory. Sydney and Darwin maintained their ratings in 2006–07, while Adelaide and Canberra airports’ ratings decreased slightly. Melbourne airport’s airside services ratings also decreased in 2006–07, but from a higher base than Adelaide and Canberra airports. Perth airport had the biggest drop in rating to just below the midpoint between satisfactory and good in 2006–07.

### 2.2.7. Runway traffic—demand and delays

The ACCC collects information on runway traffic and demand from Airservices Australia. Currently, this information is only available for Brisbane, Melbourne and Sydney airports and is presented in the individual airport results in sections 3 to section 9. Airservices Australia began collecting this information at Perth airport from May 2007. The yearly data for next year will be included in the ACCC's 2007–08 monitoring report.

In 2006–07 runway demand at Sydney airport was relatively high compared with agreed operational capacity during the morning peak hour.

Runway demand at Brisbane and Melbourne airports was generally within agreed operational capacity during the morning peak hour.

Delay times increased at both Brisbane and Melbourne airports during 2006–07. In general, reported delay times at Brisbane airport were shorter than for Melbourne and Sydney. The average system delay time at Brisbane airport was 3.3 minutes, compared with 5.3 minutes at Melbourne airport and 4.4 minutes at Sydney airport. The maximum system delay was also shorter at Brisbane airport, averaging 9.5 minutes, compared with 13 and 12 minutes at Melbourne and Sydney airports, respectively.

Delay times in peak hour at Sydney airport in 2006–07 were generally unchanged from 2004–05 and 2003–04. Capacity at Sydney airport is constrained by a limit on hourly movements and the guaranteed access provided to regional airlines.

It should be noted that some delays to flights may be the result of factors outside the airport's and Airservices Australia's control.

### 3. Adelaide airport

**Summary**

For Adelaide airport, the 2006–07 year was the first full year that both the new terminal, T1, was in operation and the associated passenger facilitation charge (PFC) was levied. This affected the results of both prices and quality of service monitoring.

In 2006–07 passenger numbers, tonnes landed and aircraft movements increased and most aeronautical and aeronautical-related service prices increased. As a result, aeronautical and aeronautical-related profitability increased. Higher revenues are largely due to the first full-year application of the PFC at Adelaide airport. The value of aeronautical assets decreased due to depreciation. However, total airport non-current assets increased due to increases in investment property and ‘other’ non-current assets.

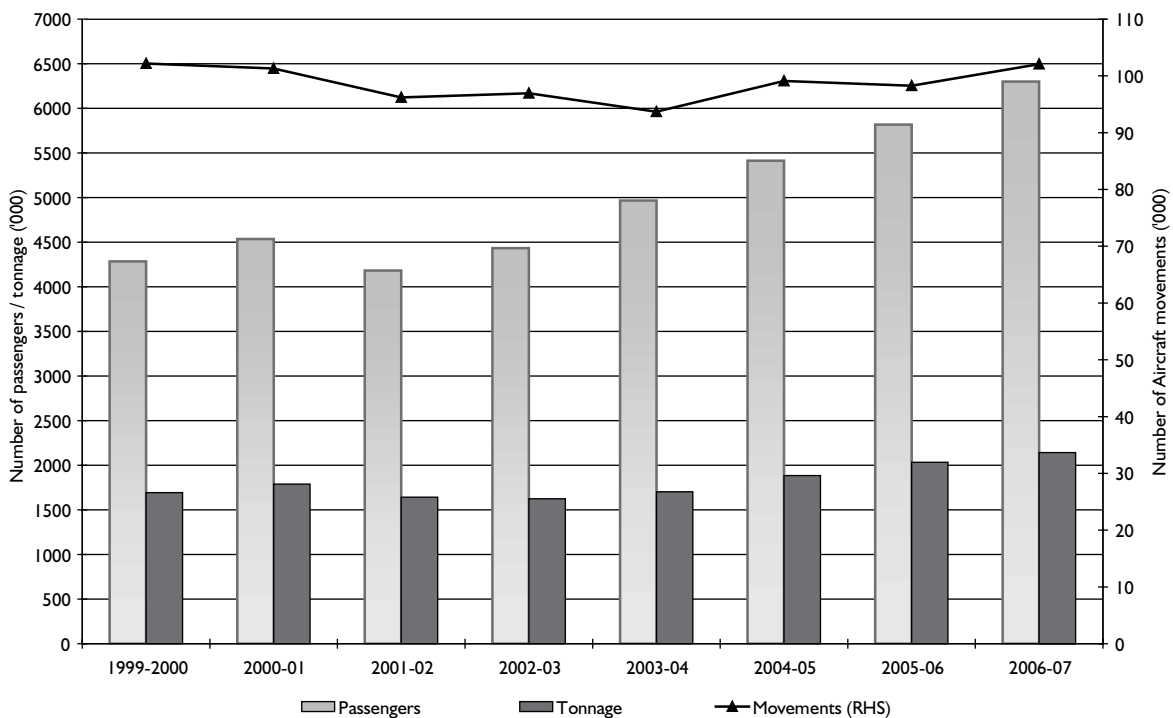
Overall quality of aeronautical services at Adelaide has been rated as good. Airline ratings on availability of airside services increased, while ratings of the standard decreased. The percentage of international arriving and departing passengers using an aerobridge increased to around 100 per cent in 2006–07. The commencement of operations at the new T1 corresponded with a large increase in the availability of check-in desks, reflecting an increase in the number of check-in desks from 15 to 46 during 2005–06. Airline ratings of check-in facility availability and standard increased to around good in 2006–07. Australian Customs Service ratings in general have increased.

#### 3.1. Adelaide airport price monitoring results

##### 3.1.1. Activity

Chart 3.1 shows traffic volumes at Adelaide measured by passenger numbers, tonnes landed and aircraft movements from 1999–2000 to 2006–07.

**Chart 3.1: Volume of passengers, tonnes landed and aircraft movements**



In 2006–07 passenger numbers, tonnes landed and aircraft movements all increased.

Passenger numbers at Adelaide airport have been increasing since 2002–03, after falling in 2001–02 following the collapse of Ansett, the September 2001 terrorist attacks and the SARS outbreak. Before 2001 passenger numbers were showing positive growth at Adelaide. Passenger numbers have recovered in the last five years, increasing by 6.0 per cent in 2002–03, 12 per cent in 2003–04, 9.0 per cent in 2004–05, 7.5 per cent in 2005–06, and 8.2 per cent in 2006–07 to reach 6 300 493, the highest passenger number recorded over the reporting period.

Tonnes landed increased by 5.4 per cent in 2006–07 after a 7.9 per cent increase in 2005–06, an 11 per cent increase in 2004–05 and a 4.9 per cent increase in 2003–04. Tonnes landed reached a new peak of 2.1 million tonnes landed.

In 2006–07 aircraft movements grew by 3.8 per cent, following an approximate 1 per cent decline in 2005–06. Generally, aircraft movements have experienced little change over the reporting period.

More detailed operational statistics for Adelaide airport are contained in appendix 1.1.

### 3.1.2. Prices

Table 3.1 shows the schedule of charges and the indexed change in list prices for both aeronautical and aeronautical-related services at Adelaide from 2002–03 to 2006–07, with 2002–03 taken as the base year.

**Table 3.1: Schedule of charges and indexed prices (2002–03 as base year)**

	Basis of charge (e.g. MTOW)	Charge per unit \$ (incl. GST)	Indexed list prices			
			2003–04	2004–05	2005–06	2006–07
<b>Aeronautical services</b>						
Aircraft movements and facilities						
International passenger air transport aircraft	Passenger	12.48	103.4	105.5	108.0	111.2
International passenger air transport aircraft diversions from other airports <sup>(a)</sup>	Passenger	5.33		100.0	102.4	105.5
Domestic passenger air transport aircraft weighing more than 20 000 kg MTOW	Passenger	4.28	103.4	105.5	108.1	111.2
Domestic passenger air transport aircraft weighing more than 20 000 kg MTOW	MTOW	12.85	103.4	105.5	108.1	111.3
Domestic passenger air transport aircraft weighing more than 20,000 kg MTOW diversions from other airports <sup>(a)</sup>	MTOW	6.43		100.0	102.3	105.4
Domestic passenger air transport aircraft weighing less than 20 000 kg MTOW <sup>(b)</sup>	MTOW	5.87	103.4	105.5	108.0	111.2
Freight aircraft and aircraft not operating air transport services <sup>(b)</sup>	MTOW	5.87	103.4	105.5	108.0	111.2
Rotary wing and unpowered aircraft <sup>(b)</sup>	MTOW	2.71	103.4	97.3	99.6	102.7
Aviation insurance recovery charge, aircraft weighing more than 20 000kg MTOW <sup>(b)</sup>	MTOW	0.51	104.1	106.1	106.1	104.1
Aviation insurance recovery charge, aircraft weighing more than 20 000kg MTOW <sup>(c)</sup>	Passenger	0.15			100.0	83.3
Aviation insurance recovery charge, aircraft weighing less than 20 000kg MTOW <sup>(b)</sup>	MTOW	0.15	107.1	107.1	107.1	107.1
Aviation insurance recovery charge, rotary wing and unpowered aircraft <sup>(b)</sup>	MTOW	0.07	N/A	100.0	100.0	100.0
Parking charge for aircraft parked longer than two hours in a designated general aviation parking area	Per day or part thereof	13.36	103.4	105.6	108.1	111.3
Passenger processing facilities and activities						
Passenger facilitation charge—international passengers <sup>(e)</sup>	Passenger	8.59			100.0	103.2
Passenger facilitation charge—domestic passengers <sup>(e)</sup>	Passenger	6.20			100.0	103.3
Passenger facilitation charge—regional passengers <sup>(e)</sup>	Passenger	1.45			100.0	103.6
Domestic and regional passenger security screening <sup>(f)</sup>	Passenger	2.51			100.0	116.7
Domestic and regional checked bag screening <sup>(f)</sup>	Passenger	0.84			100.0	76.4
Security screening of international transit passengers	Passenger	4.40	100.0	175.8	117.0	120.5
<b>Aeronautical-related services</b>						
Landside vehicle access to terminals		N/C	N/C	N/C	N/A	N/A
Public and staff car-parking	See tariffs in appendix 1.3	N/A	N/A	N/A	N/A	N/A
Taxi holding and feeder services	Fixed charge per passenger pick-up	2.00 <sup>(g)</sup>	N/C	N/C	100.0	100.0
Check-in counters and related facilities <sup>(g)</sup>	\$/m <sup>2</sup>	N/A	96.3	109.3	108.5	N/A

Indexed list prices						
	Basis of charge	Charge per unit \$	2003–04	2004–05	2005–06	2006–07
	(e.g. MTOW)	(incl. GST)				
Aircraft light and emergency maintenance sites and buildings	\$/m <sup>2</sup> (average)	24.84	111.9	121.7	122.1	145.9
Minimum charges <sup>(f)</sup>						
Minimum charge applicable to aircraft weighing less than 20 000kg MTOW inclusive of insurance charge		35.85	103.4	106.3	108.8	112.0
Minimum charge applicable to rotary wing and unpowered aircraft inclusive of insurance charge		17.92	103.4	106.3	108.8	112.0

Notes: N/A Not available from the information provided by the airport.

N/C No specific charge applies.

(a) New charge introduced March 2005.

(b) Minimum charge applies.

(c) New charge introduced October 2005.

(d) New charge introduced in February 2006.

(e) New charge introduced in December 2005.

(f) Basis of minimum charge is not described in the data provided by Adelaide airport.

From 2002–03 to 2006–07 most listed aeronautical charges increased by 11 per cent. Aeronautical-related charges also increased. In particular aircraft light and emergency maintenance sites and buildings increased by 46 per cent.

In 2006–07 Adelaide increased many of its listed aeronautical charges relating primarily to aircraft movements and facilities by approximately 3.0 per cent.

The new passenger facilitation charges (PFC) introduced at the commencement of operations at the new T1 in 2005–06 increased by only 0.5 per cent in 2006–07.

The PFC charges were implemented by agreement with the major RPT operators in 2005–06 and are charged on the basis of the number of passengers of each RPT operator who uses any terminal at the airport to recover the cost of the new terminal, which commenced operation in October 2005.

As described in table 3.1, different rates of PFC apply to regional, international and domestic passengers. Adelaide airport advised that the PFC is calculated to provide revenue sufficient to provide for recovery of the aeronautical component of the:

- capital cost of the new terminal and associated facilities (over a 15-year period)
- reasonable operating costs of the new terminal for the duration of its operation.

Adelaide also advised that the PFC is recalculated every five years on the anniversary of its commencement date and escalates by the consumer price index (CPI) in the intervening years.

Security charges varied at Adelaide airport in 2006–07—for instance, the domestic and regional passenger security screening charge increased by 17 per cent, while domestic and regional checked bag screening decreased by 24 per cent. In 2005–06 Adelaide airport introduced new security charges for T1, replacing previous charges for the old international terminal and domestic baggage screening charges in the common user portion of the old domestic terminal. Prior to the opening of T1, Qantas was responsible for passenger screening in the old domestic terminal and these charges were therefore not included in Adelaide airport's regulatory reporting.

In 2005–06 Adelaide airport also introduced a taxi holding and feeder service charge that remained unchanged in 2006–07, at \$2.00 per passenger pick-up. Adelaide airport advised this charge primarily recovers the provision of taxi concierge services, holding and feeder services provided to the taxi industry from the opening of the new terminal.

### Average aeronautical revenue per passenger

In previous reporting periods, the measure of average aeronautical revenue (adjusted) per passenger excluded those revenues earned from the Qantas domestic terminal lease (DTL) as Adelaide airport classified this as non-aeronautical revenue. Furthermore, to maintain a consistent time series over the reporting period, this measure was further adjusted to exclude new revenue earned from the provision of the terminal formerly operated by Ansett.

With the commencement of operations at the new T1 at Adelaide, the airport introduced a PFC. The introduction of the PFC represents a break in the time series of this measure as it now includes aeronautical revenue previously either excluded by the airport under direction 27 or adjusted by the ACCC to maintain the time series. Comparisons between the results of Adelaide with those of other airports should also recognise that the PFC has replaced the DTL charges that other airports typically classify as non-aeronautical.

The annual average aeronautical revenue (adjusted) per passenger at Adelaide increased by 55 per cent to \$11.01 from \$7.11 during 2006–07. Of this net increase, \$5.27 per passenger is attributable to the full-year effect of the introduction of the PFC. This followed increases of 49 per cent in 2005–06 (when the PFC was introduced); 2.9 per cent<sup>44</sup> in 2004–05; 13 per cent in 2003–04; 52 per cent in 2002–03; and 19 per cent in 2001–02. These increases followed a period from 1998–99 to 2000–01 when price-cap regulation was in place. Over the five years since price monitoring commenced average aeronautical revenue (adjusted) per passenger at Adelaide has increased from \$2.71 to \$11.01, or 306 per cent.

### Average aeronautical revenue (adjusted) per passenger excluding security

In 2006–07 aeronautical revenue (adjusted) per passenger **excluding** revenue from security charges increased by 57 per cent to \$9.48 from \$6.03 in 2005–06. Of this net increase, \$5.27 per passenger is attributable to the introduction of the PFC on commencement of operations at the new T1. Since price monitoring commenced in 2001–02, adjusted revenue per passenger **excluding** security has increased from \$2.21 to \$9.48.

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<sup>44</sup> This figure was previously recorded as a 3.2 per cent increase. As a result of Adelaide airport's re-statement in accordance with its application of AIFRS, this figure has been amended.



In 2006–07 security revenue per passenger increased by \$0.45, while the overall increase in aeronautical revenue (adjusted) per passenger was \$3.90.<sup>45</sup> Since price monitoring commenced security revenue per passenger has increased by \$1.03, while the overall increase in aeronautical revenue (adjusted) per passenger was \$8.30. Adelaide airport advised that moving of operations from the old domestic and international terminals to T1 required Adelaide Airport Ltd to take responsibility for domestic passenger screening previously handled by Qantas.

More detailed information on security services is provided later in this section of the report.

### 3.1.3. Revenues, costs and profits<sup>46</sup>

Table 3.2 lists the revenues, costs and margins relating to aeronautical services and aeronautical-related services under the direction 27 definitions at Adelaide for the period 2002–03 to 2006–07.

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<sup>45</sup> Adelaide airport notes that the full year operation of T1 contributed to an increase in security costs whereby Qantas was previously responsible for passenger screening services within the airline's own terminal. Security costs for Adelaide airport now include these additional costs.

<sup>46</sup> Adelaide airport transitioned to AIFRS in 2004–05. The airport provided a restatement of its regulatory accounts for 2004–05 and therefore most 2004–05 figures are restated under AIFRS. The exception to this is at table 3.2 (see this table for further information).

**Table 3.2: Revenues, costs and margins**

	Revenues (\$'000)					Costs (\$'000)					Margins (\$'000)				
	2002–03	2003–04	2004–05	2005–06	2006–07	2002–03	2003–04	2004–05	2005–06	2006–07	2002–03	2003–04	2004–05	2005–06	2006–07
<b>Aeronautical services</b>															
Aircraft movement facilities and activities	15 363	20 047	22 630	24 503	26 596	8 511	10 699	10 621	8 735	10 880	6 852	9 348	12 009	15 768	15 716
Passenger processing facilities and activities	4 824	6 346	7 235	21 740	42 802	7 889	6 254	7 675	24 867	28 648	(3 065)	92	(440)	(3 127)	14 154
<i>Total aeronautical services</i>	<i>20 187</i>	<i>26 393</i>	<i>29 865</i>	<i>46 243</i>	<i>69 398</i>	<i>16 400</i>	<i>16 953</i>	<i>18 296</i>	<i>33 602</i>	<i>39 528</i>	<i>3 787</i>	<i>9 440</i>	<i>11 569</i>	<i>12 641</i>	<i>29 870</i>
<b>Aeronautical-related services</b>															
Landside vehicle access to terminals	N/A	N/A	N/A	0	55	358	254	318	227	814	(358)	(254)	(318)	(227)	(759)
Public and staff car-parking	5 844	6 308	6 886	8 097	9 828	2 145	2 086	2 023	2 747	4 026	3 699	4 222	4 863	5 350	5 802
Check-in counters and related facilities	57	60	69	20	0	47	47	25	9	0	10	13	44	11	0
Aircraft light and emergency maintenance sites and buildings	383	732	840	843	937	11	8	7	0	0	372	724	833	843	937
Taxi holding and feeder services	0	0	2	394	1 081	2	2	2	380	886	(2)	(2)	0	14	195
<i>Total aeronautical-related services</i>	<i>6 284</i>	<i>7 100</i>	<i>7 797</i>	<i>9 354</i>	<i>11 901</i>	<i>2 563</i>	<i>2 39</i>	<i>2 375</i>	<i>3 363</i>	<i>5 726</i>	<i>3 721</i>	<i>4 703</i>	<i>5 422</i>	<i>5 991</i>	<i>6 175</i>

Notes: N/A—not available from the information provided by the airport.

The figures presented in table 3.2 for 2004–05 have been calculated according to Australian Generally Accepted Accounting Principles (AGAAP) and have not been adjusted for AIFRS. Therefore these figures are different from the restated revenue, costs and margin figures presented for that period as represented in other parts of this section. The figures for 2005–06 and 2006–07 are AIFRS adjusted.

Table 3.2 shows that aeronautical and aeronautical-related services revenue, costs and margins have increased in 2006–07.

In 2006–07 revenue from aeronautical services increased by 50 per cent, while aeronautical costs increased by 18 per cent. This has resulted in a 136 per cent increase in aeronautical margins. Adelaide airport notes that comparisons between 2005–06 and 2006–07 are limited in view of 2006–07 being the first full year of operations at T1.

Revenue for aeronautical-related services rose by 27 per cent in 2006–07 while costs rose by 70 per cent, producing a 3.1 per cent rise in the margin. The costs associated with public and staff car-parking had the most significant impact on aeronautical-related margins with an increase of 47 per cent. Adelaide airport advised the increased costs of car-parking relate to the provision of additional car-parking spaces, long-term car-parking and bus services for the remote long-term car-parking services.

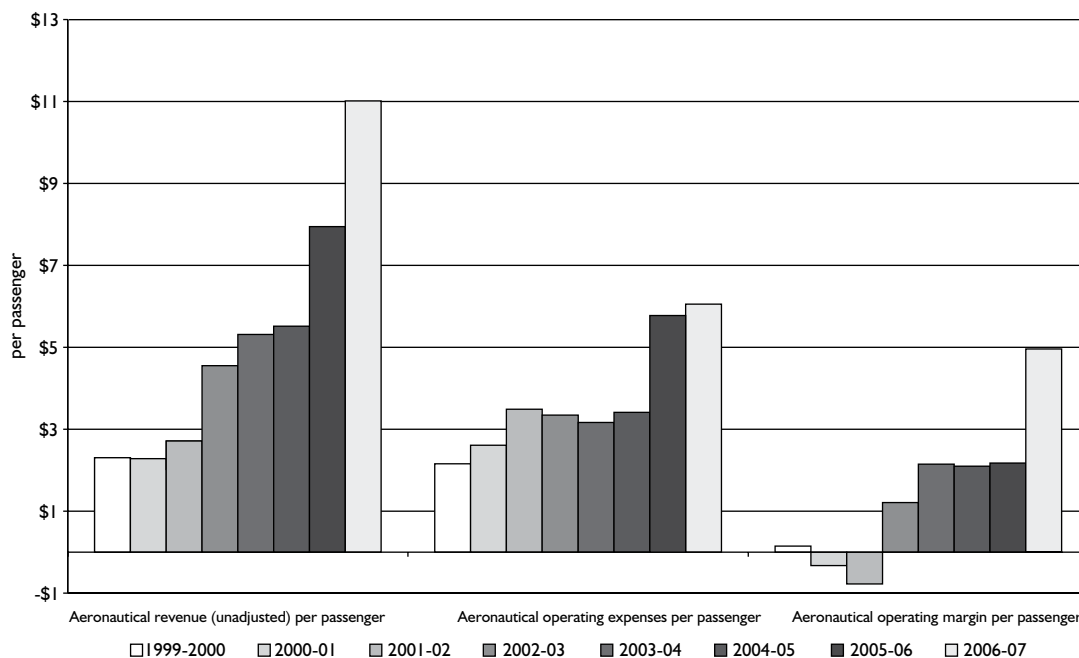
From 2002–03 to 2006–07 revenue from aeronautical services increased by 244 per cent, while aeronautical costs increased by 141 per cent, resulting in a 689 per cent increase in the margin.<sup>47</sup>

Revenue for aeronautical-related services over the past four years has increased by 89 per cent, while costs associated with these services increased by 123 per cent, leading to a 66 per cent increase in the margin for aeronautical-related services.

### Aeronautical services

Chart 3.2 shows aeronautical revenue, aeronautical operating expenses and aeronautical operating margin per passenger for aeronautical services at Adelaide airport from 1999–2000 to 2006–07.

**Chart 3.2: Aeronautical revenue, operating expenses and operating margin per passenger**



Note: The measures of aeronautical operating expenses per passenger and therefore operating margin per passenger do not include an allowance for return on capital.

On a per passenger basis, aeronautical revenue and operating expenses increased in 2006–07, leading to an increase in the margin. Adelaide airport attributes this to the first full year operation of the new T1 and the associated PFC.

<sup>47</sup> The increase in revenue in 2003–04 is partly explained by the fact that 2003–04 was the first full year that Adelaide airport operated the common user domestic terminal while the increase in 2006–07 is attributable to the first full year that Adelaide airport operated the new multi-user integrated terminal, T1.

In 2006–07 aeronautical revenue per passenger continued to increase, showing its sixth consecutive year of growth. In this financial year, it increased by 39 per cent to \$11.01 from \$7.95 in 2005–06. Of this increase, \$5.27 per passenger is attributable to the introduction of the PFC on commencement of operations at T1 in 2005–06. Previously, aeronautical revenue per passenger grew by 44 per cent in 2005–06, 3.8 per cent in 2004–05, 17 per cent in 2003–04 and 68 per cent in 2002–03.<sup>48</sup>

In 2006–07 the average expense per passenger was \$6.06, an increase of 4.8 per cent from 2005–06. This follows a 69 per cent increase in 2005–06, a 7.8 per cent increase in 2004–05<sup>49</sup>, a 5.3 per cent decrease during 2003–04 and a 4.1 per cent decrease in 2002–03.

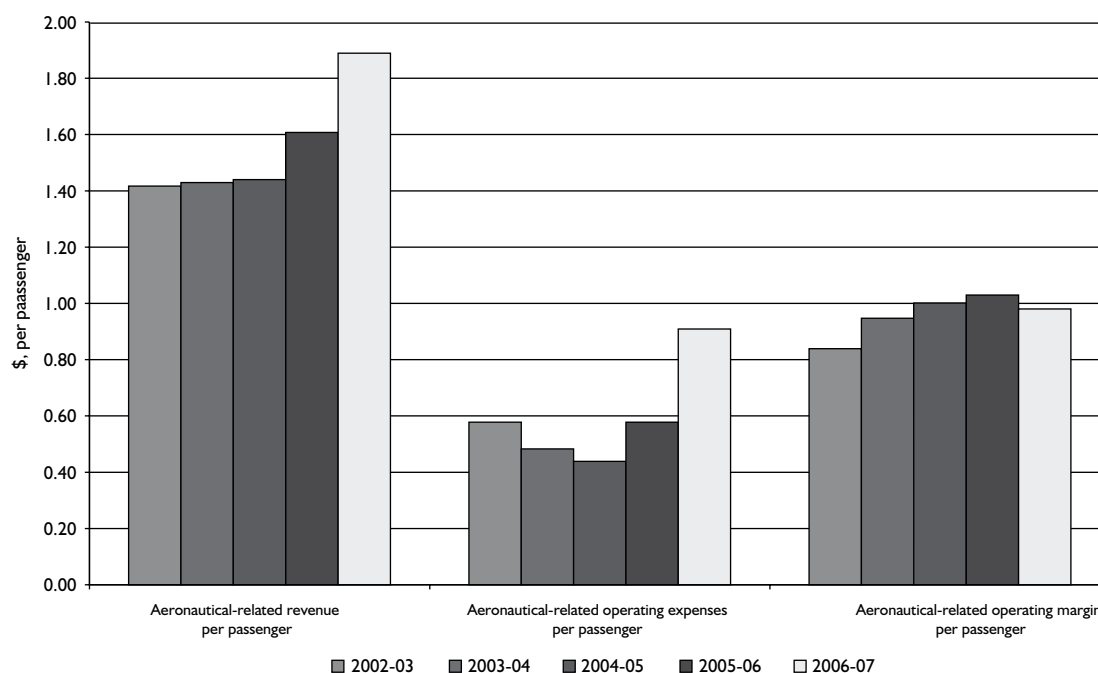
Aeronautical operating margin per passenger increased by 128 per cent in 2006–07 to \$4.96, from \$2.17 in 2005–06. This follows an increase of 3.6 per cent in 2005–06, a 2.3 per cent<sup>50</sup> decrease in 2004–05 and a 78 per cent increase in 2003–04.

Since 2000–01 the period before the removal of price cap regulation, aeronautical revenue per passenger increased by 382 per cent while operating expenses per passenger increased by 132 per cent. Aeronautical operating margin per passenger has increased from -\$0.33 in 2000–01 to \$4.96 in 2006–07.

### Aeronautical-related services

Chart 3.3 shows aeronautical-related revenue, operating expenses and operating margin per passenger at Adelaide from 2002–2003 to 2006–07.

**Chart 3.3: Aeronautical-related revenue, operating expenses and operating margin per passenger**



On a per passenger basis in 2006–07, aeronautical-related revenue increased by 17 per cent and operating expenses increased by 57 per cent. This resulted in a 4.8 per cent drop in margins. Over the period

48 In previous reporting periods, the measure of aeronautical revenue per passenger excluded those revenues earned from the Qantas DTL as Adelaide airport classified this as non-aeronautical revenue. With the commencement of operations at the new T1 at Adelaide, the airport introduced a PFC. The introduction of the PFC represents a break in the time series of this measure as it now includes aeronautical revenue previously excluded by the airport under direction 27. Comparisons between the results of Adelaide with those of other airports should also recognise that the PFC has replaced the DTL charges that other airports typically classify as non-aeronautical.

49 This figure was previously recorded as 2.4 per cent decrease. As a result of Adelaide airport’s re-statement in accordance with its application of AIFRS, this figure has been amended.

50 This figure was previously recorded as 13 per cent. As a result of Adelaide airport’s re-statement in accordance with its application of AIFRS, this figure has been amended.

2002–03 to 2006–07, revenue per passenger increased by 33 per cent. Expenses remained relatively stable from 2002–03 to 2005–06; however, as noted, they increased by 57 per cent in 2006–07 due to the construction of new car-parking facilities and introduction of long-term parking services. This resulted in an increase of 17 per cent in the margin over the same period of \$0.84 in 2002–03 to \$0.98 in 2006–07.

### Security services

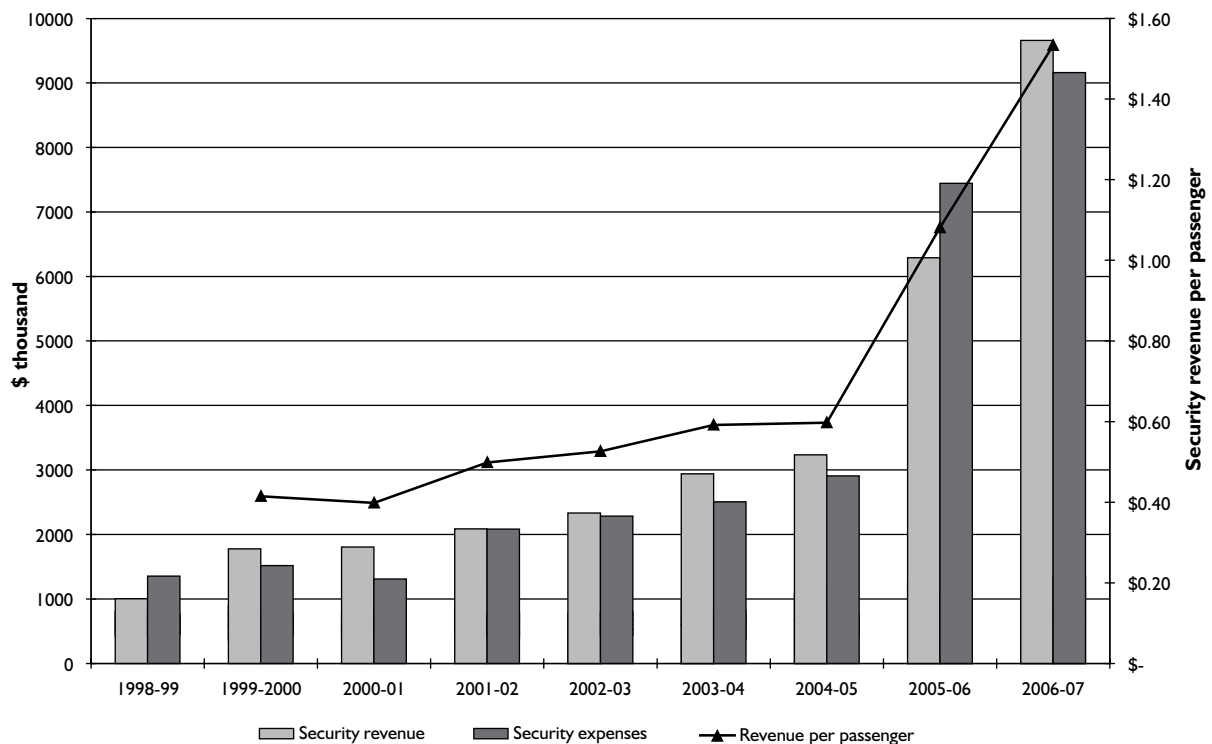
As noted in section 1.2.2, airport security expenses have increased significantly since 2000–01 because of increased government-mandated security services. In 2004–05 further requirements were implemented, contributing to the increase in revenues and costs during 2004–05 onwards.

Adelaide airport notes in its 2006–07 annual report that 100 per cent domestic checked bag screening infrastructure was installed, and liquids, aerosols and gels security screening was introduced for international services in 2007.<sup>51</sup> Security revenue as a proportion of aeronautical revenue at Adelaide increased from 10 per cent in 1998–99 to remain relatively stable at 18 per cent over the period 1999–2000 to 2001–02. Over the period 2002–03 to 2004–05, the proportion of security revenue decreased to approximately 11 per cent of aeronautical revenue but increased in 2005–06 to account for 14 per cent and remained at this level in 2006–07. In general, security expenses as a proportion of aeronautical expenses has steadily increased from 11 per cent in 1998–99 to reach 16 per cent in 2004–05. In 2006–07 this proportion increased further to 24 per cent from 22 per cent in 2005–06.

Adelaide airport advised that moving of operations from the old domestic and international terminals to T1 required Adelaide Airport Limited (AAL) to take responsibility for domestic passenger screening previously handled by Qantas. The size of the new terminal also affected security costs, with additional screening points required to maintain the sterility of the terminal.

Chart 3.4 shows security revenue, expenses and revenue per passenger at Adelaide from 1998–99 to 2006–07.

**Chart 3.4: Security revenue and expenses**



Note: Adelaide airport advised that passenger and baggage screening costs and income are not shown in the chart for 2000–01 and 2001–02.

In 2006–07 security revenue and expenses per passenger continued to increase significantly compared with expenses for 2005–06.

After falling slightly in 2000–01, security revenue per passenger remained relatively stable until commencement of operations at the new T1 during 2005–06. Security revenue per passenger increased by 157 per cent over the last two reporting periods. In 2006–07 it increased to \$1.53 from \$1.08 in 2005–06, representing a 42 per cent increase.

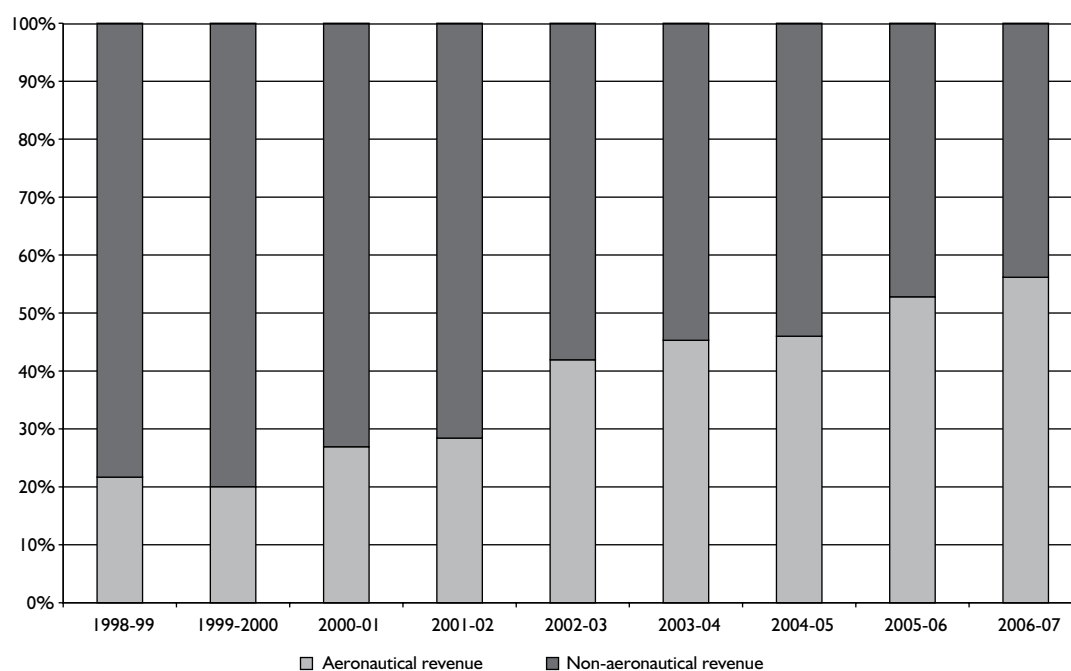
In 2006–07 security revenue increased by 54 per cent to \$9.7 million, from \$6.3 million in 2005–06. This follows a large increase reported in 2005–06, with security revenue increasing by 95 per cent. Similarly, this year security expenses increased from \$7.4 million to \$9.2 million, representing a 23 per cent increase following an increase of 156 per cent in 2005–06.

Adelaide airport advised that not all expenditure associated with passenger and baggage screening is shown in the chart (e.g. in relation to capital costs and staff costs) and that it adjusts its prices to recover (or refund) any over- or under-recovery of security costs.

### Revenue shares

Chart 3.5 shows the revenue shares between aeronautical and non-aeronautical services for Adelaide from 1998–99 to 2006–07.

**Chart 3.5: Total revenue shares—aeronautical and non-aeronautical revenue**



In 2006–07 aeronautical revenue as a proportion of total revenue has further increased, following an increase in 2005–06 after two years of relative stability in 2003–04 and 2004–05. Since 1999–2000 the proportion has increased as a proportion of total revenue.

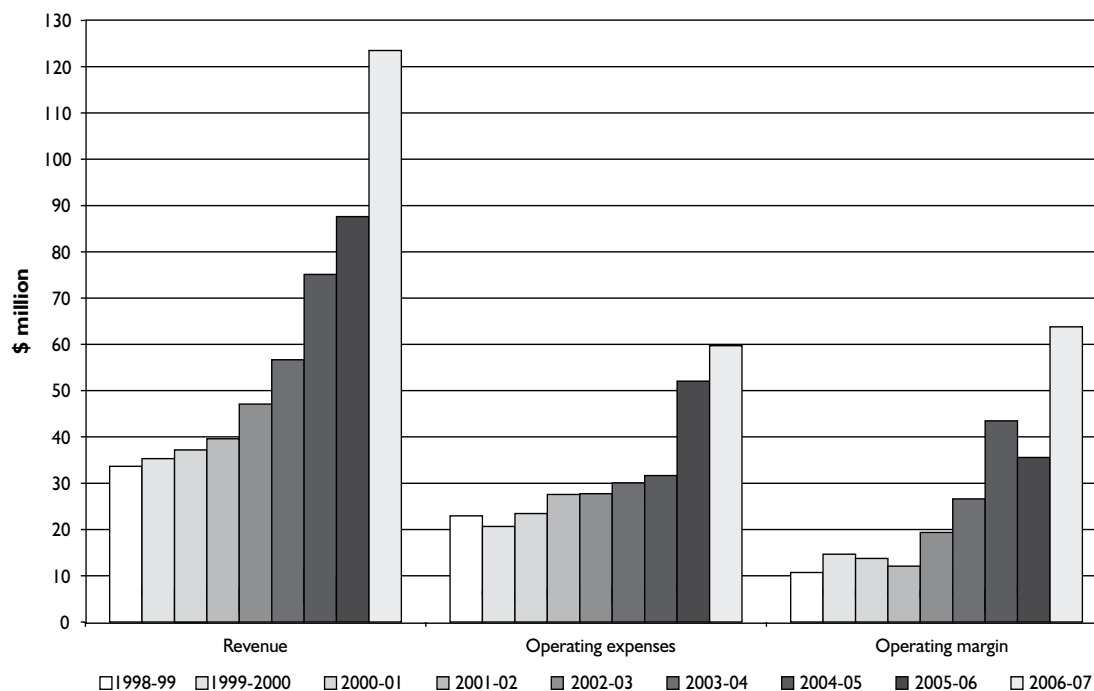
Aeronautical revenue was a relatively low share of total revenue in 1998–99 and 1999–2000, but has steadily increased in subsequent years. By 2000–01 this share had increased to 27 per cent from 20 per cent in 1999–2000. This remained relatively stable in 2001–02 before increasing again in 2002–03 to be 42 per cent of total revenue. After stagnating in 2003–04 and 2004–05, it has increased from 53 per cent in 2005–06 to 56 per cent in 2006–07.

It is likely that the increase in the aeronautical revenue share in 2002–03 is a result of the increase in prices following the lifting of price cap regulation in October 2001, as well as the inclusion of revenue received from the former Ansett terminal. Furthermore, the introduction of the PFC with commencement of operations at the new T1 contributed to the increase in aeronautical revenue share in 2005–06 and the first full year effect of the PFC is demonstrated in 2006–07.<sup>52</sup>

## Total airport services

Chart 3.6 shows the total airport revenue, operating expenses and operating margin for Adelaide from 1998–99 to 2006–07.<sup>53</sup>

**Chart 3.6: Total airport revenue, operating expenses and operating margin<sup>54</sup>**



Note: The measures of operating expenses and therefore operating margin do not include an allowance for return on capital.

In 2006–07 total airport revenue, operating expenses and margins have all markedly increased. From 1998–99 to 2006–07 there has been an upward trend in total airport revenue and operating expenses. The airport revenue trend is stronger than the operating expense trend, which Adelaide airport suggests is partly because of the leasing of previously unused land after infrastructure investment by AAL and relatively low ongoing costs. The operating margin increased in 2006–07, following a decrease in 2005–06 and consecutive increases from 2001–02 to 2004–05.

In 2006–07 total airport revenue grew by 41 per cent up to \$123.5 million, reflecting large increases in aeronautical, aeronautical-related and non-aeronautical revenue. Total airport revenue increased steadily

52 In previous reporting periods, the measure of aeronautical revenue excluded those revenues earned from the Qantas DTL as Adelaide airport classified this as non-aeronautical revenue. With the commencement of operations at the new T1 at Adelaide, the airport introduced a PFC. The introduction of the PFC represents a break in the time series of the measure of aeronautical revenue share as it now includes aeronautical revenue previously excluded by the airport under direction 27. Comparisons between the results of Adelaide with those of other airports should also recognise that the PFC has replaced the DTL charges that other airports typically classify as non-aeronautical.

53 Total revenue and therefore also operating margin exclude interest income and government grant revenue (non-aeronautical revenue items). Interest revenue was a reasonably significant item during 1998–99 and 1999–2000; however, in the other reported periods, the effect of this exclusion is relatively small. Government grant revenue is only applicable over the period 2001–02 to 2004–05.

54 Interest revenue and government grant revenue over the period 2000–01 to 2003–04 has been amended in chart 3.6.

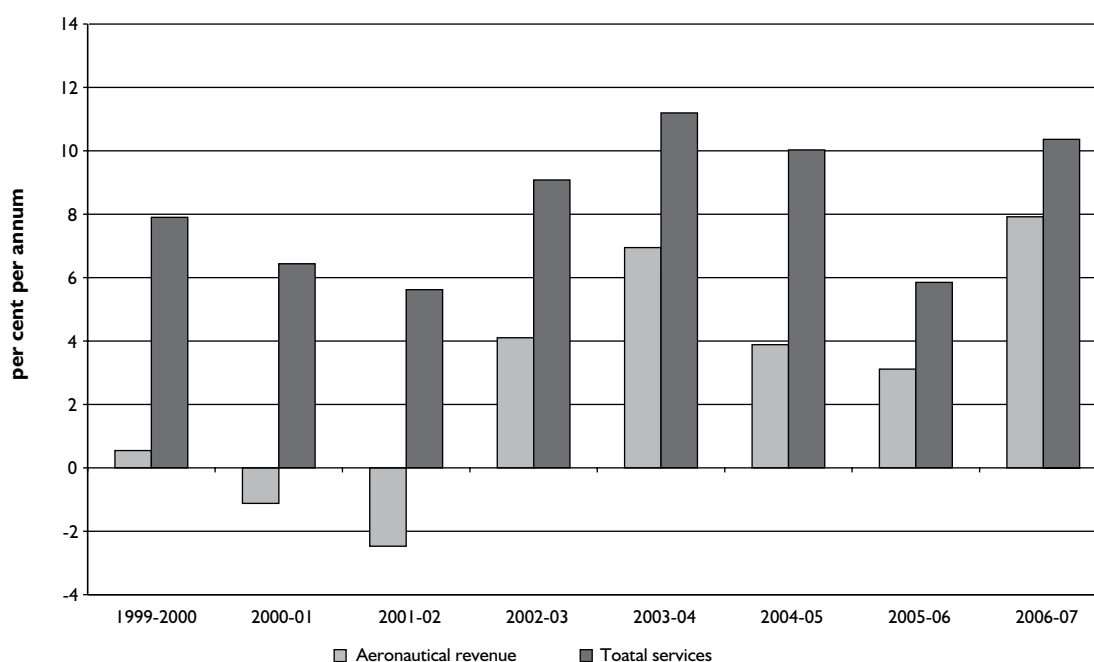
between 1998–99 and 2001–02 at between 4 per cent and 5 per cent per year. In 2002–03 it increased by 19 per cent to \$47.1 million from \$39.6 million in 2001–02. In 2003–04 it increased by a further 20 per cent to \$56.7 million; in 2004–05, by a further 30 per cent<sup>55</sup> to \$75.8 million<sup>56</sup>; and in 2005–06 it continued to increase by 16 per cent, up to \$87.6 million.

Operating margins in 2006–07 increased from \$35.6 million to \$63.8 million, representing a 79 per cent increase following an 18 per cent decrease in 2005–06. This can be attributed to the relatively stronger growth in total airport revenue compared to operating expenses. Conversely, in previous years—for example, 2000–01 and 2001–02—total airport operating expenses increased faster than revenue, leading to the operating margin falling by 10 per cent and 15 per cent, respectively. In 2002–03 the margins increased by 60 per cent to \$19.3 million; in 2003–04, by 37 per cent to \$26.6 million; and in 2004–05, by 63 per cent to \$43.4 million.<sup>57</sup> However, the margin fell in 2005–06 by 18 per cent to \$35.6 million. Adelaide airport advised that this was partly because of the delay in the opening of T1 while continuing to incur fixed costs with minimal revenue.

### Rates of return on tangible non-current assets

Chart 3.7 shows EBITA on average tangible non-current assets for both aeronautical services and total airport services from 1999–2000 to 2006–07.

**Chart 3.7: EBITA on average tangible non-current assets**



EBITA on average tangible non-current assets for both aeronautical and total airport services increased in 2006–07.

EBITA on average tangible non-current assets for aeronautical services in 2006–07 increased to 7.9 per cent, following three consecutive decreases. From 2003–04 to 2005–06, EBITA on average tangible non-current assets for aeronautical services dropped from 6.9 per cent to 3.1 per cent. This is the fifth consecutive year of positive returns on aeronautical assets and is in contrast to the previous three years of negative or very low positive returns under price cap regulation. This year’s increase resulted from the combined effect

55 This figure was previously recorded as 11 per cent. As a result of Adelaide airport’s re-statement in accordance with its application of AIFRS, this figure has been amended.

56 This figure was previously recorded as \$64.2 million. As a result of Adelaide airport’s re-statement in accordance with its application of AIFRS, this figure has been amended.

57 This figure was previously recorded as \$31.1 million. As a result of Adelaide airport’s re-statement in accordance with its application of AIFRS, this figure has been amended.



of a decrease in the value of aeronautical tangible non-current assets because of depreciation on the new terminal and increases in total aeronautical revenue affected by the PFC.

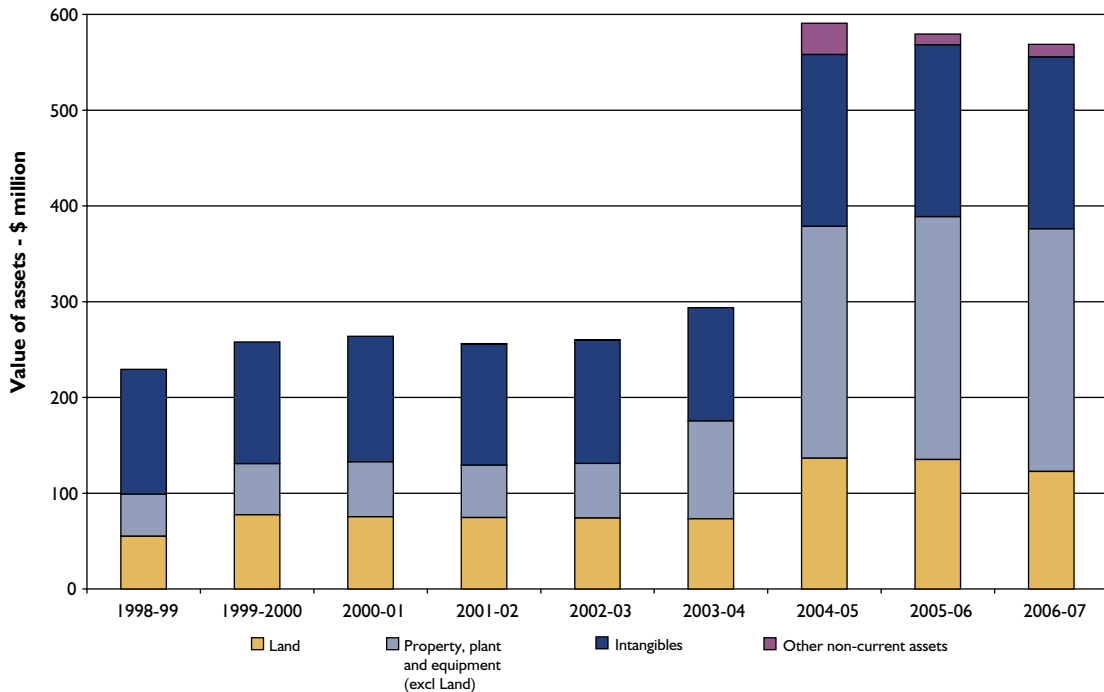
In relation to total airport services, the measure increased from 5.8 per cent in 2005–06, to 10 per cent in 2006–07. This follows EBITA on average tangible non-current assets for total airport service levels of 10 per cent<sup>58</sup> in 2004–05 and 11 per cent in 2003–04.

As explained in section 1.4.1.4, the return on assets measures are influenced by the airport operator’s valuation of its assets recorded in its financial accounts. The following section gives details of asset values and changes in asset values over time.

### Asset values

Chart 3.8 shows the total value of aeronautical non-current assets at Adelaide from 1998–99 to 2006–07.<sup>59</sup>

**Chart 3.8: Aeronautical non-current assets**



In 2006–07 the value of aeronautical non-current assets decreased by 1.8 per cent to \$568.8 million. The decrease in the value of land assets (reflecting the value of prepaid operating lease) from \$135.2 million in 2005–06 to \$122.8 million in 2006–07 as a result of depreciation largely contributed to the overall decrease in the value of aeronautical assets. Adelaide airport notes in its 2006–07 annual report that a rubber removal and reseal was undertaken on the airport’s runway and taxiway.<sup>60</sup>

In 2005–06 Adelaide airport applied the AIFRS retrospectively and restated its 2004–05 regulatory accounts. As a result of both the construction of T1 (\$260 million) and the application of AIFRS by Adelaide airport, there were large changes to the value of the airports aeronautical assets, increasing the value to \$590.7 million from \$293.8 million in 2003–04. This represents a 101 per cent increase. This was followed by a decrease of 1.9 per cent in 2005–06 to \$579.4 million, following depreciation of T1 assets.

58 This figure was previously recorded as 9.2 per cent. As a result of Adelaide airport’s re-statement in accordance with its application of AIFRS, this figure has been amended.

59 2002–03 was the first year Adelaide allocated intangible assets between aeronautical and non-aeronautical services. Before this, intangible assets were reported at the aggregate level. As a result, last year’s report showed an increase in the value of assets in 2002–03. Adelaide provided historical estimates of the value of intangibles for aeronautical assets included in chart 3.10.

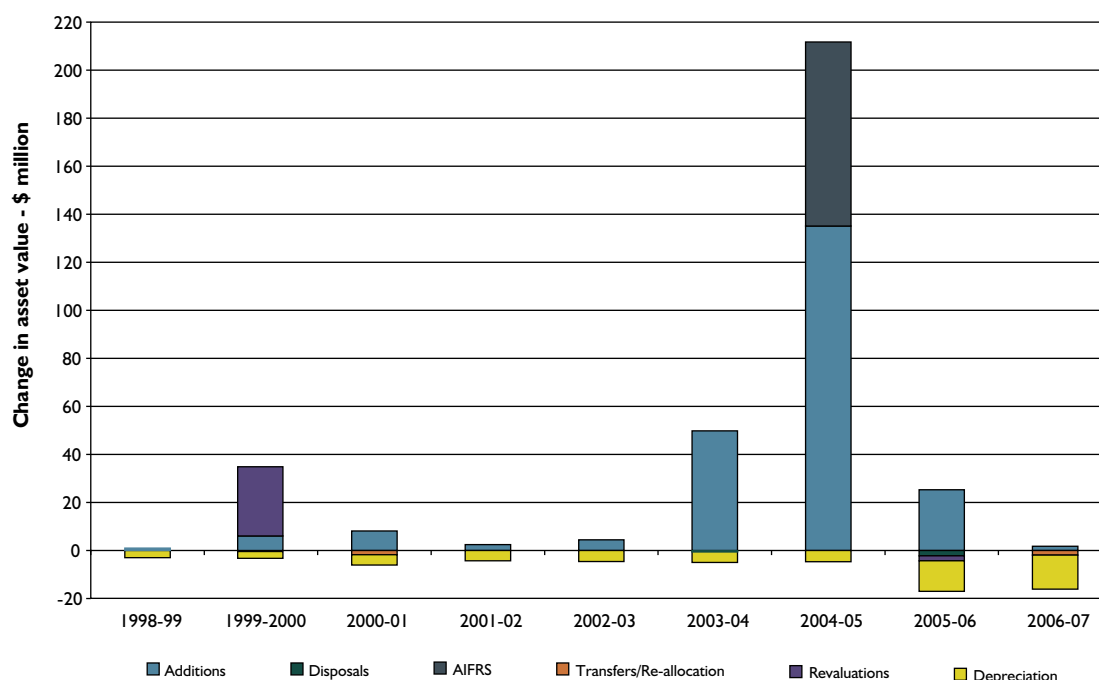
60 Adelaide Airport Limited, *Annual report 2006–07*, p. 4.

In 1999–2000 the value of aeronautical assets (largely land) increased by almost \$22.4 million. There was a further increase in the value of aeronautical assets (largely property, plant and equipment) in 2003–04, but also a reduction in the value of intangibles of approximately \$10 million.

The major effect of the airport’s application of AIFRS in 2004–05 is that it resulted in a portion of land being valued as a prepaid operating lease increasing in value by 71 per cent. Investment property—principally comprising land, buildings and fixed plant and equipment—is held for long-term rental yields and is not occupied by the operators of Adelaide airport. Property, plant and equipment also increased in value by 14 per cent and intangibles, such as goodwill<sup>61</sup>, by 52 per cent, as a result of AIFRS.

Chart 3.9 further illustrates the changes in value for tangible aeronautical non-current assets from 1998–99 to 2006–07.

**Chart 3.9: Change in tangible non-current assets—aironautical services**



In 2006–07 there was no significant change in the value of aeronautical tangible non-current assets other than a \$14.3 million decrease associated with depreciation. Adelaide airport did however transfer the \$1.7 million value of investment property to non-aeronautical, being the value of the old international and domestic terminals now available for lease. This value is now reflected in chart 3.11 as a total airport non-current asset.

In 2005–06 the re-statement of 2004–05 regulatory accounts under AIFRS led to a \$76.6 million increase in the value of aeronautical assets. All AIFRS adjustments were made in 2004–05.

AIFRS adjustments included a \$52.9 million increase in the value of land, which is now classified as ‘prepaid operating lease’ by the airport under the new standards. The transition also resulted in a \$22.9 million increase in the value of land improvement assets.

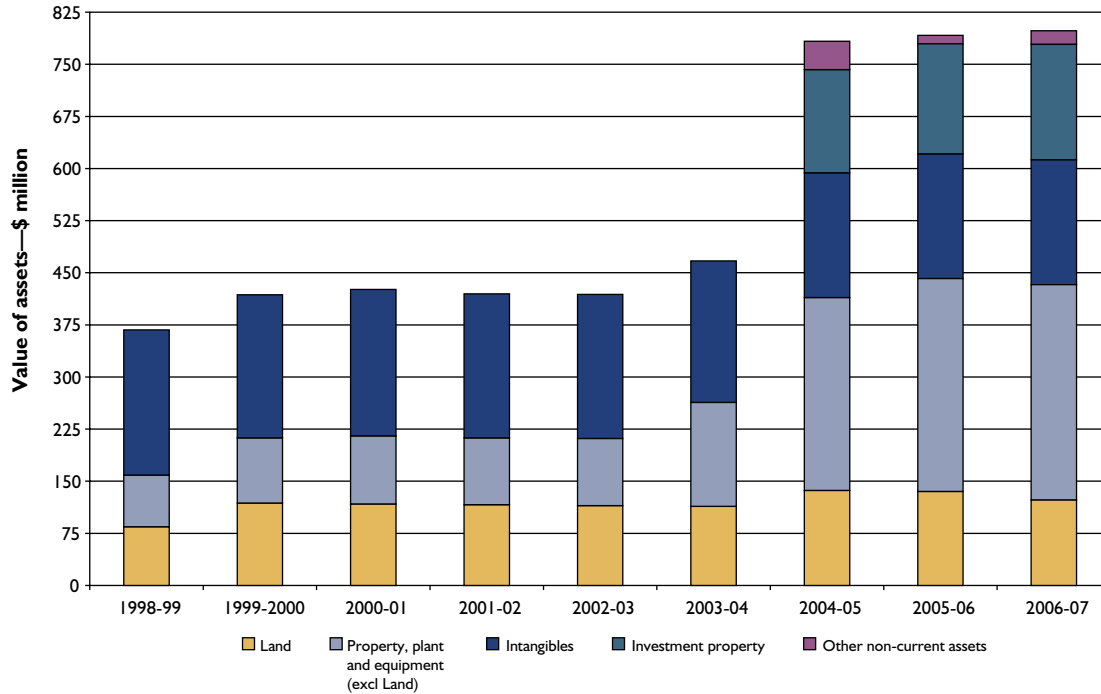
The increase in the value of property, plant and equipment in 1999–2000 resulted from an upward revaluation of \$22.5 million. In 2003–04 investments of nearly \$50 million added to the value of property, plant and equipment. In 2004–05 investment in capital work in progress to the value of \$132.6 million further added to the value of property, plant and equipment. Adelaide commenced the construction of a new airport terminal in November 2003 that was officially opened in October 2005, at a total cost of \$260 million.<sup>62</sup>

61 Adelaide airport advised that goodwill represents the excess of the cost of the acquisition of the operating leases for Adelaide airport over the fair value of the net identifiable assets and liabilities of the airport at the date of acquisition.

62 The \$260 million reflects total construction cost over the period November 2003 to October 2005 (see [www.aal.com.au/media](http://www.aal.com.au/media), fact sheets).

Chart 3.10 shows the value of total non-current assets for Adelaide from 1998–99 to 2006–07.

**Chart 3.10: Total airport non-current assets**



In 2006–07 total airport non-current assets increased slightly by \$6.6 million. This overall growth is attributed to a combination of a \$12.4 million decrease in the value of land assets (generally representing the value of prepaid operating lease) and increases of \$8.2 million in the value of investment property and \$7.2 million in the value of other non-current assets.

As described above, in 2005–06 Adelaide airport applied AIFRS retrospectively and re-stated its 2004–05 regulatory accounts, thereby increasing the airports total asset base considerably.

The value of total airport assets increased by \$316.2 million in 2004–05 to \$783.2 million from \$467.1 million in 2003–04. This is mostly attributable to the increase in the value of other non-current assets as a result of the recognition of receivable and investment property at fair value through the airport's application of AIFRS. Similarly, the 111 per cent increase in land value as a result of the application by the airport of AIFRS contributed to the overall increase in total airport assets. In particular, investment land held for long-term rental yields and not used by Adelaide airport to provide aeronautical services was valued at \$114.8 million.

Chart 3.11 shows the changes to the value of tangible non-current assets at Adelaide from 1998–99 to 2006–07.

**Chart 3.11: Change in tangible non-current assets—total airport**

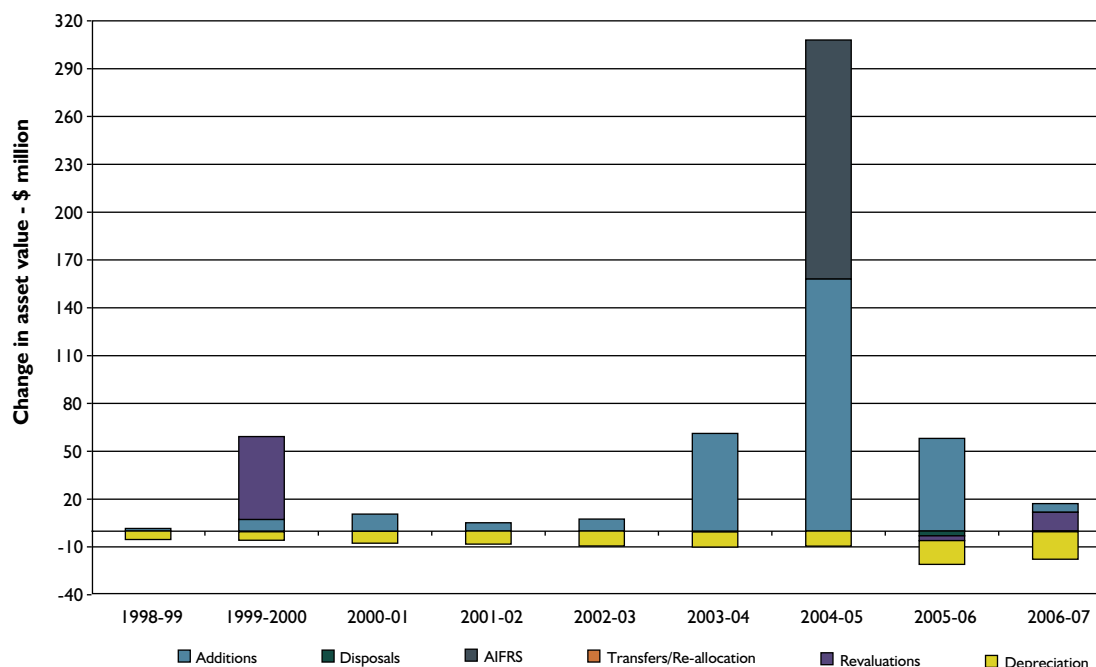


Chart 3.11 shows a significant adjustment of assets in 2004–05 as a result of the transition to AIFRS as well as a revaluation of assets in 1999–2000 and a significant increase in assets resulting from new investment in 2003–04, 2004–05 and 2005–06. In 2006–07 investment in total airport tangible non-current assets to the value of \$11.8 million was largely offset by \$17.4 million-worth of depreciation.

### Rates of return on equity

Adelaide’s post-tax return on equity is influenced by its capital structure. The airport has adopted a capital structure whereby it issued a \$99 redeemable preference share stapled to each \$1 ordinary share. These redeemable preference shares are classified in Adelaide’s financial reports as a non-current liability. The holder of the redeemable preference share is entitled to a non-cumulative dividend. Payment of a dividend is subject to availability of funds.<sup>63</sup>

In 2006–07 Adelaide continued to report a negative post-tax return on equity of –44 per cent after a negative return of –23.7 per cent in 2005–06. This follows a positive return of 11.4 per cent<sup>64</sup> in 2004–05, which was down slightly from 11.5 per cent in 2003–04 and 2.0 per cent in 2002–03, following negative returns between 1999–2000 and 2001–02. However, as discussed in section 1.4.1.4, this measure is currently of limited value.

<sup>63</sup> Adelaide Airport Limited, *Annual report 2006–07*, p. 19.

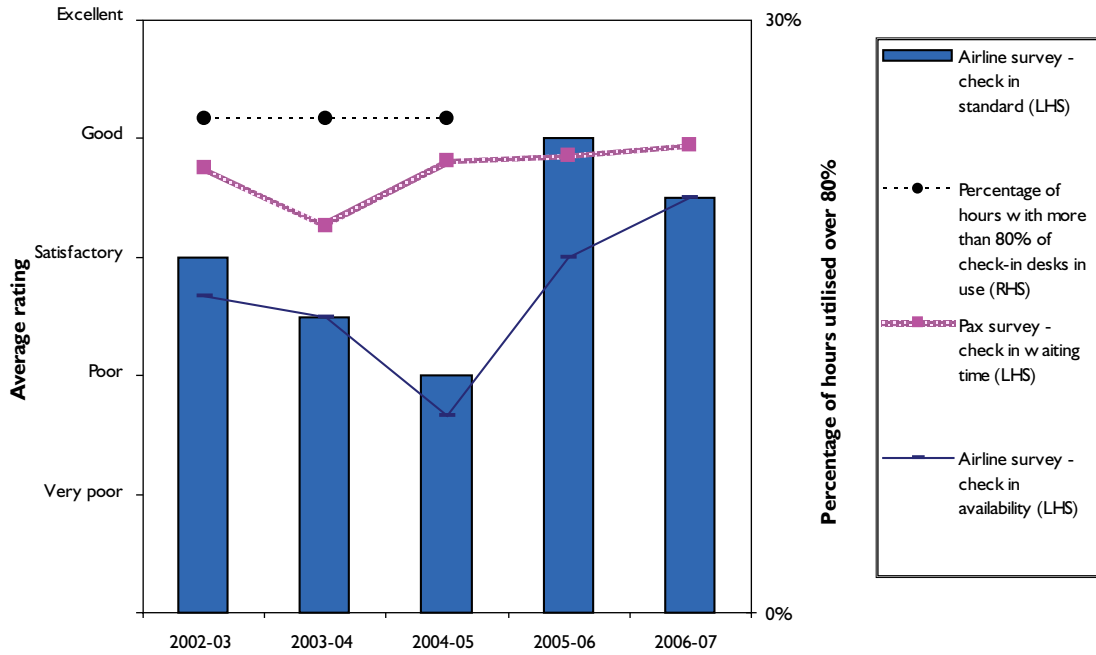
<sup>64</sup> This figure was previously recorded as –43.9 per cent. As a result of Adelaide airport’s re-statement in accordance with its application of AIFRS, this figure has been amended.

## 3.2. Adelaide airport quality of service results

### 3.2.1. International services

#### Check-in facilities

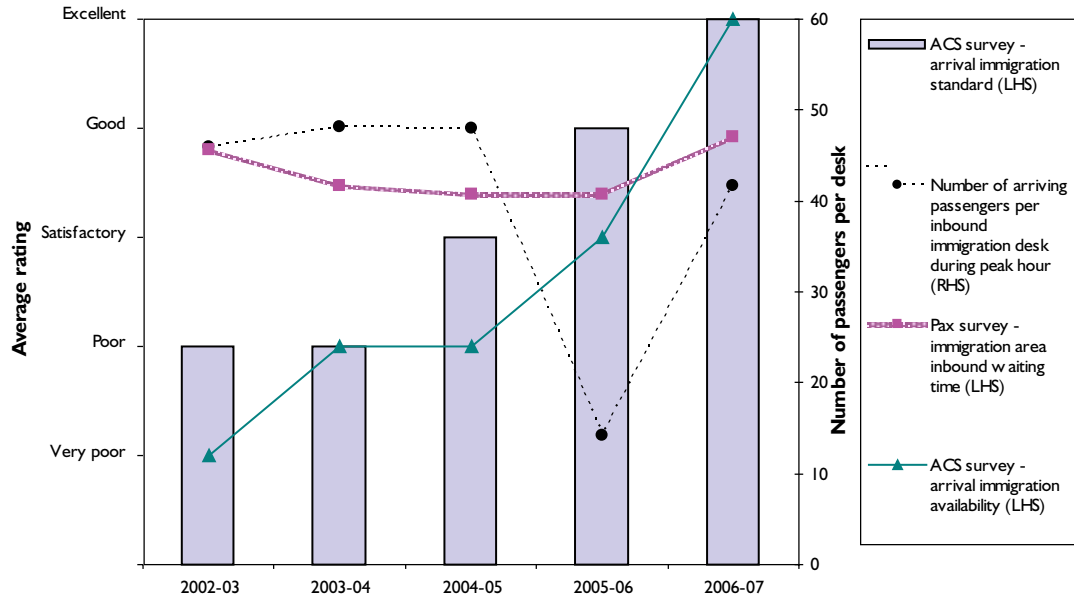
**Chart 3.12: Adelaide—international check-in**



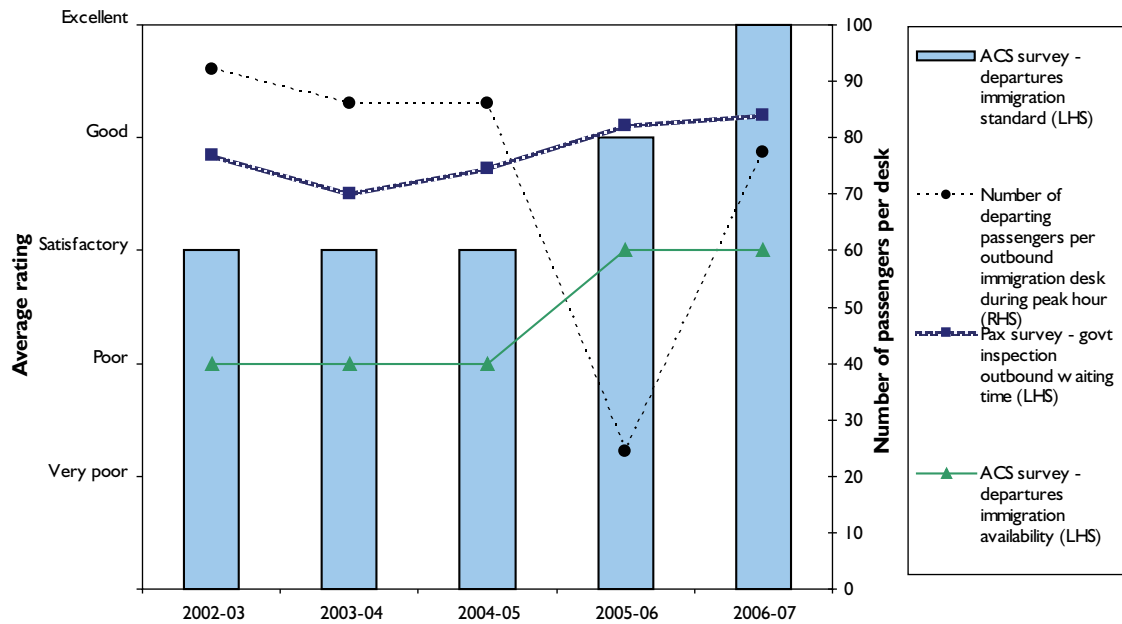
Over the period 2002–03 to 2004–05 there was a significant drop in user ratings with airlines rating of **availability** and **standard** of check-in desks dropping to a low of poor in 2004–05. Similarly passenger ratings dropped over the period most notably in 2003–04. The commencement of operations at the new T1 occurred in 2005–06 and influenced a rise in all ratings during that period. Passenger and airline ratings for check-in desks remain between satisfactory and good. (Information is not available on the percentage of hours with more than 80 per cent of check-in desk in use from 2004–05 onwards.)

Government inspection facilities

**Chart 3.13: Adelaide—international inbound government inspection**



**Chart 3.14: Adelaide—international outbound government inspection**

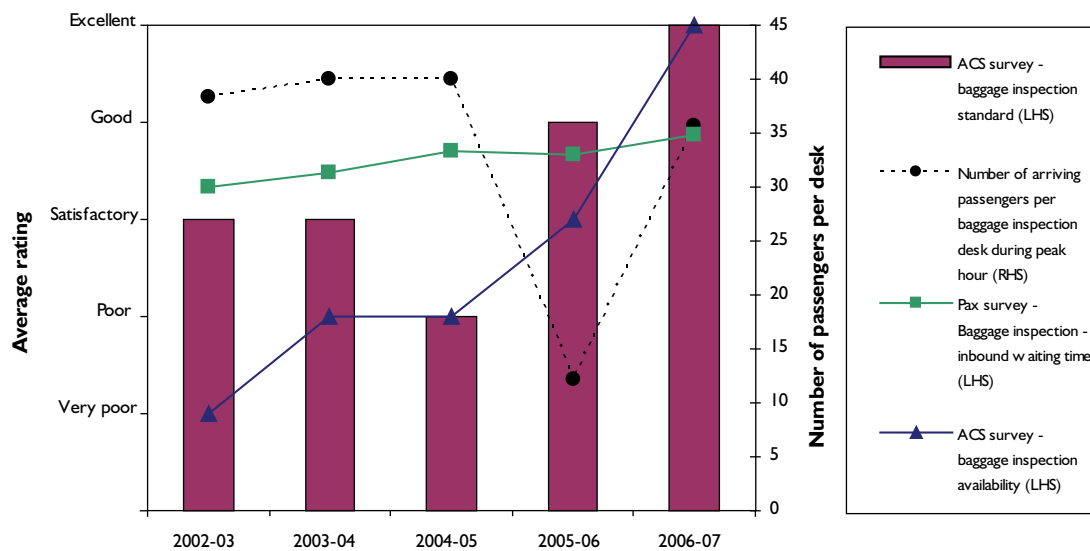


Passengers rated waiting times at government inspection facilities as between satisfactory and good over the reporting period with a slight increase in rating occurring in 2006-07.

The **standard** of inbound government inspection facilities as rated by the ACS increased over the reporting period from poor in 2002–03 to excellent in 2006–07. Similarly, ratings of outbound facilities improved to excellent in 2006–07. The ACS also rated the **availability** of inbound facilities as excellent in 2006–07, up from satisfactory in 2005–06, while outbound facilities remained rated at satisfactory for the same period. This coincided with a drop in the number of arriving passengers per inbound immigration desks and departing passengers per outbound immigration desk during peak hour, followed by an increase to 42 and 78 passengers respectively in 2006–07. Given that the number of inbound and outbound immigration desks remained constant in 2006–07 at 12, the decreases in the quantitative measures of utilisation were a result of a large increase in the number of reported international passengers arriving and departing per peak hour.<sup>65</sup>

Baggage inspection facilities

**Chart 3.15: Adelaide—international baggage inspection**



Passengers have rated baggage inspection facilities between satisfactory to good over the reporting period, with the highest rating occurring in 2006–07.

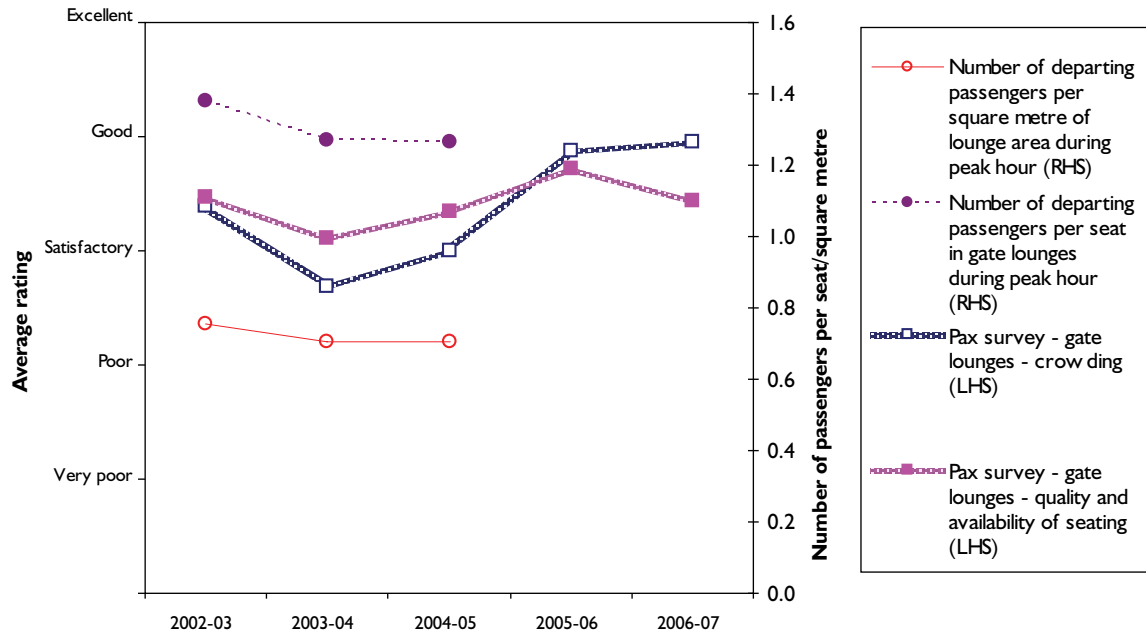
In 2004–05 the ACS ratings of the **standard** of baggage inspection facilities reached a low of poor; however, this has increased over the reporting period to excellent in 2006–07. **Availability** of these facilities has also increased to excellent in 2006–07. As with government inspection facilities, there was a drop in the number of passengers per baggage inspection desk during peak hour in 2005–06, followed by an increase to 36 passengers in 2006–07. Given that the number of desks remained constant in 2006–07 at 14, the decreases were a result of a large increase in the number of reported arriving international passengers per peak hour.<sup>66</sup>

65 Adelaide airport advised in 2005–06 that arriving and departing passenger per peak hour data have been incorrectly reported in the past. The 2005–06 figures are based on arriving and departing passenger numbers for 1 March to 30 June 2006. The new terminal has facilitated a better recording system and now captures per hour passenger data accurately.

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Gate lounge facilities

**Chart 3.16: Adelaide—international gate lounge**

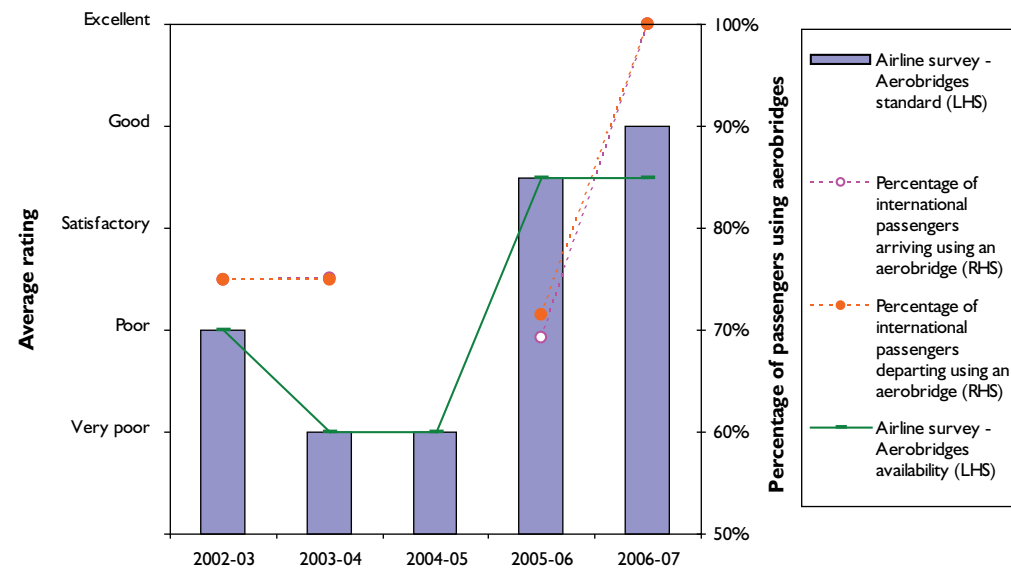


Passengers rated the crowding at gates at between poor and good over the reporting period, with the highest rating occurring in 2006–07. Similarly, passengers have rated the quality and **availability** of seats at the gate lounge between satisfactory and good over the same period with a decrease in rating occurring in 2006–07.

Due to the use of the common user terminal, no separate information is available with regard to the number of passengers per square metre of lounge area or seat during peak hour from 2005–06 onwards.

Aerobridges facilities

**Chart 3.17: Adelaide—international aerobridges**



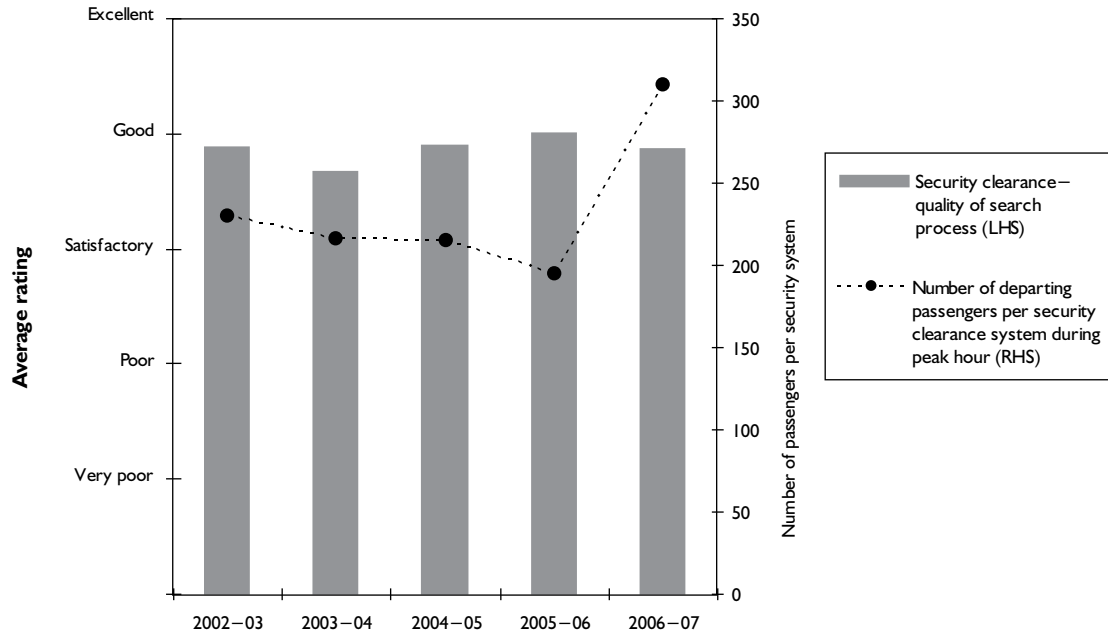
Information regarding the use of aerobridges by international passengers was not available for 2004–05 as aerobridges were removed to make way for the new terminal development. In 2006–07, 100 per cent of passengers used an aerobridge to arrive and depart the airport.



This increase in usage coincided with the commencement of operations at the new T1 and an increase in airline rating of both the **availability** and **standard** of aerobridge facilities. Rating for these facilities was lowest during 2004–05, with a rating of very poor for both **availability** and **standard**. In 2006–07 some airlines commented that there are insufficient aerobridges when there are more than four international aircraft at the terminal.

Security facilities

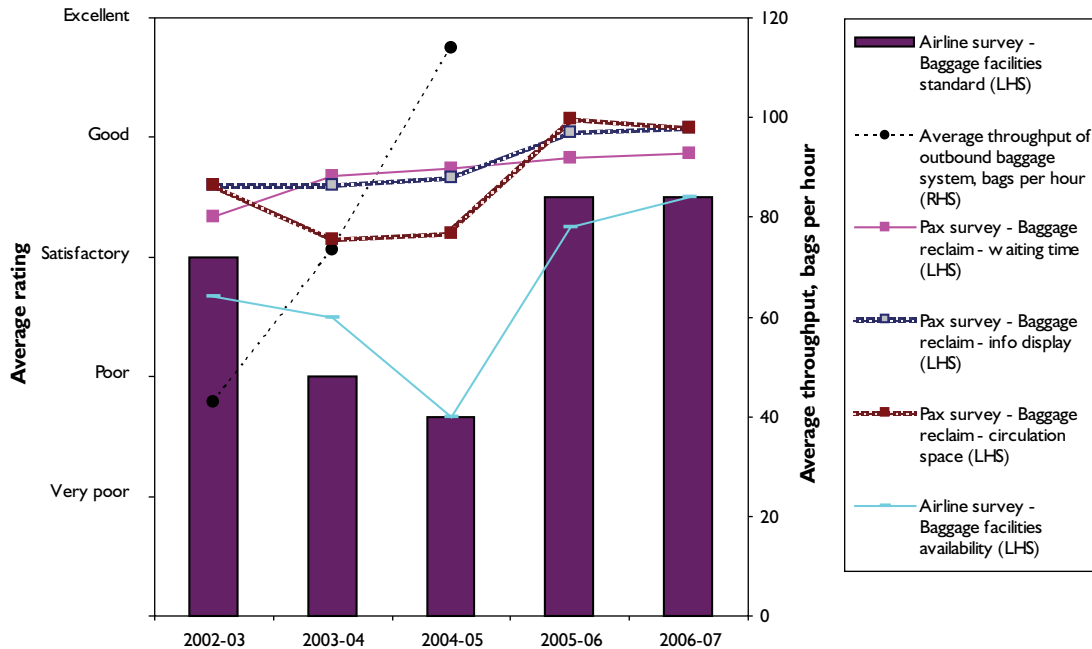
**Chart 3.18: Adelaide—international security**



Passengers have consistently rated the quality of the search process at between satisfactory and good, with a peak in 2005–06 of a rating of good. During 2005–06 there was also a decrease in the number of departing passengers per security clearance system during peak hour. Adelaide airport reported there was a decrease in the number of security clearance systems in 2005–06 from 2 to 1, in combination with a drop in the number of passengers departing per peak hour. In 2006–07 there was a large increase in the number of departing passengers per security clearance system during peak hour, which corresponded with a slight decrease in the passenger rating of the facilities.

Baggage facilities

**Chart 3.19: Adelaide—international baggage**

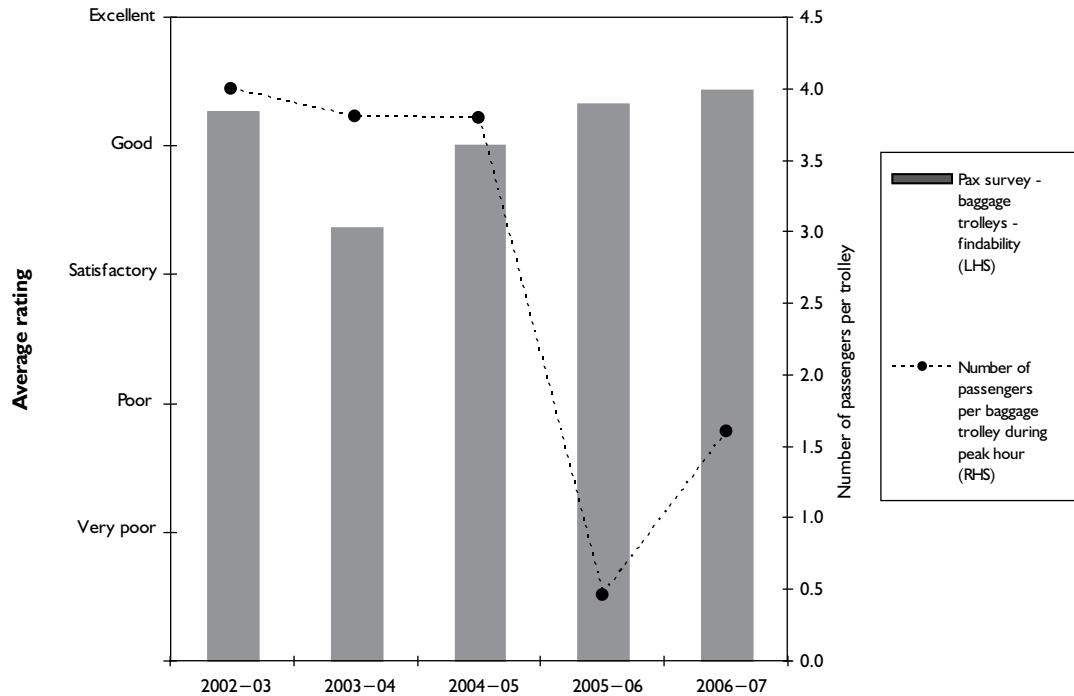


Information on the average throughput of outbound baggage system was not available from 2005–06 onwards. Before this there was an increase from 43 bags per hour to 114 bags per hour in 2004–05. This coincided with a decrease in airline ratings of the **standard** and **availability** of the system in 2004–05 to a low of between very poor and poor. However the shift of operations to the new T1 influenced an increase in the airline rating of **availability** and **standard** of baggage facilities to between satisfactory and good in 2006–07. In 2006–07 some airlines noted that there is only one international baggage belt for arriving aircraft and if two or more international aircraft arrive within a 15 minute window, congestion occurs.

Passengers also slightly increased their rating of waiting time, information display and circulation space from 2004–05 to 2006–07 coinciding with commencement of operations at the new T1. Passenger ratings for these facilities ranged between satisfactory and good.

Baggage trolleys

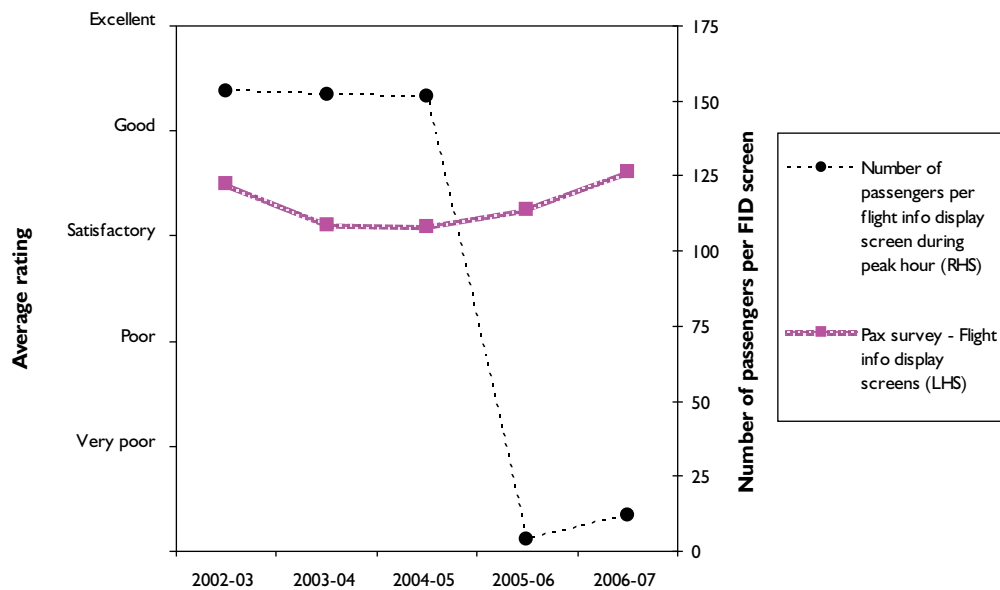
**Chart 3.20: Adelaide—international trolleys**



Passengers rated the findability of baggage trolleys at between good and excellent during 2005–06 and 2006–07, following a downturn in the ratings to just above satisfactory over 2003–04 to 2004–05. This coincided with a large drop in the number of passengers per baggage trolley during peak hour. This drop was influenced by both a decrease in the number of passengers during peak hour in 2004–05 and an increase in the number of working accessible baggage trolleys from 240 in 2004–05 to 700 in 2006–07.<sup>67</sup>

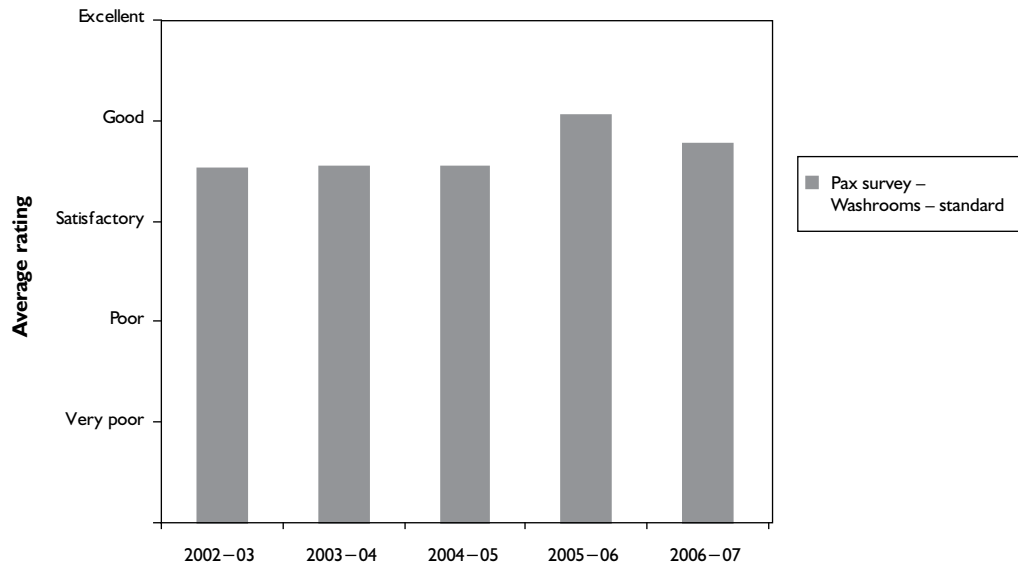
Flight information displays and washrooms

**Chart 3.21: Adelaide—international flight information and displays**



67 Due to the operation of Adelaide airport as a common user terminal, these facilities are made available to both international and domestic passengers. For comparison purposes, the total number of facilities is used for this measure.

**Chart 3.22: Adelaide—international washrooms**

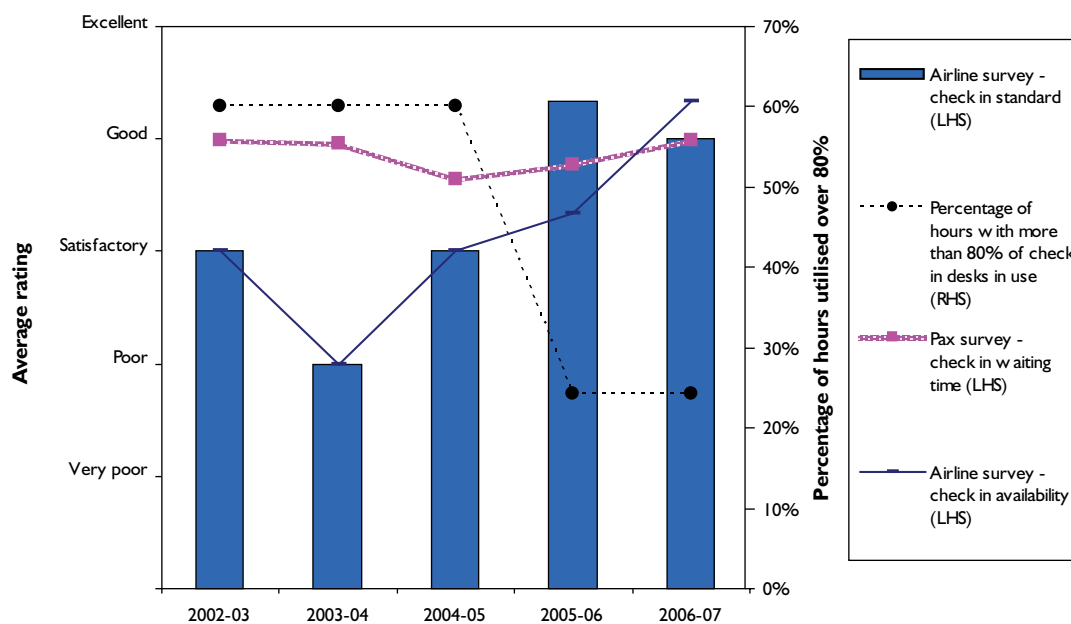


The commencement of operations at the new T1 from 2005–06 led to an increase in the number of flight information display (FID) screens from 6 in 2004–05 to 94 in 2006–07.<sup>68</sup> This coincided with an increase in the passenger rating of these facilities from just above satisfactory in 2004–05 to between satisfactory and good in 2006–07. Information is currently not collected on signage and way-finding as part of the passenger survey for Adelaide airport. Passenger ratings of the **standard** of washrooms have remained relatively stable over the reporting period between satisfactory and good.

### 3.2.2. Domestic services

#### Check-in facilities

**Chart 3.23: Adelaide—domestic check-in**

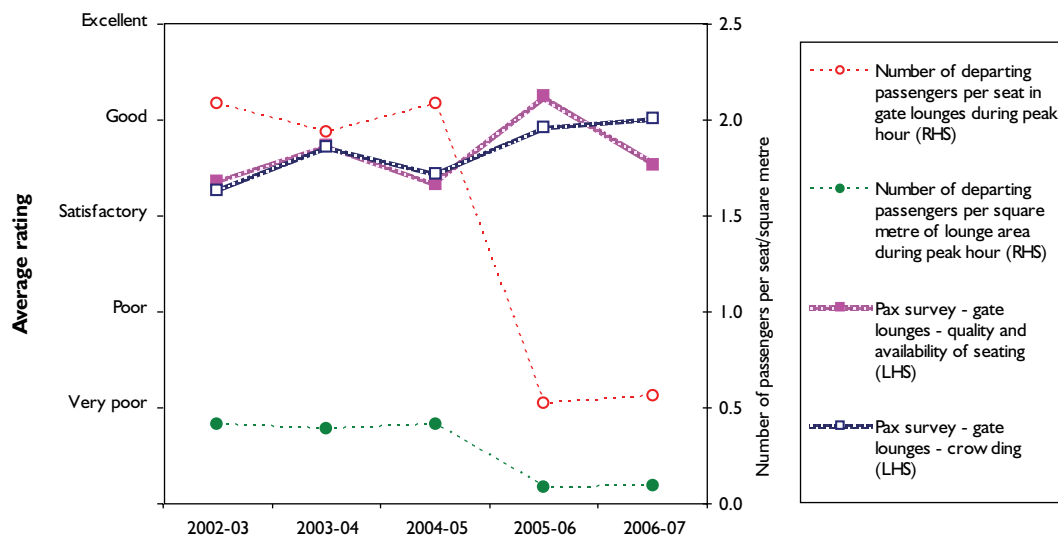


Over the reporting period passengers have rated the check-in facilities as between satisfactory and good, with a peak in 2006–07 as good.

Airlines have rated the **standard** of check-in facilities at between good and excellent over the period of operation at the new T1 terminal. Before this, the **standard** of these facilities was rated at between poor and satisfactory. Similarly, airlines rated the **availability** of check-in facilities from a low of poor in 2003–04 to between good and excellent in 2006–07. This coincided with a large drop in the percentage of hours with more than 80 per cent of check-in desks in use in 2005–06, which was influenced by an increase in the number of desks from 15 to 46 in check-in that year.

Gate lounge facilities

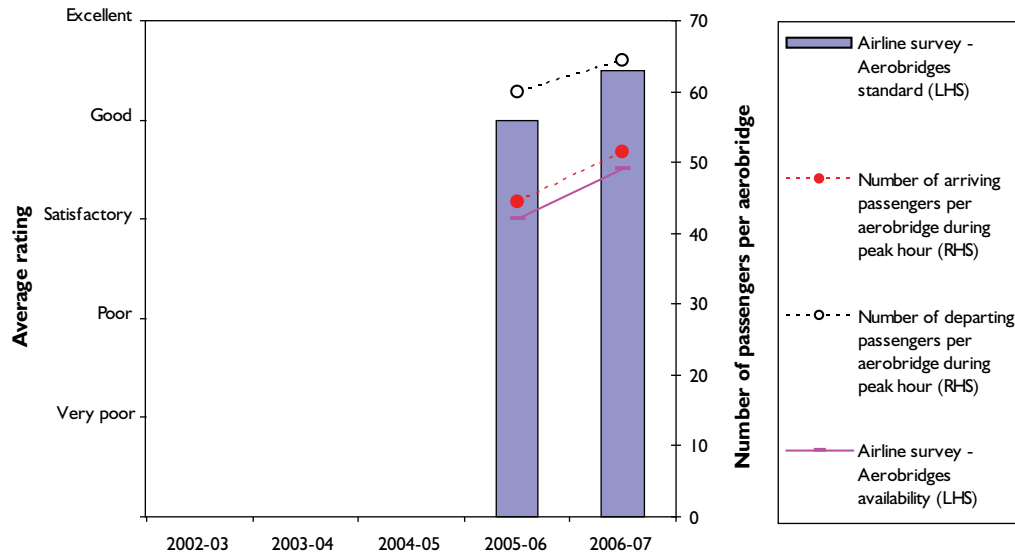
**Chart 3.24: Adelaide—domestic gate lounge**



In 2005–06, when operations commenced at T1, there was a large drop in the number of departing passengers per seat in gate lounges during peak hour, from 2.1 to 0.5 passengers per seat. Similarly, the average number of passengers per square metre of lounge area decreased in 2005–06. This corresponded with an increase in passenger perceptions with passengers rating the quality and **availability** of seating from just above satisfactory to between good and excellent. However, there was a downturn in this measure in 2006–07, with passenger ratings decreasing to between satisfactory and good. Conversely, passenger perceptions of gate lounge crowding ranged from between satisfactory and good in 2004–05 to good in 2006–07, a slight increase in rating from 2005–06.

Aerobridge facilities

**Chart 3.25: Adelaide—domestic aerobridges**

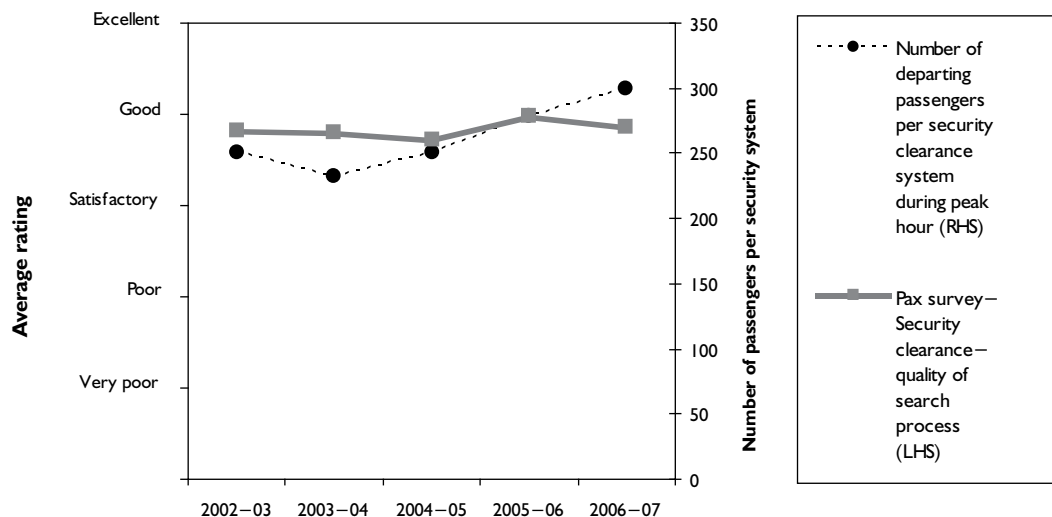


Aerobridges were not used by domestic passengers before the beginning of operations at T1 in 2005–06. From 2005–06 to 2006–07 there was increased use of aerobridges during peak hour, from 44 to 51 for arriving passengers and from 60 to 64 for departing passengers. Airline ratings of the **availability** of aerobridge facilities remained constant over the period 2005–06 to 2006–07 notwithstanding this increase.<sup>69</sup>

Airline ratings of the **standard** of aerobridge facilities increased to between good and excellent in 2006–07.

Security facilities

**Chart 3.26: Adelaide—domestic security**

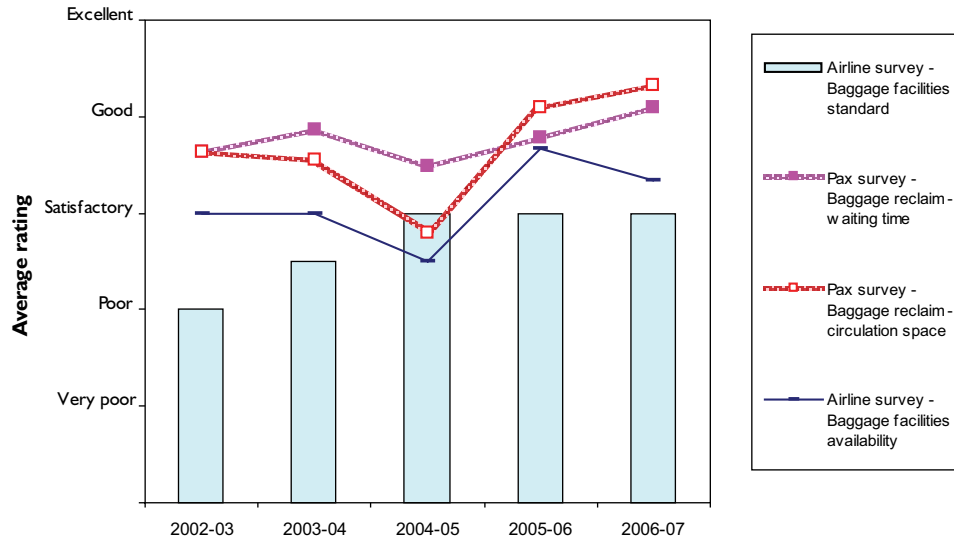


<sup>69</sup> The ACCC's *Guidelines for quality of service monitoring at airports* and the Airports Act do not currently require the provision of information concerning the number of domestic passengers arriving via an aerobridge as is the case for arriving international passengers. However, for comparison purposes the ACCC has derived a quantitative measure of utilisation wherever possible to assist with analysis. As such, the quantitative measure of number of passengers per aerobridge has been used.

Over the period 2003–04 to 2006–07, the number of departing passengers per security clearance system during peak hour increased from 233 to 300 passengers. This increase occurred despite an increase in the number of security clearance systems in operation of 2 to 3 in 2005–06. While the number of passengers per system increased from 279 in 2005–06 to 300 in 2006–07, passenger ratings of the quality of the search process fell to just below good.

Baggage facilities

**Chart 3.27: Adelaide—domestic baggage**

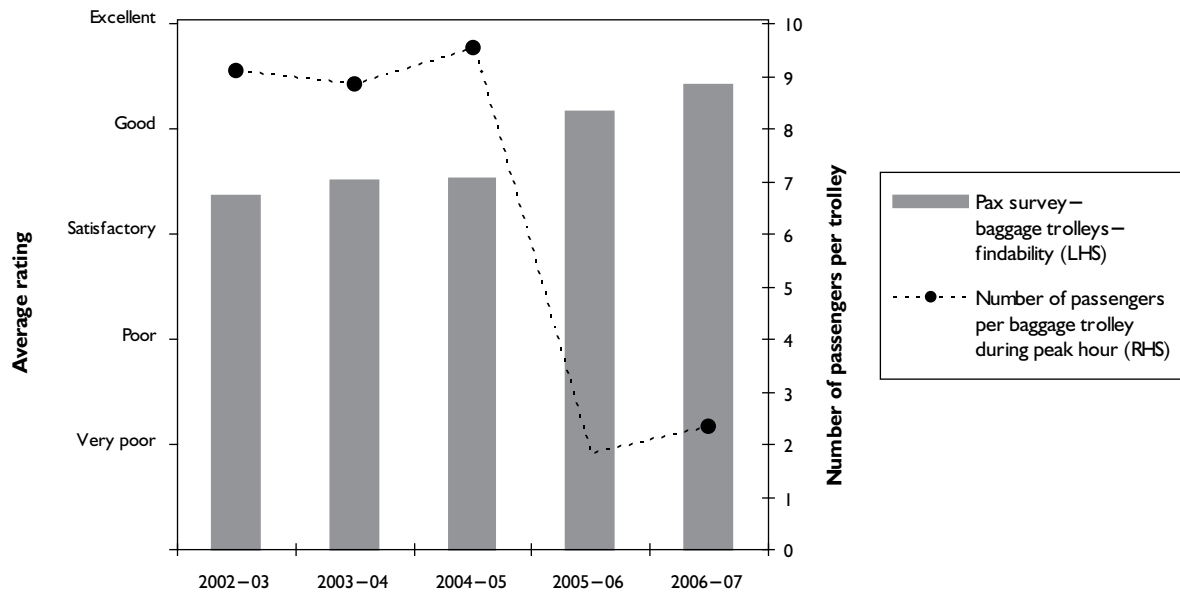


Airlines rated the **standard** of baggage facilities as satisfactory from 2004–05 to 2006–07, while passengers rated the baggage reclaim circulation space from good and excellent in 2006–07, up from satisfactory in 2004–05.

Airlines increased their rating of the **availability** from between poor and satisfactory in 2004–05 to between satisfactory and good in 2005–06. Similarly, passengers increased their rating of baggage reclaim waiting time from satisfactory to good in that year. However, in 2006–07 while airlines decreased their rating of baggage facilities **availability** to just above satisfactory, passenger perceptions continued to increase to between good and excellent.

Baggage trolleys

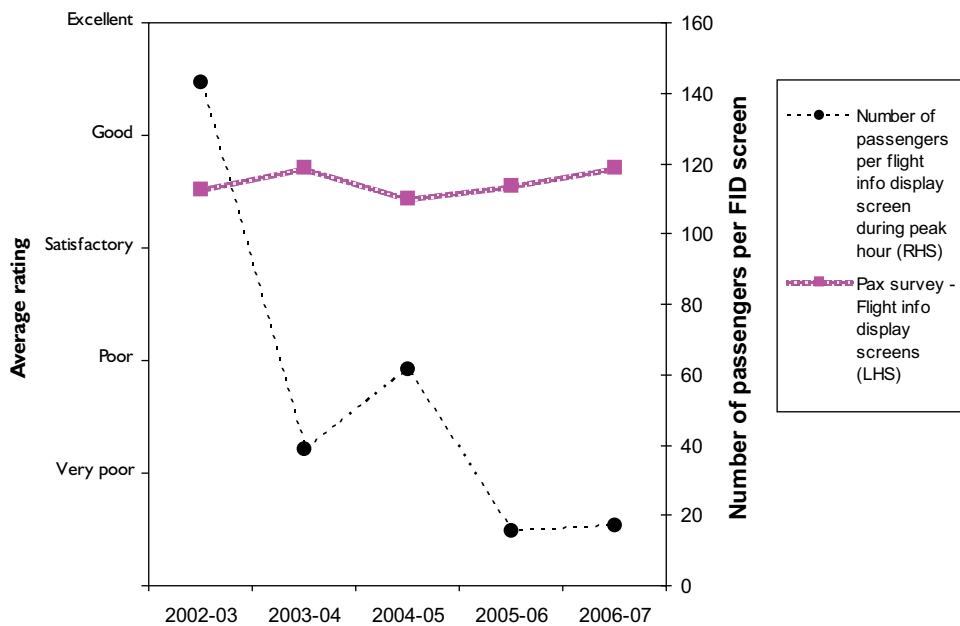
**Chart 3.28: Adelaide—domestic trolleys**



In 2005–06 there was a large drop in the number of passengers per baggage trolley during peak hour from 9.5 passengers in 2004–05 to 1.8 passengers. This followed the introduction of additional baggage trolleys from 110 in 2004–05 to 800 trolleys in 2005–06, dropping to 700 trolleys in 2006–07. This corresponded with an increase in passenger ratings from between satisfactory and good in 2004–05 to just above good in 2005–06. Passenger ratings continued to increase in 2006–07 to between good and excellent.

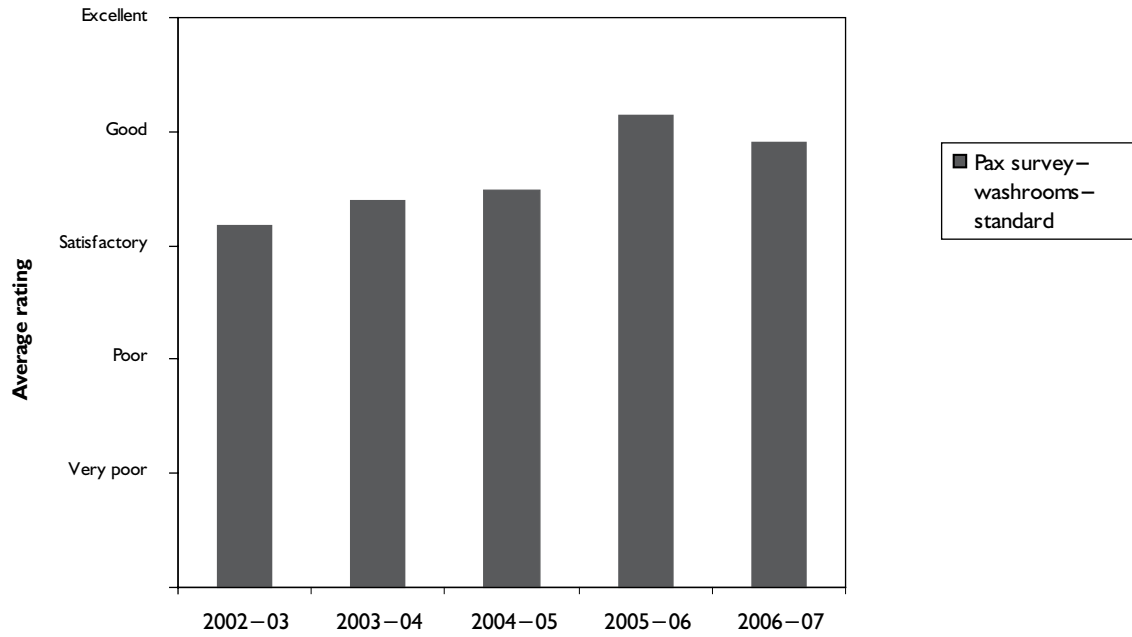
Flight information display screens and washrooms

**Chart 3.29: Adelaide—domestic flight information and displays**





**Chart 3.30: Adelaide—domestic washrooms**



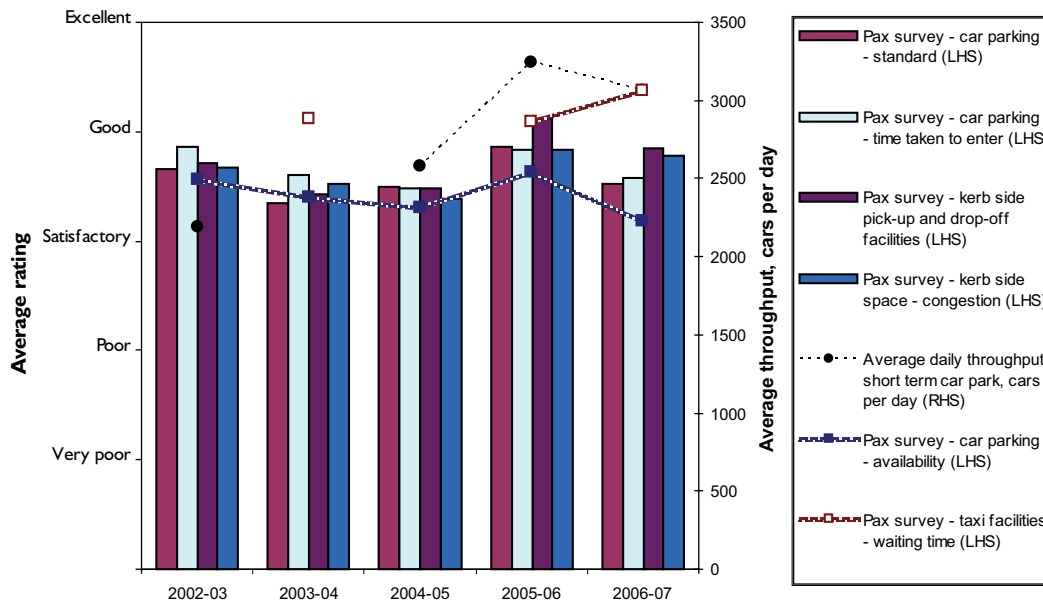
The number of passengers per FID screen during peak hour decreased from 143 passengers in 2002–03 to 17 in 2006–07. While passenger perceptions have remained steady over the reporting period, there has been a slight increase in passenger ratings of FIDs from between satisfactory and good in 2004–05 to just below good in 2006–07.

Over the reporting period passengers have rated the **standard** of washrooms as between satisfactory and good with an increase to good in 2005–06.

### 3.2.3. Airport services

#### Car-parking facilities

**Chart 3.31: Airport car-parking**



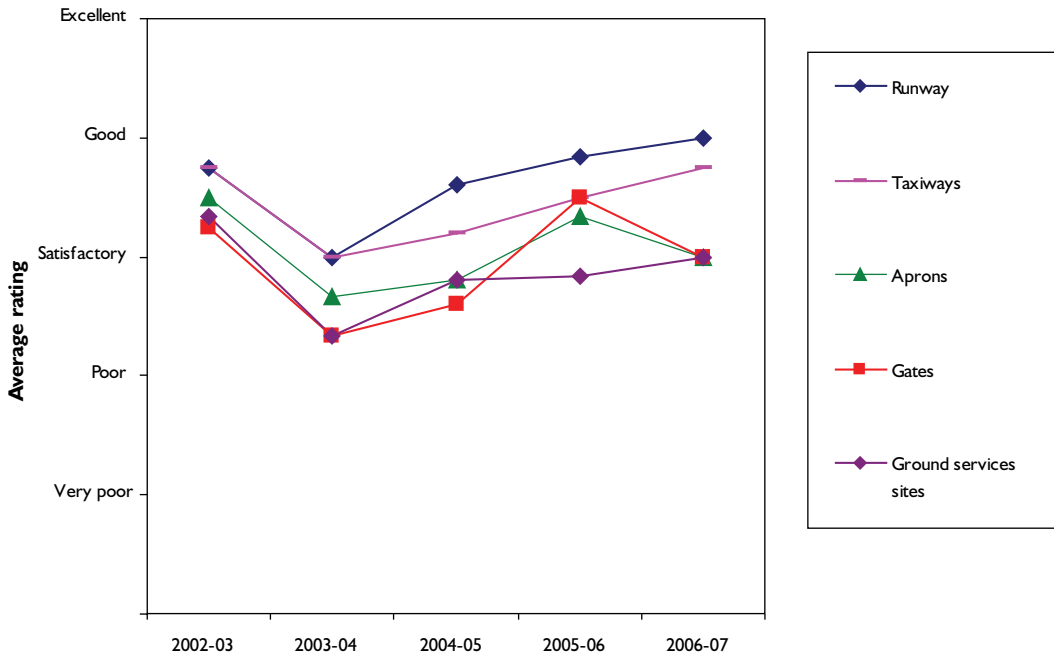
Given that Adelaide airport operates as a common user terminal, the results of both international and domestic passengers are combined in the above chart. Passengers rated the **standard** of and time taken to enter the car park at between satisfactory and good over the reporting period, with a decrease in these ratings measures occurring in 2006–07 from just below good to between satisfactory and good. However, passengers’ perceptions of kerb-side facilities and congestion remained steady in 2006–07 after increasing to just below good, up from between satisfactory and good in 2004–05.

Information for the average daily throughput of the short-term car park prior to 2004–05 is not available. In 2005–06 this measure increased to 3239 cars per day from 2580 cars per day in 2004–05, and decreased to 3060 cars per day in 2006–07. Nevertheless, passenger ratings of car-parking **availability** increased in 2005–06 to between satisfactory and good. Similarly, despite a decrease in the average daily throughput of the short term car park in 2006–07, passenger perceptions of **availability** decreased to below 2004–05 levels to be just above satisfactory.

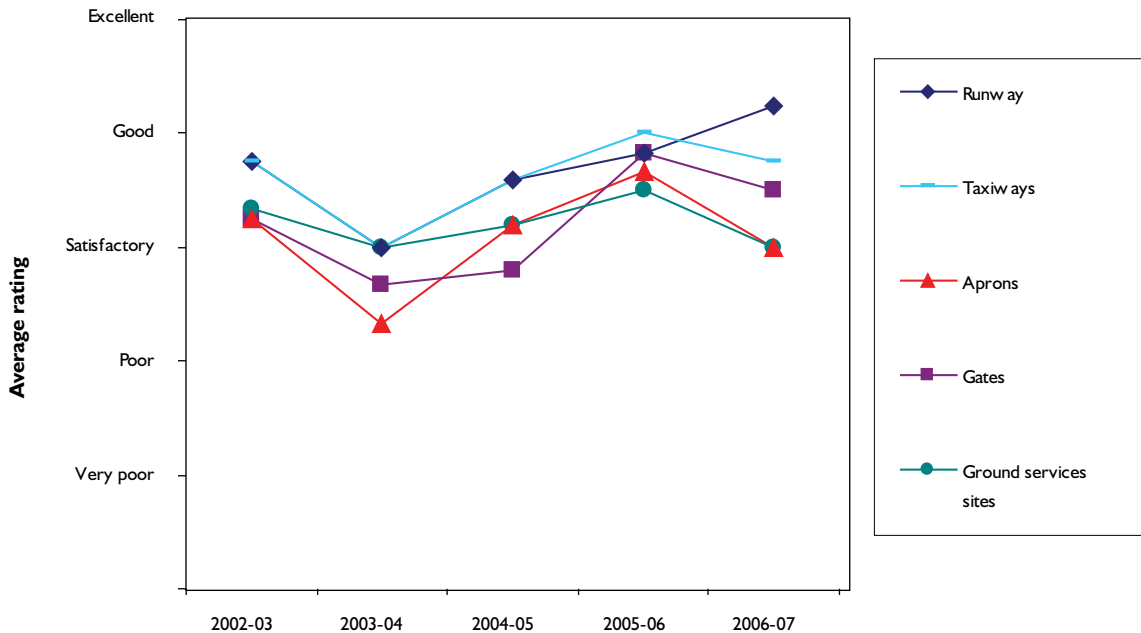
Passenger ratings of taxi facilities’ waiting time increased in 2005–06 from just below good to between good and excellent in 2006–07.

Airside services and facilities

**Chart 3.32: Adelaide—availability of airport airside services**



**Chart 3.33: Adelaide—standard of airport airside services**

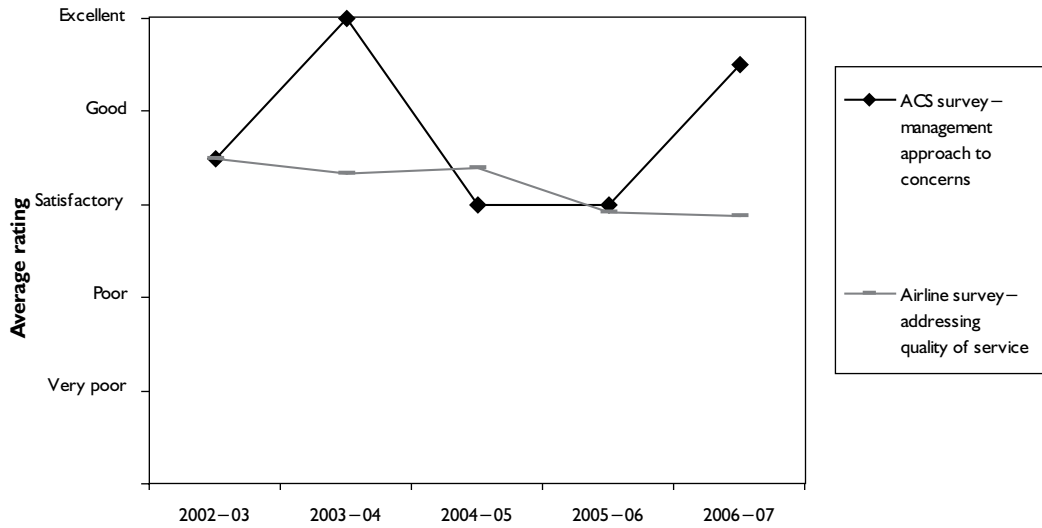


Airline ratings of the **availability** of airside services have all increased from a low for each service in 2003–04. Most airside services have continued to increase in airline ratings in 2006–07, ranging between satisfactory and good. In 2006–07 airlines decreased their rating of the availability gates and apron facilities to just below satisfactory. In 2006–07 some airlines noted that international arrivals occupy two bays and require lockout of gate areas before and after the arrival/departure. However, airlines have acknowledged that Adelaide airport has undertaken to address this concern.

Airlines decreased their ratings of the **standard** of most airside services in 2006–07. In the case of aprons and ground services sites, airline ratings fell to satisfactory. The exception was the **standard** of runways, which airlines rated as between good and excellent in 2006–07, up from between satisfactory and good in 2005–06.

Airport management responsiveness

**Chart 3.34: Adelaide—airport management responsiveness**



From 2004–05 to 2005–06 both airlines and the ACS rated airport management responsiveness as satisfactory. In 2006–07 airlines’ perception of airport management’s approach to addressing quality of service matters remained relatively stable at just below satisfactory. However, the ACS increased its rating to between good and excellent, which is just below a peak rating of excellent in 2003–04.



## 4. Brisbane airport

### Summary

In 2006–07 passenger numbers, aircraft movements and tonnage all increased. Brisbane airport reported increased average prices for most of its aeronautical and aeronautical-related services, with the exception of some security prices which decreased. Aeronautical revenue per passenger reached its highest level over the reporting period while aeronautical expenses per passenger decreased, leading to an increase in the margin per passenger.

Returns on assets increased for aeronautical services but decreased for total airport services. The value of aeronautical assets increased this year, driven by increases in property, plant and equipment. Brisbane also reported investment in aeronautical assets of \$92.5 million. The value of total assets also increased this year through net investment and revaluations of non-aeronautical assets.

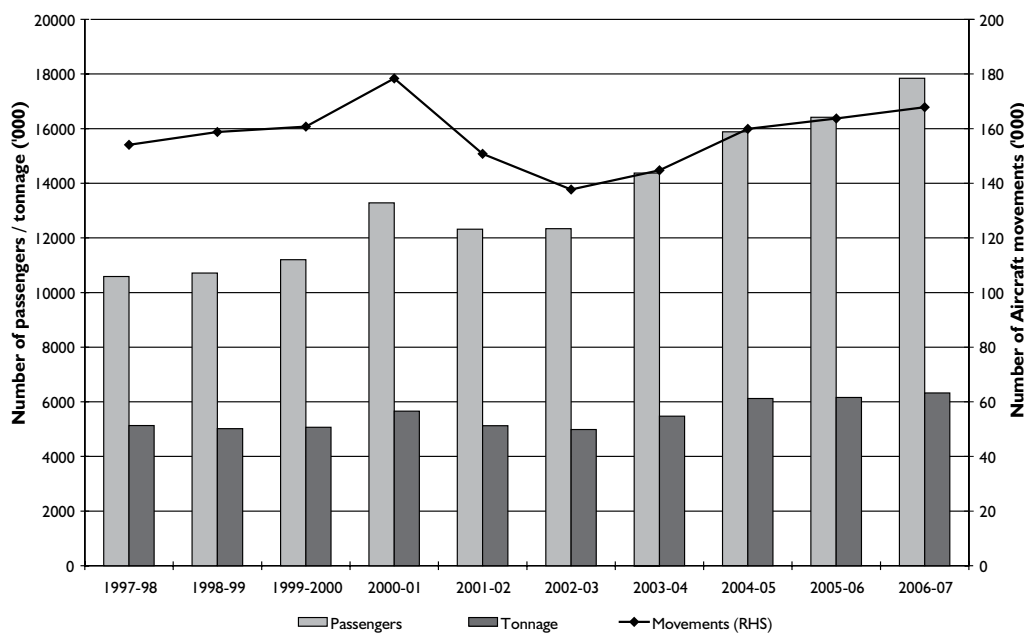
In 2006–07, Brisbane’s overall rating of quality of service was lower. Aerobridge usage dropped to 99 per cent, coinciding with decreases in aerobridge availability and standard. Passengers per inbound and outbound immigration desk increased during the year, which led to decreased availability of immigration facilities ratings. Passenger ratings of waiting times, however, remained stable compared to 2005–06. Large increases in the number of baggage trolleys resulted in a drop in the number of passengers per baggage trolley. Car-park throughput increased in 2006–07, coinciding with a drop in car-park availability ratings. Airline ratings for availability and standard of airside services increased, but the standard of gate and ground services remained the same compared to 2005–06. The average runway demand increased in 2006–07.

### 4.1. Brisbane airport price monitoring results

#### 4.1.1. Activity

Chart 4.1 shows traffic volumes at Brisbane measured by passenger numbers, tonnes landed and aircraft movements from 1997–98 to 2006–07.

**Chart 4.1: Volume of passengers, tonnes landed and aircraft movements**



Note: Passenger numbers include transit, transfers and domestic on carriage passengers.

In 2006–07 passenger numbers, aircraft movements and tonnes landed all increased, continuing an upward trend since 2002–03.

Passenger numbers rose to 17 843 566 in 2006–07, representing an increase of 8.7 per cent. Brisbane airport has experienced continual growth since 2002–03 following the falls caused by Ansett, the 11 September terrorist attacks and the SARS outbreak. Before 2001, passenger numbers grew strongly, peaking in 2000–01, when it increased by 19 per cent.

In 2006–07 aircraft movements increased by 2.5 per cent, following an increase of 2.4 per cent in 2005–06. Following the peak in 2000–01, they dropped to the lowest level in the reporting period in 2002–03. However, over the past four years the trend has reversed and has continually increased to around the same levels as those recorded in 1999–2000.

In 2006–07 tonnes landed increased by 2.7 per cent, pushing tonnes landed to the highest level recorded over the reporting period at approximately 6.3 million tonnes. The trend observed in tonnes landed largely mirrors the increasing trend of aircraft movements. Tonnes landed levels increased up until 2000–01, followed by a gradual decrease in 2001–02 and 2003–04, and then continuous growth to the current period.

#### 4.1.2. Prices

Table 4.1 shows the schedule of charges and the indexed change in list prices for both aeronautical and aeronautical-related services at Brisbane from 2002–03 to 2006–07, with 2002–03 taken as the base year.

**Table 4.1: Schedule of charges and indexed prices (2002–03 as base year)**

	Basis of charge (e.g. MTOW)	Charge per unit \$ (incl. GST)	Indexed list prices			
			2003–04	2004–05	2005–06	2006–07
<b>Aeronautical services</b>						
<i>Aircraft movements and facilities</i>						
Domestic landing fees	MTOW	10.69	105.0	110.2	115.8	121.5
Freight landing fees	MTOW	10.69	105.0	110.2	115.8	121.5
GA landing fees	MTOW	10.69	105.0	110.2	115.8	121.5
International private charter and non scheduled air service landing fee <sup>(a)</sup>	MTOW	10.69	105.0	110.2	115.8	121.5
Rotary wing landing fees	MTOW	5.35	105.0	110.2	115.9	121.6
Large aircraft parking fees	24 hrs parking	394.61	102.5	105.1	107.7	110.4
Small aircraft parking fees	24 hrs parking	30.36	102.5	105.1	107.7	110.4
Aeronautical volume discount	Commercial agreements	N/A	N/A	N/A	N/A	N/A
<i>Passenger processing facilities and activities</i>						
International passenger service charge	Passenger	11.60	103.6	108.0	113.0	118.1
Domestic express terminal fees—incl. aerobridge	Passenger	2.11	102.6	105.2	107.9	110.5
Domestic express terminal fees—excl. aerobridge	Passenger	1.63	102.7	105.4	107.5	110.9
Security charges						
Domestic landing government-mandated charges <sup>(b)</sup>	MTOW	0.02	66.4	84.5	78.4	1.7
Domestic express terminal only government-mandated charges <sup>(b)</sup>	Passenger	5.03		100.0	65.6	92.5
International terminal government-mandated charges <sup>(b)</sup>						
Departing domestic express terminal	Passenger	6.49	112.2	162.0	139.3	121.5
<b>Aeronautical-related services</b>						
Public and staff car-parking	Per hour of usage, or per days of use	See tariffs in appendix 1.3	N/A	N/A	N/A	N/A
Taxi holding and feeder services	Per vehicle trip	See tariffs in appendix 1.3	N/A	N/A	N/A	N/A
International check-in desk fee	Per hour of usage	34.83	102.5	105.0	107.7	110.4
International service desk fee	Per hour of usage	34.83	102.5	105.0	107.7	110.4
Aircraft light and emergency maintenance sites and buildings	Site leases	N/A	N/A	N/A	N/A	N/A

Notes: N/A—not available from the information provided by the airport.

(a) Before 2004–05 this charge was reported together with freight landing charges.

(b) These charges were consolidated in 2005–06 and are made up of previously levied security



charges. As such, the index results represent the change in the combination of charges over the period.

In 2006–07 Brisbane increased most list prices. An exception was some security prices, which decreased following both the consolidation of some government-mandated security charges in 2005–06 and the removal of applicable CTFR charges as the government met the cost of CTFR measures. Since 2002–03 many of listed aeronautical charges have increased by between 10 and 22 per cent. Brisbane advises that prices over this period increased consistent with an agreement with airlines. For the aeronautical-related services for which changes could be calculated, Brisbane has increased its listed charges by 10 per cent over the past four years. Brisbane removed a charge for international service desks in 2006–07.

The most significant change in security related charges is the cessation of AFP charges from January 2006. This resulted in the large decrease in government-mandated domestic landing charges by around 98 per cent when compared to 2005–06. Security charges at the international terminal have decreased by 13 per cent on 2005–06 levels. The domestic express terminal government-mandated charges increased by 41 per cent over the same period. Brisbane advised that security charges are re-set annually, taking into account forecast demand and expenditure and any over- or under-recoveries in previous years. As such, Brisbane claims that there is no profit from this activity.

### Average aeronautical revenue per passenger

Annual average aeronautical revenue<sup>70</sup> per passenger increased by 1.8 per cent in 2006–07. This followed a 7.4 per cent increase in 2005–06, a 9.1 per cent increase in 2004–05<sup>71</sup>, a 2.0 per cent decrease in 2003–04 and a 38 per cent increase in 2002–03. Price cap regulation was in place from 1997–98 to 2001–02; since its removal, this measure has increased by 62 per cent.

### Average aeronautical revenue per passenger excluding security

In 2006–07 aeronautical revenue per passenger **excluding** revenue from security charges increased by 4.6 per cent to \$4.97 from \$4.75 in 2005–06. Since price monitoring began, adjusted revenue **excluding** security per passenger has increased by 69 per cent. In 2006–07 security revenue per passenger decreased by \$0.11, while the overall increase in aeronautical revenue per passenger was \$0.10. Since price monitoring began, security revenue per passenger has increased by \$0.23, while the overall increase in aeronautical revenue per passenger was \$2.26.

More detailed information on security services is provided later in this section.

## 4.1.3. Revenues, costs and profits

Table 4.2 lists the operating revenues, operating costs and operating margins relating to aeronautical services and aeronautical-related services under direction 27 definitions at Brisbane from 2002–03 to 2006–07.<sup>72</sup>

70 Brisbane's reported aeronautical revenue in 2002–03 and 2003–04 has been amended here to exclude revenue earned from aircraft refuelling services and is therefore understated. However, revenue from check-in counters has not been included from 2002–03. From 2002–03, interest revenue has been allocated between service definitions.

71 This figure was previously recorded as 9.4 per cent. As a result of Brisbane airport's re-statement in accordance with its application of AIFRS, this figure has been amended.

72 Brisbane airport transitioned to AIFRS in 2004–05. The airport provided a restatement of its regulatory accounts for 2004–05 and therefore most 2004–05 figures are restated under AIFRS. The exception to this can be found in table 4.2.

**Table 4.2: Revenues, costs and margins**

	Revenues (\$'000)				Costs (\$'000)				Margins (\$'000)						
	2002–03	2003–04	2004–05	2005–06	2006–07	2002–03	2003–04	2004–05	2005–06	2006–07	2002–03	2003–04	2004–05	2005–06	2006–07
<b>Aeronautical services</b>															
Aircraft movements and facilities	26 903	28 939	33 830	37 242	41 435	23 206	22 032	22 447	25 385	27 011	3 697	6 907	11 382	11 857	14 424
Passenger processing facilities and activities	35 784	42 620	52 667	58 521	64 523	28 802	33 424	40 509	47 180	45 929	6 982	9 196	12 157	11 341	18 593
<i>Total aeronautical services</i>	<i>62 687</i>	<i>71 559</i>	<i>86 496</i>	<i>95 763</i>	<i>105 958</i>	<i>52 008</i>	<i>55 456</i>	<i>62 957</i>	<i>72 564</i>	<i>72 941</i>	<i>10 679</i>	<i>16 103</i>	<i>23 540</i>	<i>23 199</i>	<i>33 017</i>
<b>Aeronautical-related services</b>															
Public and staff car-parking	20 972	25 289	29 392	34 132	39 823	4 368	4 694	7 224	7 106	8 915	16 604	20 596	22 168	27 025	30 908
Taxi holding and feeder services/Landside vehicle access to terminals	1 811	1 837	2 306	2 252	2 526	356	594	728	756	990	1 455	1 243	1 579	1 496	1 536
Check-in counters and related facilities	2 397	2 905	3 809	3 846	3 868	380	617	685	930	1 185	2 017	2 288	3 125	2 916	2 683
Aircraft light and emergency maintenance sites and buildings	4 092	4 392	4 948	5 681	2 973	323	290	460	451	535	3 769	4 102	4 488	5 230	2 438
<i>Total aeronautical-related services</i>	<i>29 272</i>	<i>34 424</i>	<i>40 457</i>	<i>45 911</i>	<i>49 189</i>	<i>5 427</i>	<i>6 195</i>	<i>9 097</i>	<i>9 243</i>	<i>11 625</i>	<i>23 845</i>	<i>28 229</i>	<i>31 360</i>	<i>36 667</i>	<i>37 564</i>

Notes: In previous years, Brisbane has reported freight facility sites and buildings as an aeronautical-related revenue and cost. This item is not defined as aeronautical-related under the currently applicable direction 27 and has therefore been excluded. Brisbane advised in 2004–05 that fuel throughput revenues had been incorrectly reported as aeronautical revenues in previous years and that it is now relying on the clause 3 exemption to exclude this item from its aeronautical revenue. As a result, adjustments have been made to aeronautical revenue reported in 2002–03 and 2003–04 to exclude fuel throughput revenues and is therefore understated. Brisbane advised that the costs shown in the table relate to operating costs (and therefore operating margin) and do not include costs associated with depreciation, finance costs, amortisation, tax and an allowance for return on capital. The figures presented in table 4.2 for 2004–05 have been calculated according to AGAAP and have not been adjusted for AIFRS. Therefore these figures are different from the restated revenue, costs and margin figures presented for that period as represented in other parts of this section. The figures for 2005–06 and 2006–07 are AIFRS-adjusted.

In 2006–07 aeronautical revenue increased by 11 per cent, while operating costs increased slightly by half a per cent, resulting in an increase of 42 per cent in the margin compared to 2005–06. Revenue for aeronautical-related services increased by 7.1 per cent in 2006–07 while operating costs increased by 26 per cent. Despite this large increase in operating costs for aeronautical-related services the operating margin for these services increased slightly by 2.4 per cent in 2006–07.

Over the past four years, revenues, costs and operating margins for both aeronautical and aeronautical-related services have increased. Since 2002–03, revenue from aeronautical services increased by 69 per cent, while operating costs increased by 40 per cent. As a result, operating margins have increased by 209 per cent.

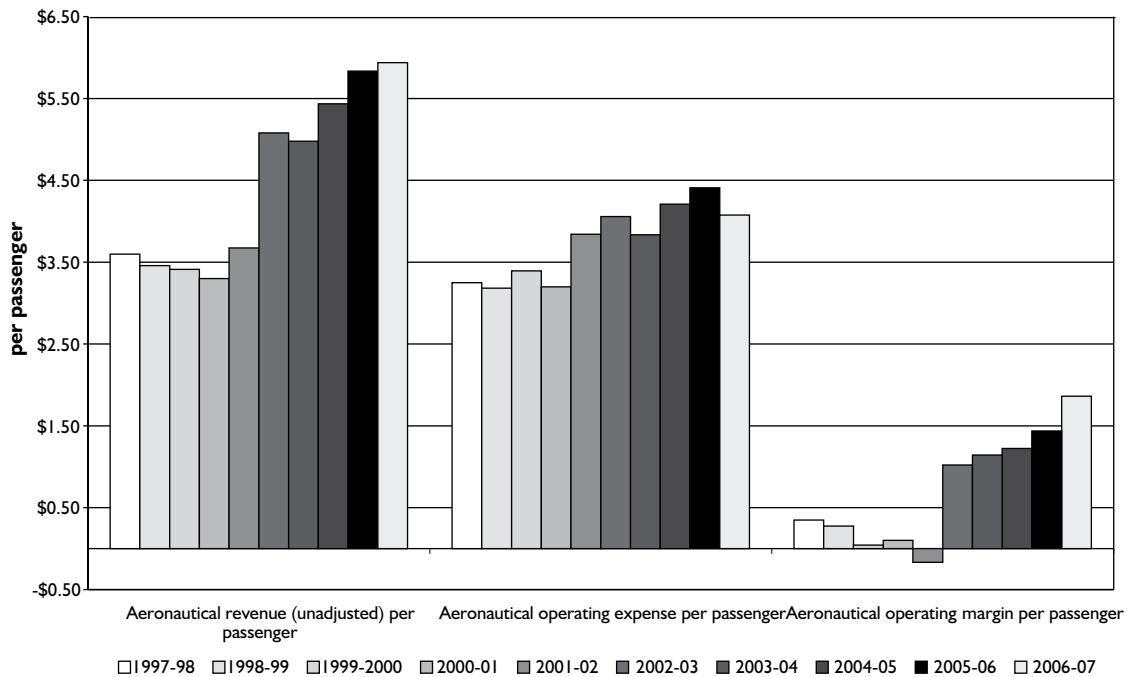
Since 2002–03 revenue from aeronautical-related services increased by 68 per cent, while operating costs increased by 114 per cent. As a result, over the past four years the operating margin increased by 58 per cent.

Public and staff car-parking has accounted for the majority of Brisbane’s total margins throughout the reporting period. In 2006–07, the margin from car-parking services and facilities represented 44 per cent of the total margin (i.e. the sum of the aeronautical and aeronautical-related margins).

### Aeronautical services

Chart 4.2 shows revenue<sup>73</sup>, operating expenses and operating margin per passenger for aeronautical services at Brisbane from 1997–98 to 2006–07.

**Chart 4.2: Aeronautical revenue, operating expense and operating margin per passenger**



Notes: The measures of aeronautical operating expenses per passenger and therefore operating margin per passenger do not include an allowance for return on capital, depreciation or finance costs.

Brisbane advised in 2004–05 that fuel throughput revenues had been incorrectly reported as aeronautical revenues in previous years and that it is now relying on the clause 3 exemption to exclude this item from its aeronautical revenue. As a result, adjustments have been made to aeronautical revenue reported in 2002–03 and 2003–04 to exclude fuel throughput revenues and is therefore understated.

Chart 4.2 shows that on a per passenger basis in 2006–07 aeronautical revenue and operating margin both increased, while operating expenditure decreased.

73 Brisbane’s reported aeronautical revenue from 2002–03 does not include revenue from check-in counters. From 2002–03 interest revenue has been allocated between service definitions.

Aeronautical revenue per passenger fell gradually between 1997–98 and 2000–01, before increasing in 2001–02. It increased by 38 per cent to \$5.08 in 2002–03, followed by a 2.0 per cent decrease in 2003–04 to \$4.98 and increases of 9.1 per cent and 7.4 per cent in 2004–05 and 2005–06, respectively. In 2006–07 aeronautical revenue per passenger reached its highest level since reporting commenced, increasing by 1.8 per cent from \$5.83 in 2005–06 to \$5.94.

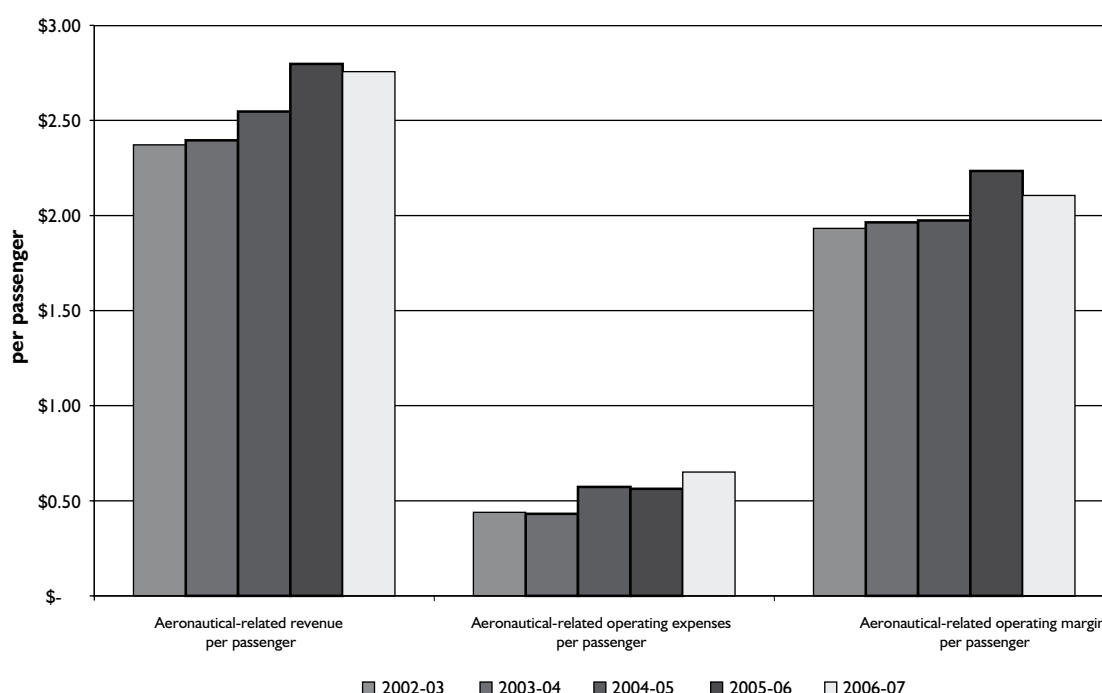
Aeronautical operating expenses per passenger remained stable between 1997–98 and 2000–01 before increasing by 20 per cent in 2001–02. The increase in 2001–02 mainly related to lower passenger numbers, as well as to an increase in expenses relating to security and provisions for depreciation. In 2002–03 operating expenses increased by a further 5.7 per cent, which was reversed in 2003–04 when they returned to 2001–02 levels before increasing by 9.8 per cent in 2004–05. Following an increase of 4.7 per cent in 2005–06 to \$4.41, expenses dropped 7.5 per cent to \$4.08 in 2006–07.

In 2006–07 the aeronautical operating margin per passenger showed a further increase, rising by 30 per cent to \$1.86. This followed an increase of 17 per cent in 2005–06, following a 12 per cent increase from 2002–03 to 2003–04 and a 7.0 per cent<sup>74</sup> increase in 2004–05, which reversed the general downward trend from 1997–98 to 2001–02. Since price cap regulation was removed in 2001–02 revenue per passenger has increased by 62 per cent, while costs have increased by 6.1 per cent. In 2006–07 the margin per passenger increased to \$1.86 from -\$0.17 in 2001–02.

### Aeronautical-related services

Chart 4.3 shows aeronautical-related revenue, operating expenses and the operating margin per passenger at Brisbane from 2002–2003 to 2006–07.

**Chart 4.3: Aeronautical-related revenue, operating expenses and operating margin per passenger**



In 2006–07 aeronautical-related operating expenses per passenger increased while operating revenue and the margin per passenger decreased.

On a per passenger basis, aeronautical-related revenue decreased by 1.4 per cent in 2006–07, following an increase of 9.8 per cent in 2005–06. A 25 per cent increase in the operating costs associated with public and staff car-parking contributed to an overall 16 per cent increase in aeronautical related expenses in 2006–07.

74 This figure was previously recorded as 33 per cent. As a result of Brisbane airport’s re-statement in accordance with its application of AIFRS, this figure has been amended. The difference between the 2004–05 report and the re-statement is influenced by an increase in aeronautical operating expenses.

The overall effect of these changes led to a decrease in the margin of 5.8 per cent in 2006–07, compared to an increase of 13 per cent in the previous year. From 2002–03 to 2006–07 aeronautical-related revenue per passenger increased by 16 per cent while expenses increased by 48 per cent, resulting in an 8.9 per cent increase in the margin per passenger from \$1.93 to \$2.11.

### Security services

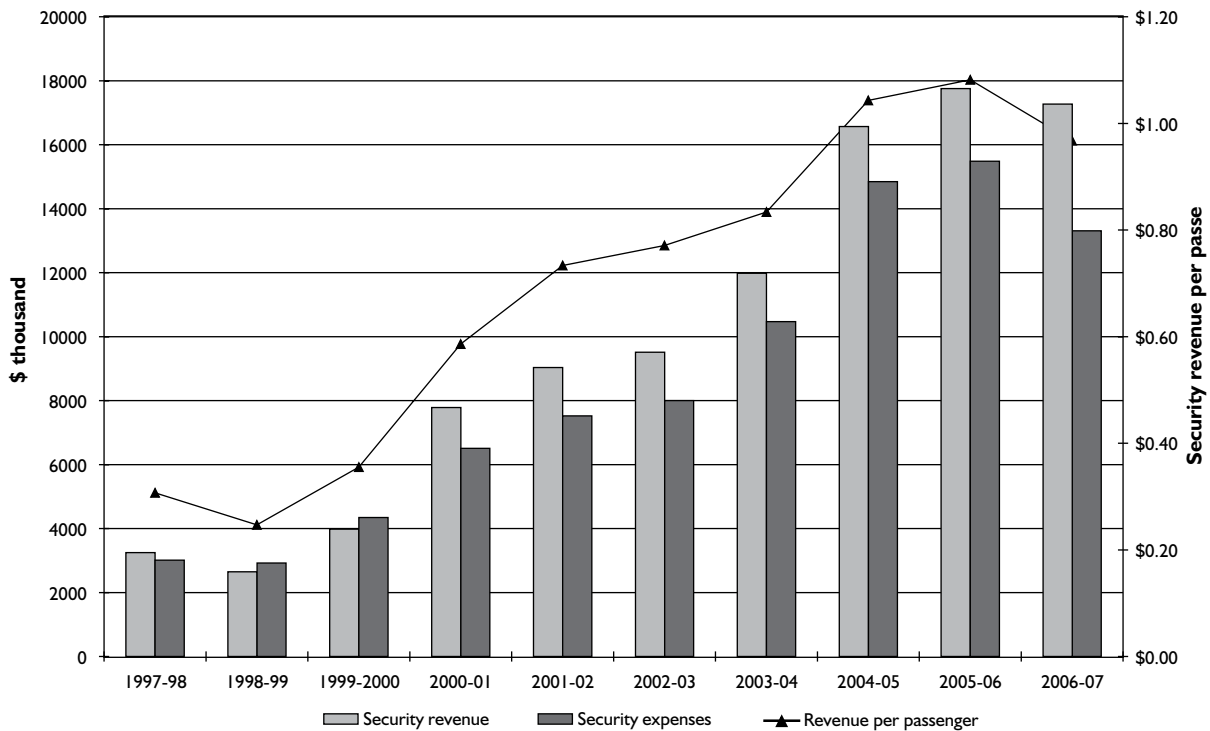
As noted in section 1.2.2, airport security expenses have increased significantly since 2000–01 because of increased government-mandated security levels. In 2004–05 further requirements were implemented, contributing to the increase in revenues and costs during 2004–05 onwards.

In its 2007 annual report, Brisbane airport notes that it has taken various steps to improve security levels, including an education program to increase awareness of security among airport staff. In addition, Brisbane also took steps to implement the introduction of new Australian Government restrictions regarding liquids, aerosols and gels on international flights.<sup>75</sup>

Security revenue has increased as a proportion of total aeronautical revenue over the reported period, increasing from 8.5 per cent in 1997–98 to reach a high of 20 per cent in 2001–02. In 2002–03 it decreased to 15 per cent, increased to 17 per cent in 2003–04 and then increased again to 19 per cent of aeronautical revenue in 2004–05 and 2005–06. In 2006–07 the security revenue as a proportion of total aeronautical revenue dropped to 16 per cent. Over the reporting period security expenses as a proportion of aeronautical expenses increased from 8.8 per cent in 1997–98 to reach a high of 22 per cent<sup>76</sup> in 2004–05 and 21 per cent in 2005–06, subsequently dropping to 18 per cent in 2006-07. This follows the government’s decision to meet the costs associated with CTFR measures from January 2006.

Chart 4.4 shows security revenue, expenses and revenue per passenger at Brisbane from 1997–98 to 2006–07.

**Chart 4.4: Security revenue and expenses**



Note: Brisbane airport advised that security costs do not include the cost of leased equipment, which includes depreciation, interest and bank charges.

75 Brisbane Airport Corporation Pty Ltd, *Annual report 2007*, p. 25.

76 This figure was previously recorded as 24 per cent. As a result of Brisbane airport’s re-statement in accordance with its application of AIFRS, this figure has been amended.

In 2006–07 total security revenue, expenses and revenue per passenger decreased following an upward trend since 1998–99.

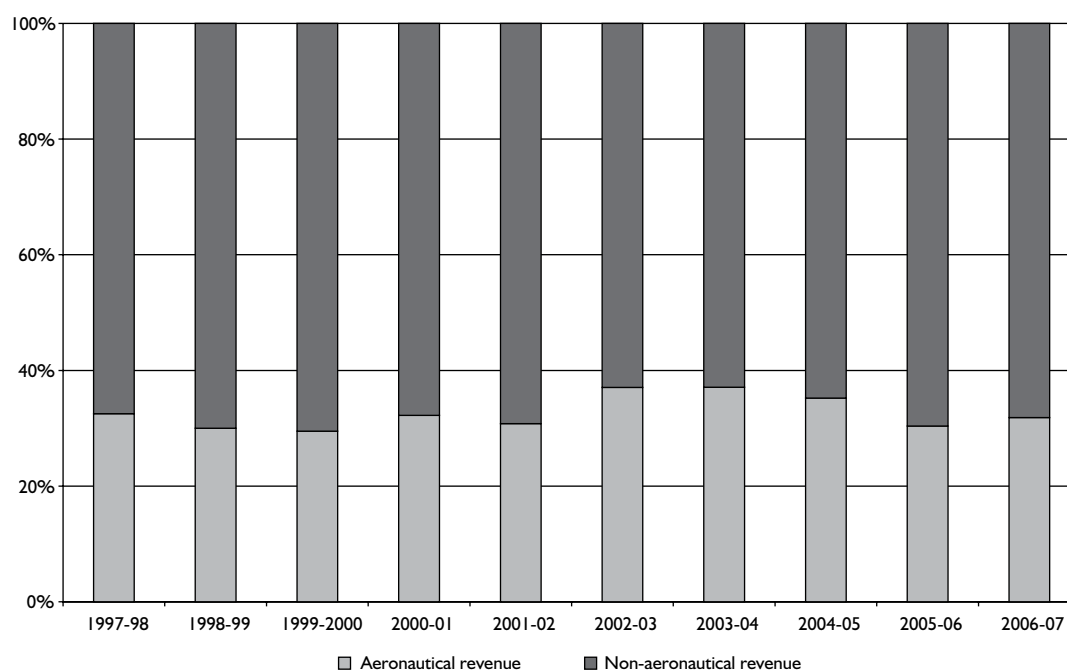
Security revenue decreased by 2.7 per cent following increases of 7.2 per cent in 2005–06 and 38 per cent in 2004–05. Following increases of 42 per cent in 2004–05 and a further 4.3 per cent in 2005–06, security expenses dropped by 14 per cent in 2006–07. On a per passenger basis, security revenue also decreased by 11 per cent, from \$1.08 in 2005–06 to \$0.97 per passenger in 2006–07.

In 2000–01 security revenue increased by 96 per cent and security expenses increased by 50 per cent because of increased government-mandated security services at airports.

## Revenue shares

Chart 4.5 shows the total revenue shares between aeronautical and non-aeronautical services for Brisbane from 1997–98 to 2006–07.

**Chart 4.5: Total revenue shares—aeronautical and non-aeronautical revenue**



**Note:** In 2004–05 Brisbane advised that fuel throughput revenues had been incorrectly reported as aeronautical revenues in previous years and that it is now relying on the clause 3 exemption to exclude this item from its aeronautical revenue. As a result, adjustments have been made to aeronautical revenue reported in 2002–03 and 2003–04 to exclude fuel throughput revenues and is therefore understated.

Chart 4.5 shows that although a slight downward trend was developing over the period 2002–03 to 2005–06, this has been reversed in 2006–07 with aeronautical revenue increasing as a proportion of total revenue. The change in proportion appears to have resulted from an increase in aeronautical revenue driven by increases in both prices and passenger numbers.

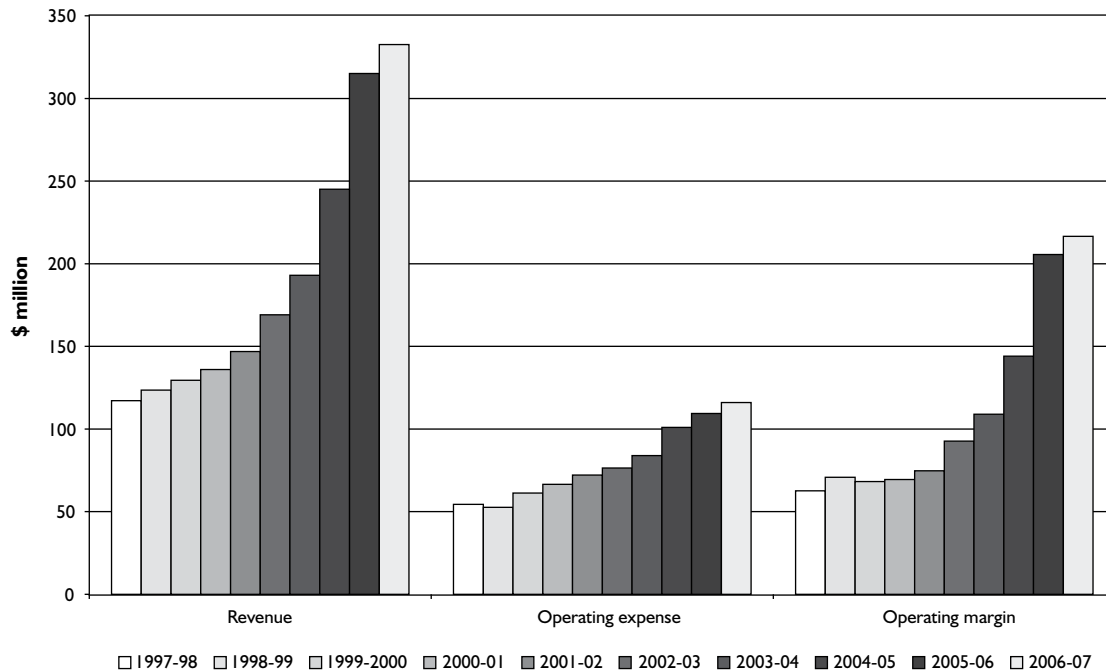
Between 1997–98 and 2001–02 aeronautical revenue was approximately one-third of the total airport revenue. In 2002–03 this increased to 37 per cent, but has since decreased to represent 30 per cent of total airport revenue in 2005–06. In 2006–07 it has increased to 32 per cent of total airport revenue.

The increase in aeronautical revenue in 2002–03 is likely to result from increases in prices following the lifting of price cap regulation in June 2002, following a period of negative returns on aeronautical assets.

## Total airport services

Chart 4.6 shows the total airport revenue, operating expenses and operating margin for Brisbane from 1997–98 to 2006–07.

**Chart 4.6: Total airport revenue, operating expenses and operating margin**



Note: The measures of operating expenses—and therefore operating margin—do not include an allowance for return on capital.

Total airport revenue, operating expenses and margins have been trending upwards since 1997–98. The rate of increase in revenue, operating expenses and margins in 2006–07 is lower than those recorded in 2005–06.

Total airport revenue grew steadily between 1997–98 and 2000–01 by 5 per cent per annum before increasing by a further 7.9 per cent in 2001–02. In 2002–03 total airport revenue increased by 15 per cent, largely from an increase in aeronautical revenue of 39 per cent, while non-aeronautical revenue increased by 4.8 per cent. Over the last four years total airport revenue has continued to increase steadily—5.5 per cent in 2006–07, 29 per cent 2005–06, 27 per cent in 2004–05 and 14 per cent in 2003–04.

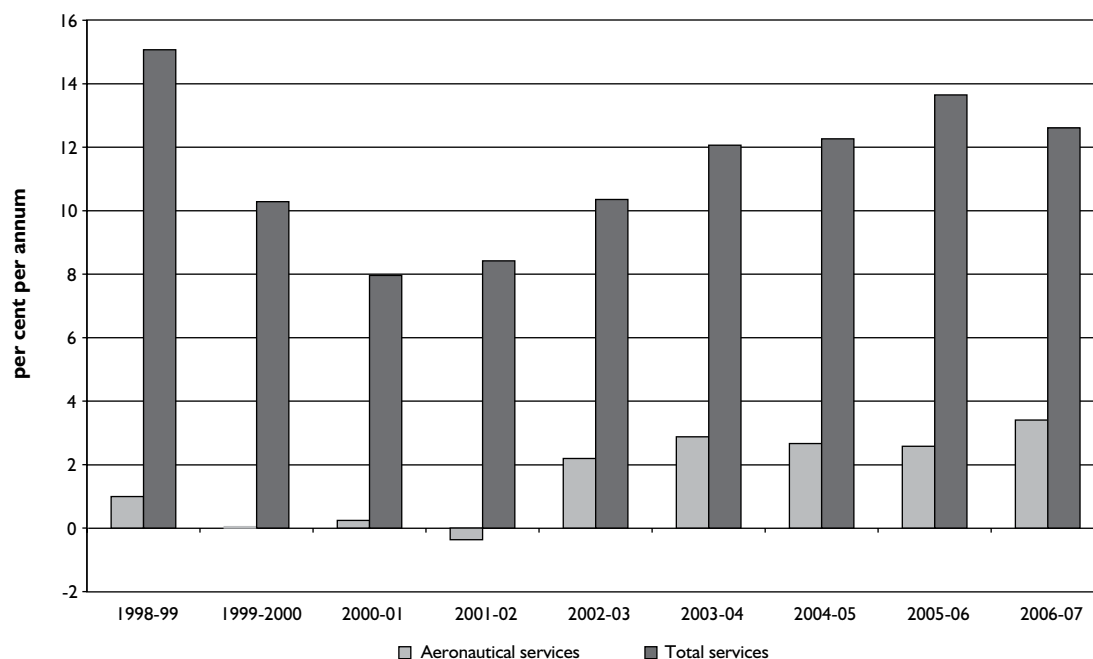
After falling slightly in 1998–99, total airport operating expenses increased by 16 per cent in 1999–2000. Over the last six years, total airport operating expenses increased by between 5.9 and 20 per cent per annum. In 2006–07 total airport operating expenses increased by 6.0 per cent on 2005–06 levels.

The total airport operating margin remained relatively stable between 1997–98 to 2001–02, before increasing by between 18 and 43 per cent over the last three years. In 2006–07 the margin increased by 5.3 per cent to \$216.6 million, up from \$205.6 million in 2005–06. This follows increase of 43 per cent in 2005–06 and 32 per cent in 2004–05.

## Rates of return on average tangible non-current assets

Chart 4.7 shows EBITA on average tangible non-current assets for both aeronautical services and total airport services from 1998–99 to 2006–07

**Chart 4.7: EBITA on average tangible non-current assets**



Note: Brisbane airport advised in 2004–05 that fuel throughput revenues had been incorrectly reported as aeronautical revenues in previous years and that it is now relying on the clause 3 exemption contained in direction 27 to exclude this item from its aeronautical revenue. As a result, adjustments have been made to aeronautical revenue reported in 2002–03 and 2003–04 to exclude fuel throughput revenues and is therefore understated.

EBITA on average tangible non-current assets for total airport services decreased in 2006–07 while it has increased for aeronautical services.

In 2006–07 EBITA on average tangible non-current assets for aeronautical services increased to 3.4 per cent after remaining stable at between 2.2 per cent and 2.9 per cent from 2002–03 to 2005–06. This follows a negative return on aeronautical assets recorded in 2001–02 of –0.4 per cent.

For total airport services, the measure decreased for the first time since 2000–01, from 14 per cent in 2005–06 to 13 per cent in 2006–07. This follows five consecutive years of growth in the measure and reflects a positive revaluation of \$34.4 million in non-aeronautical assets.

The lower EBITA on average tangible non-current assets for both aeronautical and total airport services experienced from 1999–2000 was influenced by asset revaluations by Brisbane in that year.<sup>77</sup>

As explained in section 1.4.1.4, the return on assets measures are influenced by the airport operator’s valuation of its assets recorded in its financial accounts. The following section gives details of asset values and changes in asset values over time.

<sup>77</sup> Brisbane advised in 2005–06 that the asset revaluation in 1999–2000 included a revaluation in that year and a re-statement of 1997 opening assets based on a valuation as at 1997.



## Asset values

Chart 4.8 shows the total value of aeronautical non-current assets at Brisbane from 1997–98 to 2006–07.

**Chart 4.8: Aeronautical non-current assets**

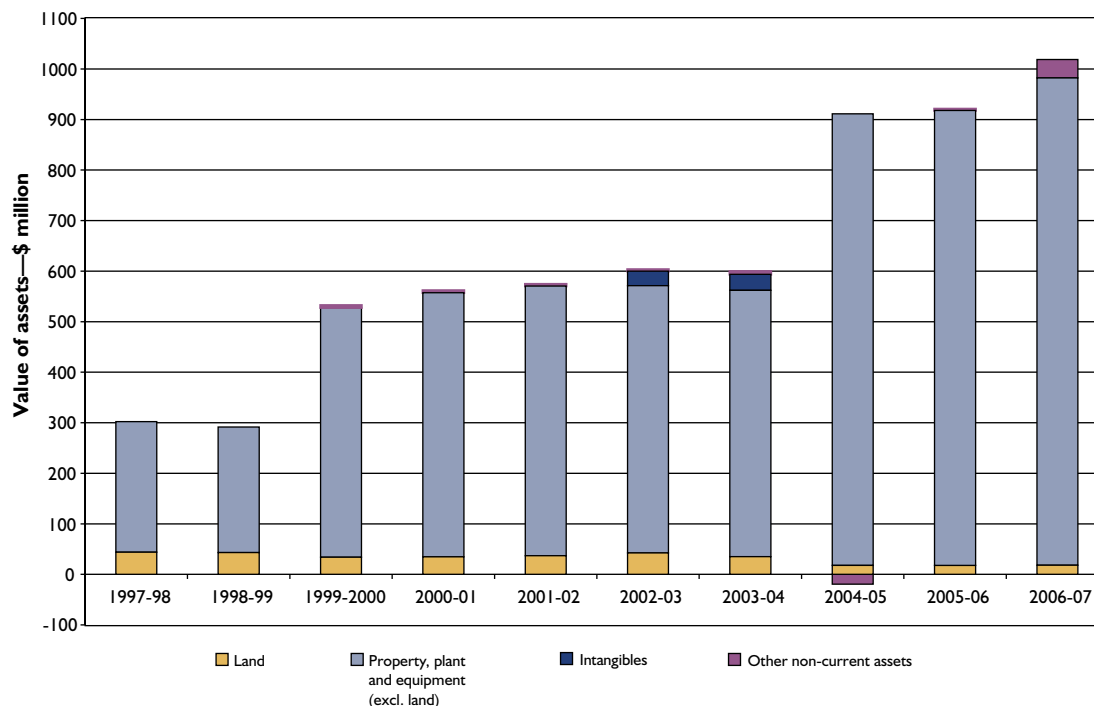


Chart 4.8 shows that after remaining relatively stable in 2002–03 and 2003–04, the value of aeronautical non-current assets increased significantly in 2004–05, primarily because of the application of AIFRS by Brisbane airport. The value of aeronautical non-current assets further increased from \$920.9 million in 2005–06 to \$1.01 billion in 2006–07. The value of property, plant and equipment increased by 7.1 per cent while the value of other non-current assets increased from \$2.9 million in 2005–06 to \$36.6 million in 2006–07.<sup>78</sup>

Brisbane airport also advised that it had recently gained federal approval for a parallel runway, to be completed by 2015.

In 2005–06 Brisbane airport applied AIFRS retrospectively and restated its 2004–05 regulatory accounts. As a result of this and some new investment, there were large changes to the value of the airport's aeronautical assets, increasing the value to \$891.9 million from \$599.6 million in 2003–04. This represents an increase of nearly 46 per cent.

Brisbane airport notes in its 2006–2007 annual report that developments as part of the international terminal expansion project, which began in September 2006, have continued. The project includes a \$340 million expansion in the international terminal, including increasing the floor area and accommodating the new Airbus A380. In addition, Brisbane completed construction of a multi-level car park at the international terminal (at a cost of \$35 million) in August 2007. Brisbane notes it is also planning an expansion of the domestic terminal, expected to be completed in 2010.<sup>79</sup>

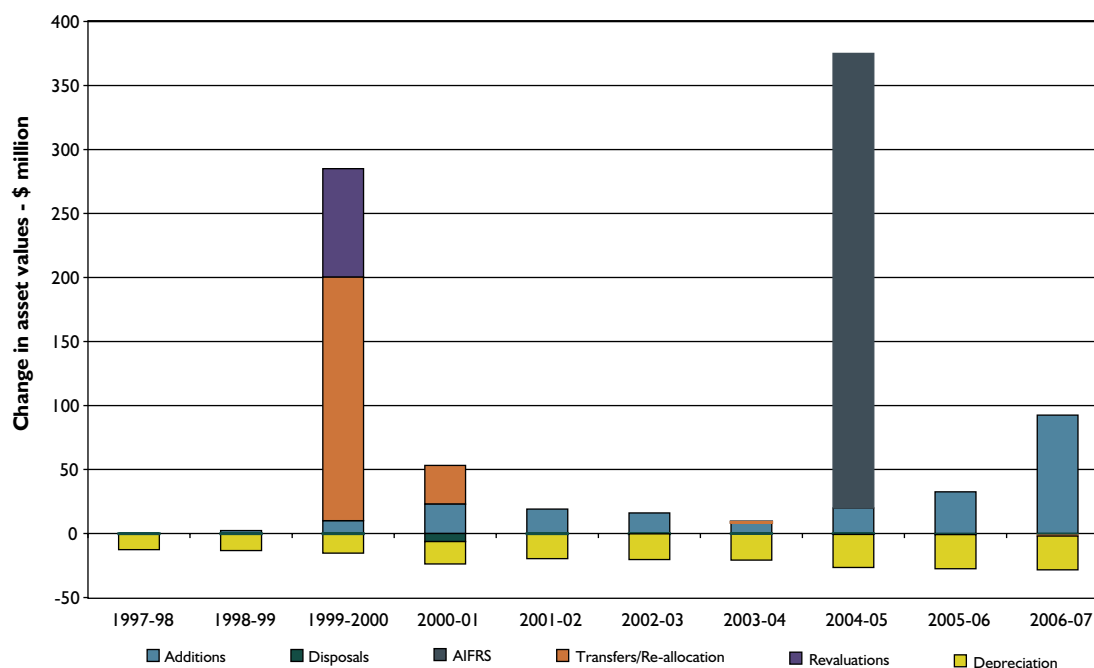
78 Brisbane airport advised that it has a number of hedge agreements in place to limit interest rate exposure arising from financing activities. The future cash flow value of these hedges is required to be stated as an asset on the balance sheet and is therefore reported in other non-current assets. The allocation split between aeronautical and non-aeronautical is calculated based on total operating assets.

79 Brisbane Airport Corporation Pty Ltd, *Annual report 2007*, p. 9.

In 1999–2000 the value of aeronautical assets (largely property, plant and equipment) increased by \$240.7 million.<sup>80</sup> In 2002–03 a further increase in value resulted from the allocation of intangible assets to aeronautical assets. Before this, the intangible assets were not allocated between aeronautical and non-aeronautical services.

Chart 4.9 further illustrates the changes in value for the tangible aeronautical non-current assets from 1997–98 to 2006–07.

**Chart 4.9: Change in tangible non-current assets—aironautical services**



Notes: In previous years’ reports the acquisition of assets by Brisbane airport in 1997–98 has been shown as an addition. This chart been changed to more accurately reflect the nature of the change in assets as simply an opening value of assets rather than an investment in new assets.

In 2006–07 additions in tangible non-current assets associated with aeronautical services accounted for approximately \$92.5 million of the total increase in asset value, with increases of \$57.6 million in works in progress and \$28.3 million in plant and machinery contributing most to this overall increase. Brisbane airport advised that the increase in works in progress is mainly due to construction began on the expansion of the international terminal building. Depreciation of \$26.4 million in 2006–07 slightly offset this increase.

In 2005–06 the re-statement of the 2004–05 regulatory accounts under AIFRS led to a \$355.1 million increase in the value of tangible non-current aeronautical assets. All AIFRS adjustments were made in 2004–05, including the re-statement of operating assets at deemed cost under a revaluation made on 1 July 2004.

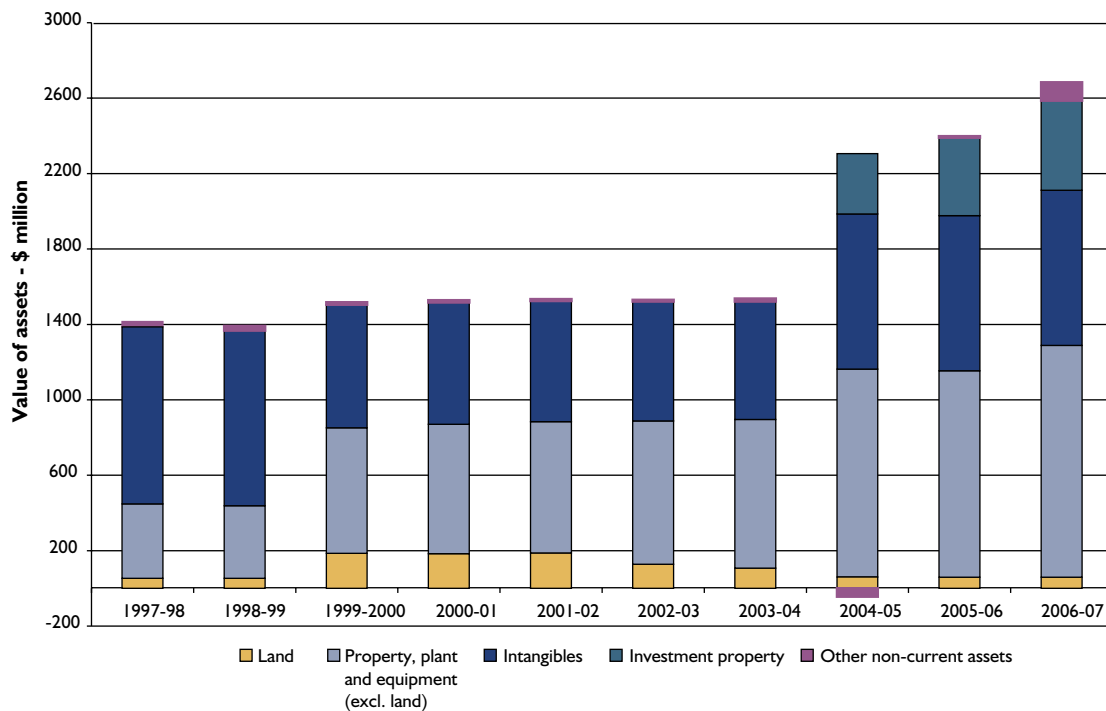
In 1999–2000 the increase in the value of assets resulted largely from an upward revaluation of aeronautical assets by \$84.5 million.<sup>81</sup>

80 Brisbane advised in 2005–06 that the asset revaluation in 1999–2000 included a revaluation in that year and a re-statement of 1997 opening assets based on a valuation as at 1997.

81 Brisbane advised in 2005–06 that the asset revaluation in 1999–2000 included a revaluation in that year and a re-statement of 1997 opening assets based on a valuation as at 1997.

Chart 4.10 shows the value of total non-current assets for Brisbane from 1997–98 to 2006–07.

**Chart 4.10: Total airport non-current assets**



In 2006–07 the value of total airport non-current assets increased following the application by Brisbane airport of AIFRS retrospectively to its 2004–05 regulatory accounts, which considerably increased the airport's total asset base.

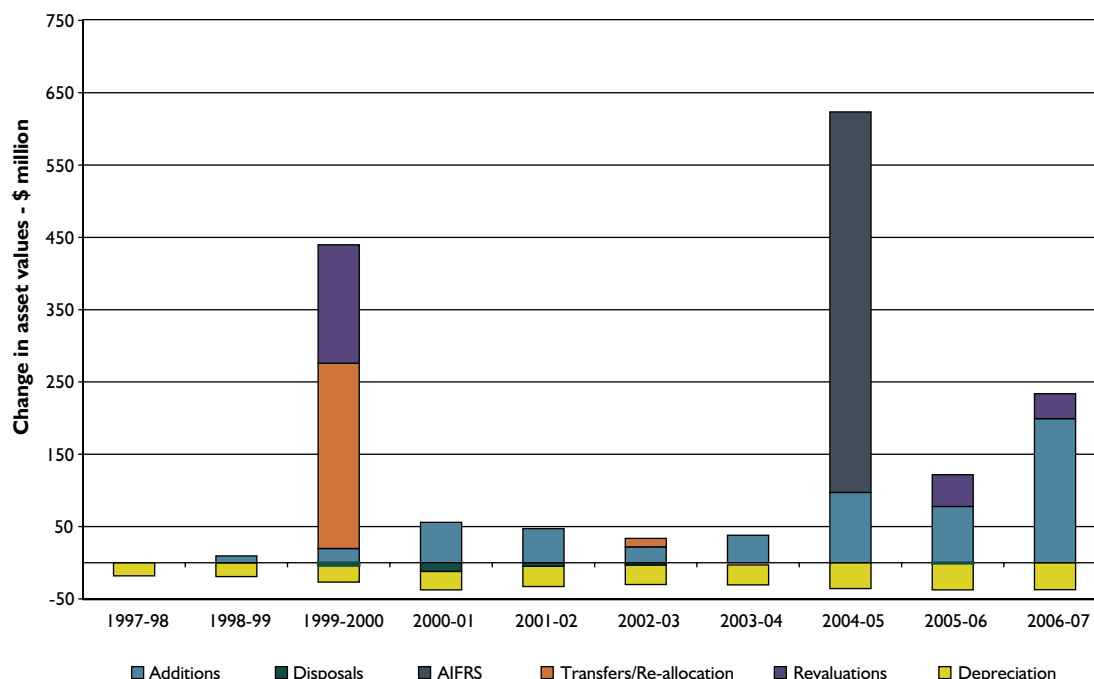
Total airport non-current assets increased by \$285.6 million, representing a 12 per cent increase. This increase is largely driven by an increase in property, plant and equipment from \$1.09 billion in 2005–06 to \$1.23 billion in 2006–07. The value of investment property increased from \$413.3 million in 2005–06 to \$475.3 million in 2006–07; over the same period the value of other non-current assets increased, from \$7.7 million to \$96.7 million. The value of assets increased in 1999–2000 due to an upward revaluation of the value of land and the value of property, plant and equipment.<sup>82</sup>

The value of total airport assets increased by \$725.1 million in 2004–05 to \$2261.8 million from \$1536.7 million in 2003–04. The value of other non-current assets decreased by \$44.3 million; property plant and equipment increased by \$314.6 million; and intangibles increased by \$196.9 million. The value of land, however, decreased by \$47.3 million because of the transition to AIFRS and is now reclassified as prepaid lease payments at cost. The transition to AIFRS also led Brisbane airport to classify its property assets comprising buildings and land that are leased or intended to be leased to third parties for the purpose of obtaining rental income separately as investment property to the value of \$320.4 million.

<sup>82</sup> Brisbane advised in 2005–06 that the asset revaluation in 1999–2000 included a revaluation in that year and a re-statement of 1997 opening assets based on a valuation as at 1997.

Chart 4.11 shows changes to the value of tangible non-current assets at Brisbane from 1997–98 to 2006–07.

**Chart 4.11: Change in tangible non-current assets—total airport**



Note: In previous years’ reports the acquisition of assets by Brisbane airport in 1997–98 has been shown as an addition. This chart been changed to more accurately reflect the nature of the change in assets as simply an opening value of assets rather than an investment in new assets.

In 2006–07 Brisbane airport invested a net of \$116.7 million in works in progress, \$40.2 million in plant and machinery, \$26.5 million in investment property and \$16 million in buildings, or \$199.4 million-worth of additions to total airport tangible non-current assets. Brisbane also revalued non-aeronautical assets—specifically investment property—by \$34.3 million in 2006–07, with depreciation decreasing the value of assets by \$37 million.

Chart 4.11 shows that the re-statement of asset values in 2004–05 as a result of the airport’s application of AIFRS increased the value of its assets by \$526.1 million. In 1999–2000 there was an upward revaluation of assets.<sup>83</sup>

### Rates of return on equity

Brisbane’s post-tax return on equity is influenced by its capital structure. For example, Brisbane Airport Corporation Pty Limited lists transaction costs of an equity transaction as a deduction from equity, net of any related income tax benefit interest payments for shareholder loans included in the regulatory accounts as operating expenses payable before income tax.<sup>84</sup>

In 2006–07 the post-tax return on average equity for Brisbane was positive for the fourth consecutive year, increasing from 6.5 per cent in 2005–06 to 8 per cent in 2006–07. This follows five years of negative returns on equity from 1998–99 to 2002–03. However, as discussed in section 1.4.1.4, this measure is currently of limited value.

Brisbane’s regulatory accounts are attached at appendix 1.1.

83 Brisbane advised in 2005–06 that the asset revaluation in 1999–2000 included a revaluation in that year and a re-statement of 1997 opening assets based on a valuation as at 1997.

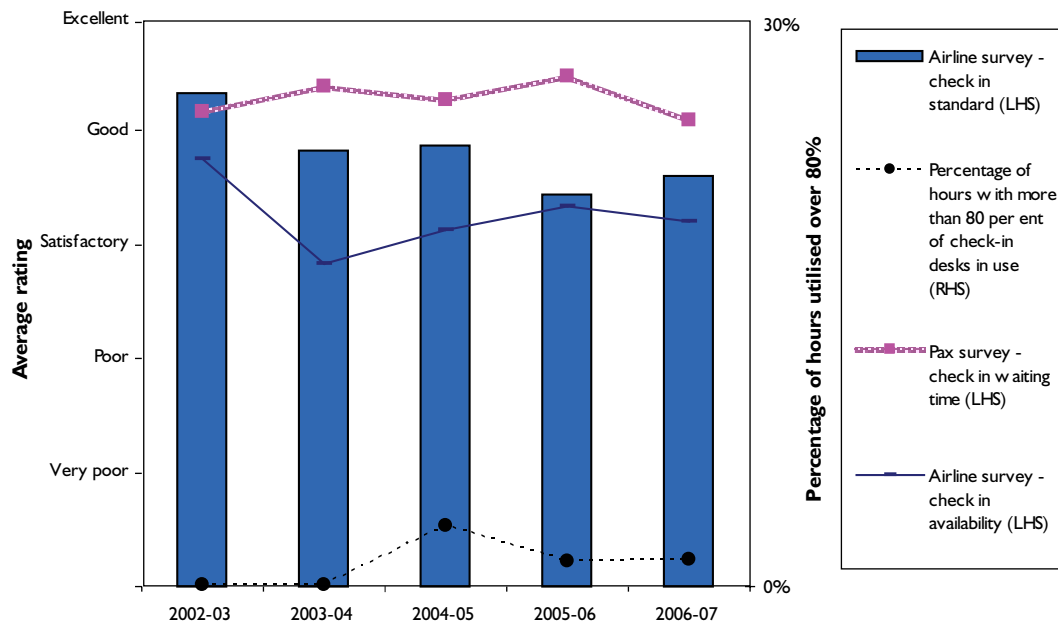
84 Brisbane Airport Corporation Pty Ltd, *Annual report 2007*, financial report, p. 52.

## 4.2. Brisbane airport quality of service results

### 4.2.1. International services

#### Check-in facilities

**Chart 4.12: Brisbane—international check-in**

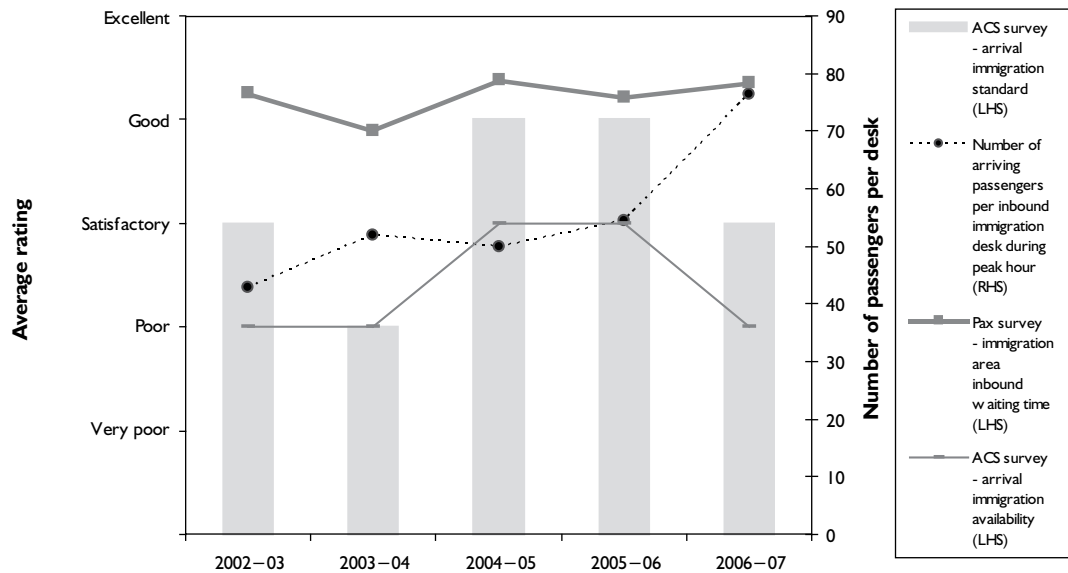


In 2004–05 there was an increase in the percentage of hours with more than 80 per cent of check-in desks in use from less than half a per cent in 2002–03 up to 3.2 per cent. This coincided with a slight drop in passenger ratings from between good and excellent to just above good in 2004–05. However, despite this increase, airline ratings of check-in **availability** increased from below satisfactory in 2003–04 to satisfactory in 2004–05. In 2005–06 there was a drop in the quantitative measure of utilisation to 1.4 per cent and this coincided with an increase in passenger ratings of check-in waiting time to between good and excellent, and an increase in airline ratings for **availability** to between satisfactory and good. Despite the quantitative measure of utilisation remaining stable in 2006–07, passenger and airline ratings decreased to good and satisfactory respectively.

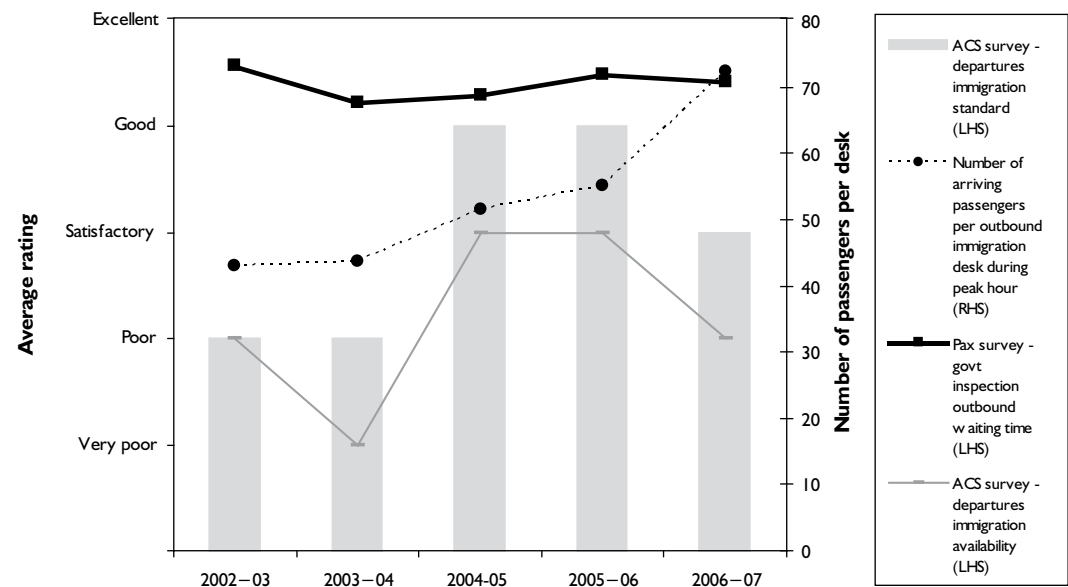
Airlines have rated the **standard** of check-in facilities from between good and excellent in 2002–03 to between satisfactory and good in 2006–07. In 2006–07 some airlines noted the lack of internet connectivity at check-in counters.

Government inspection facilities

**Chart 4.13: Brisbane—international inbound government inspection**



**Chart 4.14: Brisbane—international outbound government inspection**



The number of passengers per inbound immigration desk ranged from 43 passengers in 2002–03 to 55 passengers in 2005–06. This increased considerably in 2006–07 to 76 passengers following a decrease in the number of desks from 26 in 2005–06 to 22. This coincided with a decrease in the ACS ratings for the **availability** of arrival immigration facilities from satisfactory in 2005–06 to poor in 2006–07. Nonetheless, passenger ratings of waiting time remained constant at between good and excellent.

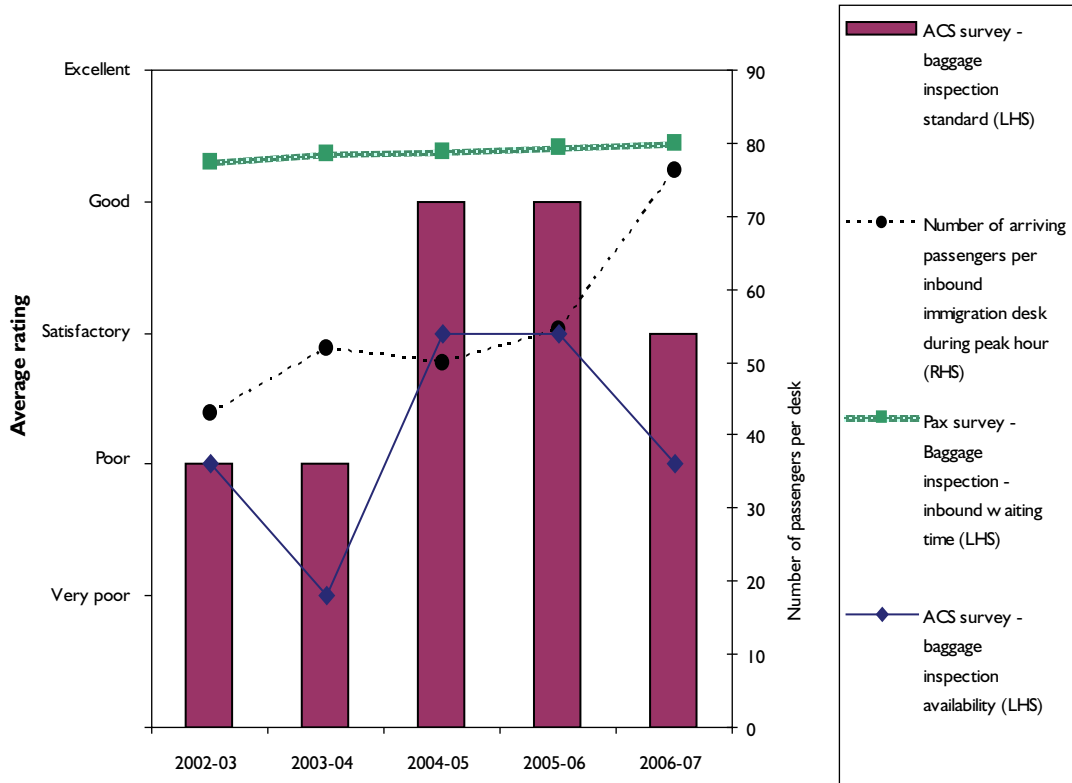
Outbound immigration facility ratings followed a similar trend to inbound, with the number of departing passengers per outbound immigration desk increasing from 55 passengers in 2005–06 to 72 passengers in 2006–07. The number of available desks remained stable over the period, meaning the increase was primarily due to the 31 per cent increase in the number of departing passengers per peak hour in 2006–07. As a result, the ASC ratings for **availability** of facilities decreased from satisfactory in 2005–06 to poor in 2006–07, and passenger ratings of waiting time dropped slightly to between good and excellent.

The ACS ratings of the **standard** of inbound and outbound immigration facilities increased from poor in 2003–04 to good over the period 2004–05 to 2005–06, but decreased to satisfactory in 2006–07.

The ACS noted that problems concerning government inspection areas during peak periods over 2006-07 are expected to be addressed on completion of the terminal expansion project.

Baggage inspection facilities

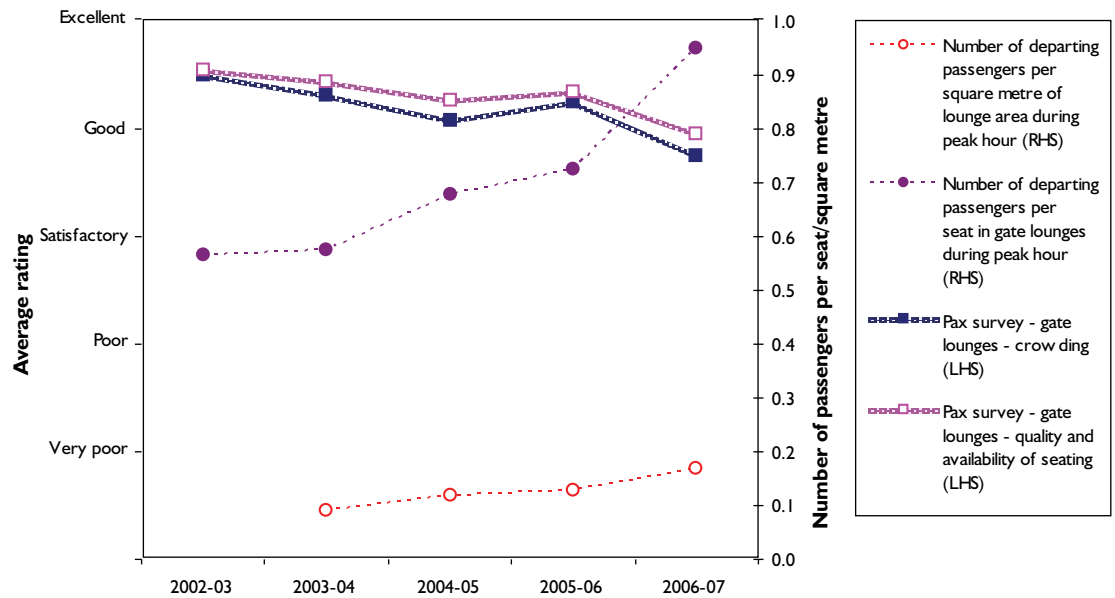
**Chart 4.15: Brisbane—international baggage inspection**



Baggage inspection facilities followed similar trends to outbound and inbound government inspection facilities over the reporting period. The number of arriving passengers per baggage inspection desk increased from 43 passengers in 2004–05 to 60 passengers in 2006–07. While the ACS ratings of **availability** remained constant in 2005–06 at satisfactory, ratings dropped in 2006–07 to poor. Despite this, passenger ratings remained stable at between good and excellent. The ACS ratings of the **standard** of these facilities decreased from good in 2005–06 to satisfactory in 2006–07.

Gate lounge facilities

**Chart 4.16: Brisbane—international gate lounge**



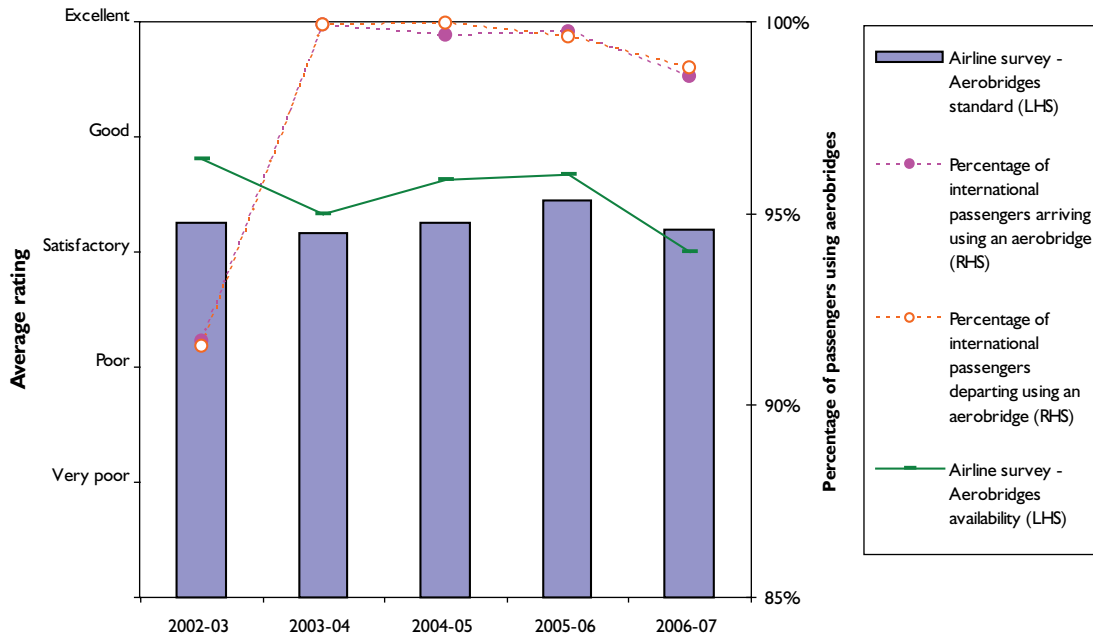
The number of passengers per seat in the international terminal increased from a low of 0.6 passengers in 2002–03 to 1 passenger during peak hour in 2006–07. Similarly, the number of departing passengers per square metre of lounge area during peak hour increased from 0.1 passengers in 2003–04 to 0.2 passengers in 2006–07. This was primarily due to an increase in the number of arriving and departing passengers during peak hour over the entire reporting period while the number of seats and square metre area of the gate lounge facilities within the international terminal remained at 1522 seats and 8600 square metres during the 2004–05 to 2006–07 period.

These results appear to have influenced passenger ratings, which dropped from good in 2005–06 to below good in 2006–07 for both seating and crowding of the gate lounge area.



Aerobridges facilities

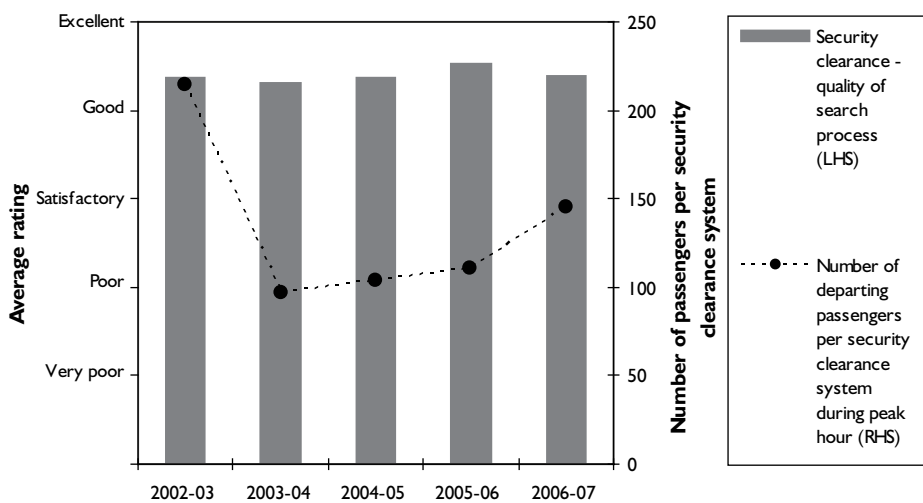
**Chart 4.17: Brisbane—international aerobridges**



The percentage of international passengers arriving and departing using an aerobridge remained around 100 per cent over the period 2003–04 to 2005–06. However, in 2006–07 this utilisation figure dropped to around 99 per cent of all international passengers. This drop coincided with a decrease in airline ratings of the **availability** of aerobridge facilities from between satisfactory and good in 2005–06 to satisfactory in 2006–07. Similarly, airline ratings of the **standard** of these facilities decreased from between satisfactory and good in 2005–06 to satisfactory in 2006–07.

Security facilities

**Chart 4.18: Brisbane—international security**

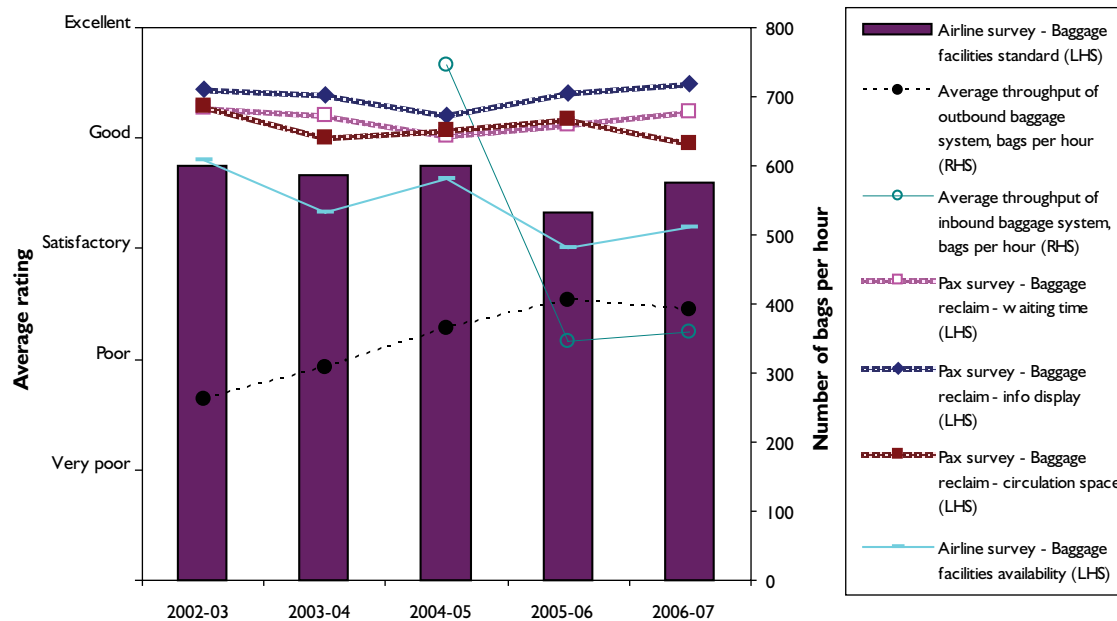


The number of departing passengers per security clearance system during peak hour decreased from 215 passengers in 2002–03 to 97 in 2003–04, following an increase in the number of security clearance systems from 4 in 2002–03 to 9 in 2003–04. The number of facilities increased further to 10 in 2004–05.

In 2006–07 the increase in the number of departing passengers during peak hour led to an increase in this quantitative measure of use to 145 passengers per security clearance system. Despite these increases, there have only been slight variances in passenger ratings for the quality of the search process, remaining relatively stable at between good and excellent.

Baggage facilities

Chart 4.19: Brisbane—international baggage

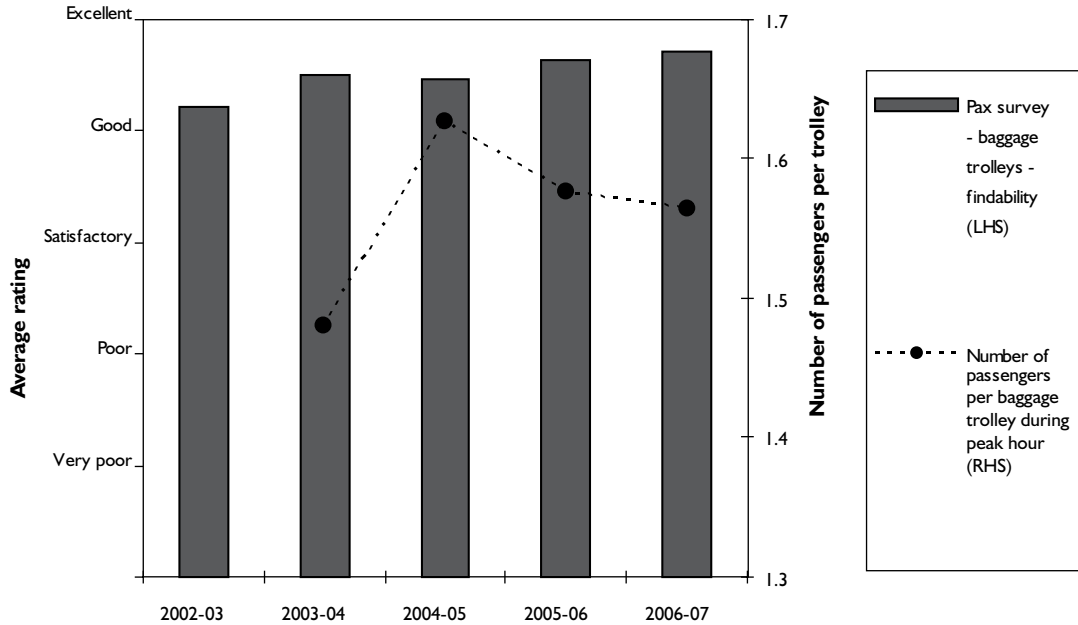


The average throughput of the outbound baggage system increased steadily over the reporting period, from 262 bags per hour to a peak of 404 bags per hour in 2005–06 before dropping to 392 bags per hour in 2006–07. From 2004–05 the average throughput of inbound baggage dropped significantly from 747 bags per hour to 360 bags per hour in 2006–07. This was caused by a combination of an increase in the number of hours the inbound baggage system was in use for the year outweighing the effect of an increase in the number of inbound bags handled. Passenger ratings reflected this decrease in the quantitative measure of use with a slight increase in the rating for baggage reclaim waiting times from good in 2005–06 to above good in 2006–07. Similarly, passenger ratings for baggage reclaim information displays remained between good and excellent in 2006–07. However, in the same year passenger ratings of baggage reclaim circulation space decreased from above good in 2005–06 to below good in 2006–07.

Airline ratings of the **availability** of baggage facilities decreased from just below good in 2004–05 to satisfactory in 2005–06, before recovering slightly in 2006–07 to be just above satisfactory. Airline ratings of the **standard** of these facilities decreased in 2005–06 from just below good in 2004–05 to between just above satisfactory in 2005–06 and again recovered slightly to between satisfactory and good in 2006–07.

Baggage trolleys

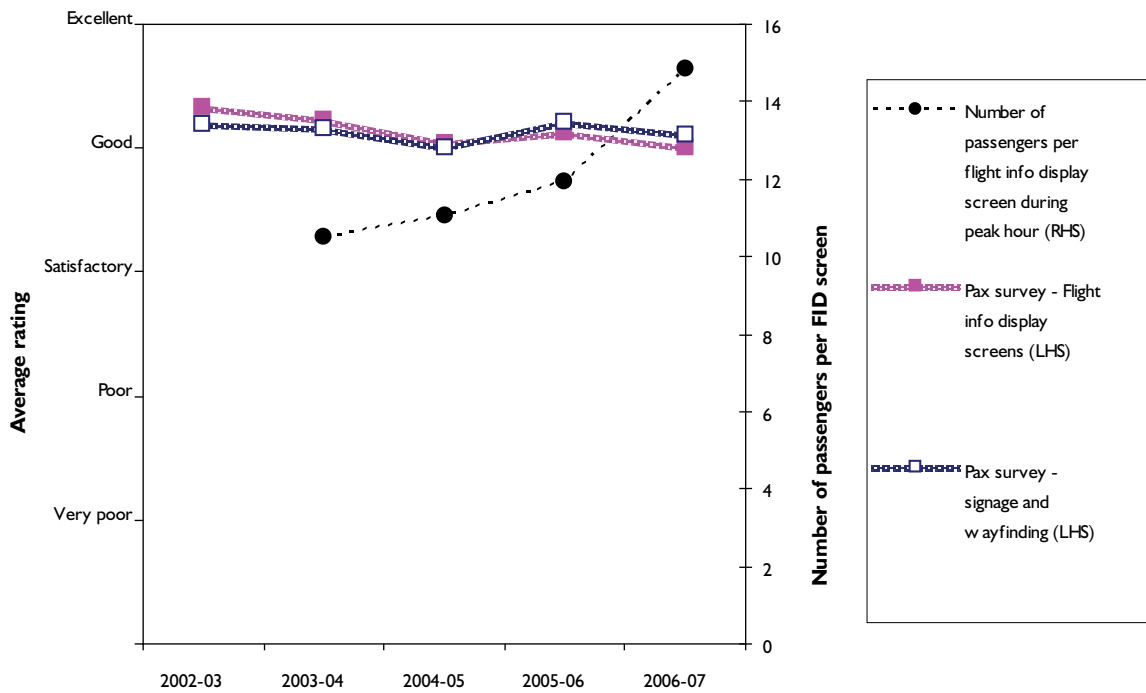
**Chart 4.20: Brisbane—international trolleys**



The number of passengers per baggage trolley increased from 1.5 in 2003–04 to 1.6 in 2004–05 and remained stable around this level until 2006–07. However, passenger ratings of the findability of baggage trolleys increased from between good and excellent in 2004–05 to just below excellent in 2006–07.

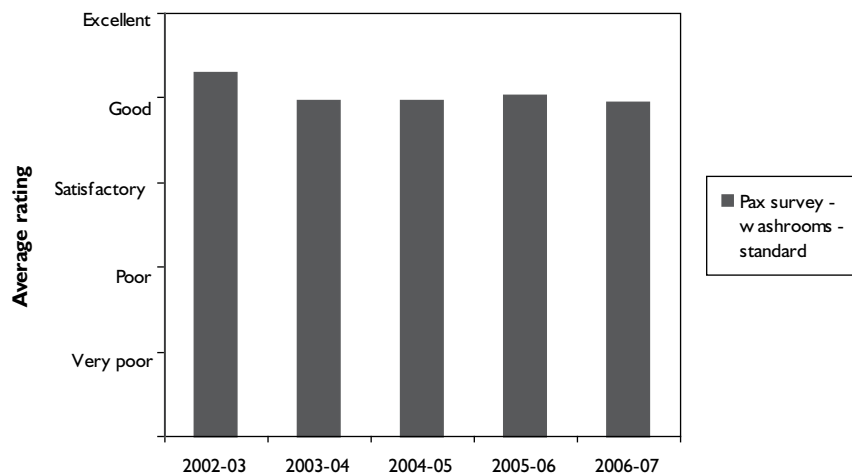
Flight information displays and washrooms

**Chart 4.21: Brisbane—international flight information and displays**



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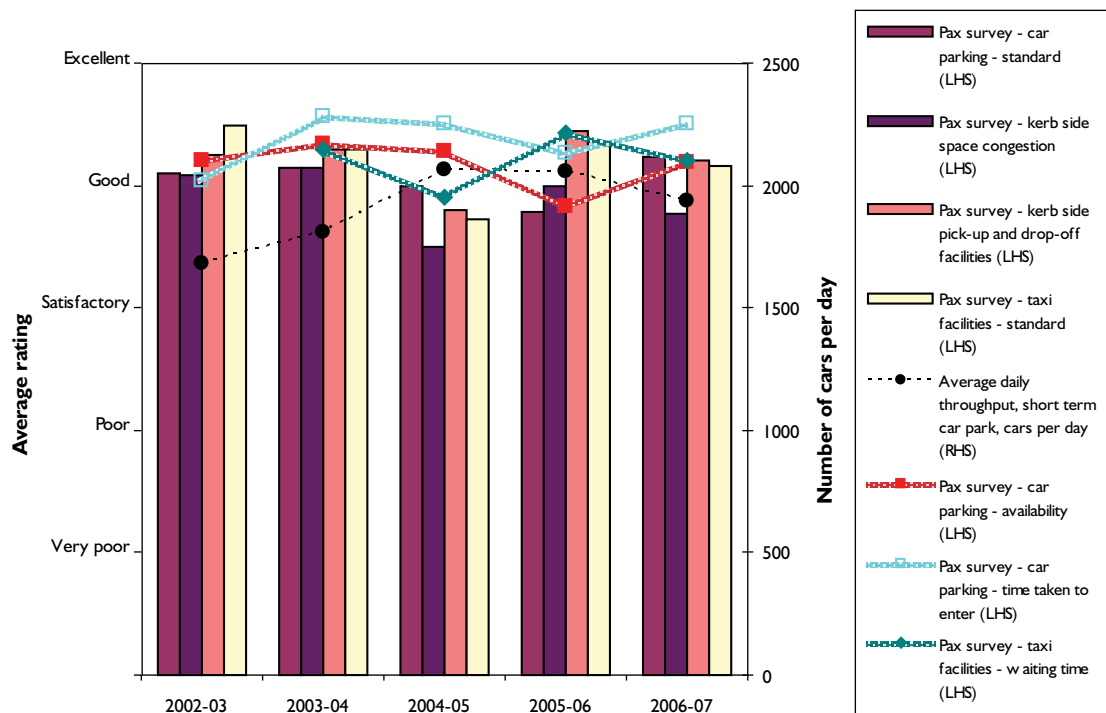
**Chart 4.22: Brisbane—international washrooms**



The number of passengers per FID screen remained relatively stable over between 2003–04 and 2005–06, but increased from 12 passengers in 2005–06 to 15 passengers in 2006–07. Given that the number of FID screens remained constant at 211 over the reporting period, the increase was primarily due to the increase in the number of international passengers during peak hour. Passenger ratings of FID screens and signage and wayfinding have remained around good over the reporting period but decreased slightly in 2006–07. Passengers have rated the **standard** of washroom facilities as good over the reporting period.

Car-parking and taxi facilities

**Chart 4.23: Brisbane—international car park**



The average throughput of cars within the short-term car park increased from 1679 cars per day in 2002–03 to a peak of 2062 in 2004–05 before decreasing to 1937 cars per day in 2006–07. Passenger ratings of the **availability** of car-parking facilities followed this trend, increasing while throughput levels were lower in 2003–04 but decreasing while average throughput remained high. In 2006–07, when average throughput levels decreased, passenger ratings for **availability** returned to above good. Passenger ratings of the time

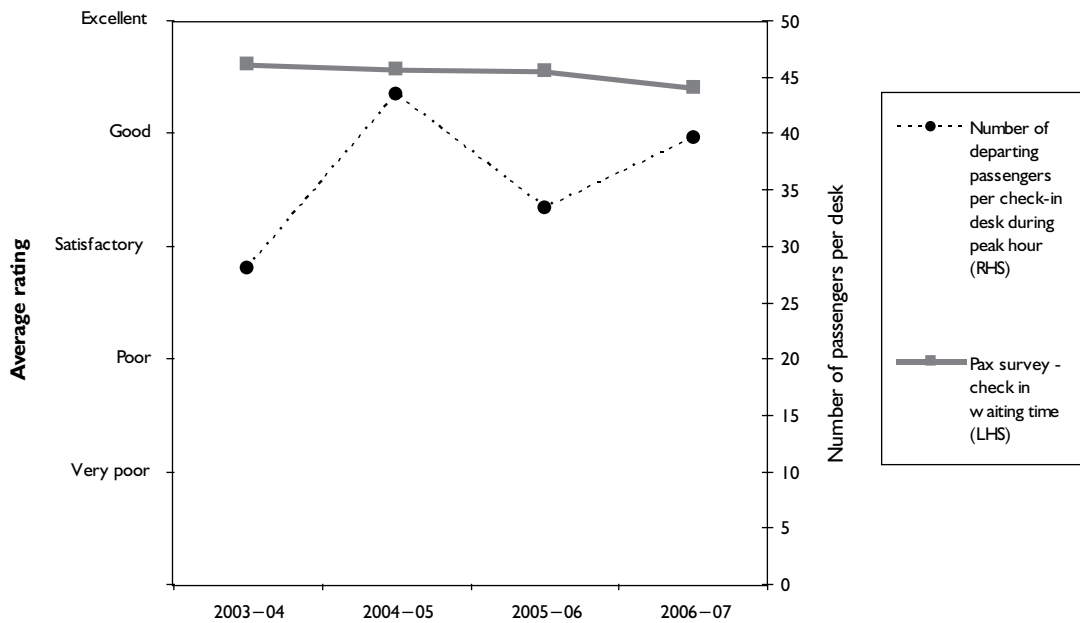
taken to enter the car park, although starting from a higher base, followed this trend.

Passenger ratings of the **standard** of car-parking facilities increased in 2006–07 from below good in 2005–06 to above good. Over the same period, passenger ratings of the standard of the following facilities decreased: kerb-side congestion (from good to below good); kerb-side pick-up and drop-off facilities, taxi facilities (from between good and excellent to good).

### 4.2.2. Domestic services

#### Check-in facilities

**Chart 4.24: Brisbane—domestic check-in**

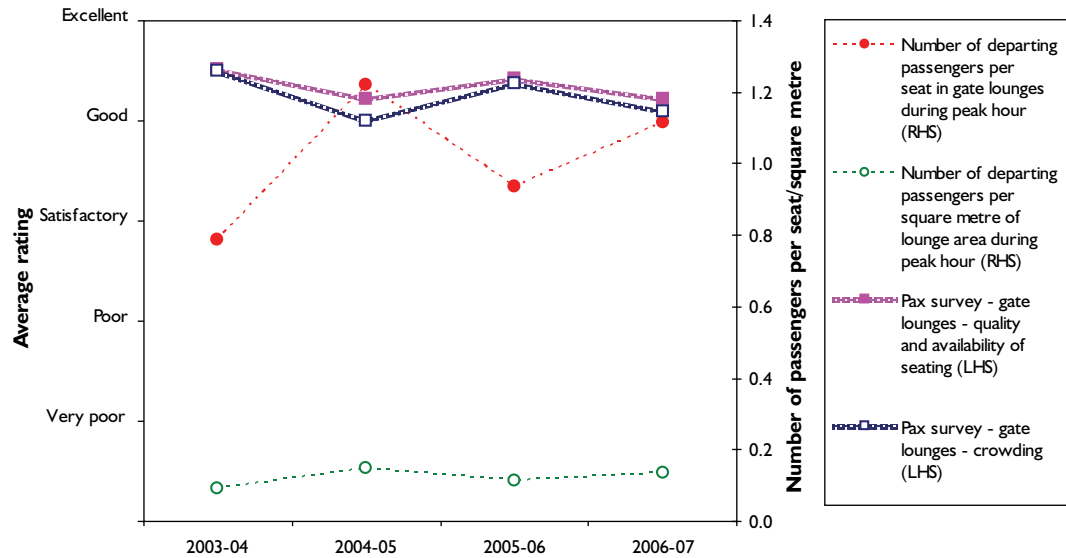


The number of departing passengers per check-in desk increased in 2004–05 from 28 passengers in 2003–04 to 44 passengers, then decreased to 33 passengers followed by a further increase in 2006–07 to 40 passengers per desk. Given that the number of check-in desks has remained constant at 12 over the reporting period, the fluctuation in the quantitative measure of utilisation is influenced by the changes in the number of departing passengers during peak hour over time.<sup>85</sup> Passenger ratings of check-in facilities have decreased slightly over the reporting period from below excellent in 2003–04 to between good and excellent in 2006–07.

85 The ACCC’s *Guidelines on quality of service monitoring at airports* and the Airports Act require the provision of information concerning both the number of hours of operation with more than 80 per cent of domestic check-in desks staffed and the total number of hours any domestic check-in desks are open. However, Brisbane airport has not provided this information because the airport does not record it. For comparison purposes the ACCC has derived a quantitative measure of utilisation wherever possible to assist with analysis. As such, the quantitative measure of number of passengers per check-in counter has been used.

Gate lounge facilities

**Chart 4.25: Brisbane—domestic gate lounge**

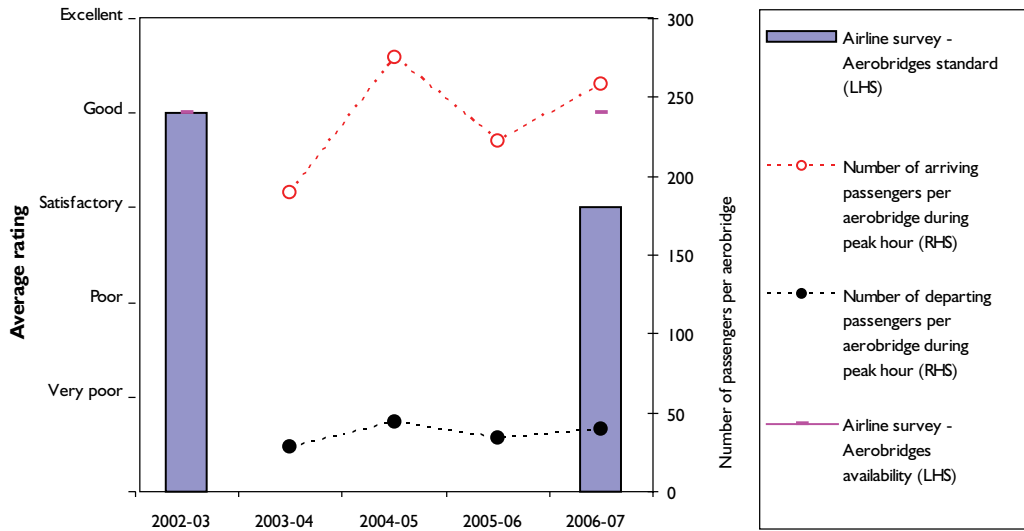


The number of passengers per seat in the domestic terminal gate lounges followed a similar trend to the number of check-in desks per passenger—increasing from 0.8 passengers per seat in 2003–04 to 1.2 passengers in 2004–05, then decreasing to 0.9 passengers in 2005–06 followed by an increase to 1.1 passengers in 2006–07. These figures are similar (despite a small decrease in the number of gate lounge seats in 2003–04) because no change occurred in the number of seats or the square metre-size of the gate lounge over the reporting period. This means that all fluctuations are as a result of changes in the number of departing passengers during peak hour.

Passenger ratings appear to have mirrored the quantitative measures of utilisation with ratings decreasing as the number of seats per passenger dropped and similarly increasing when seats were less heavily used and crowding at the gate lounges eased. Passengers rated the **availability** of seats and crowding at the gate lounges as good in 2006–07.

Aerobridges facilities

**Chart 4.26: Brisbane—domestic aerobridges**

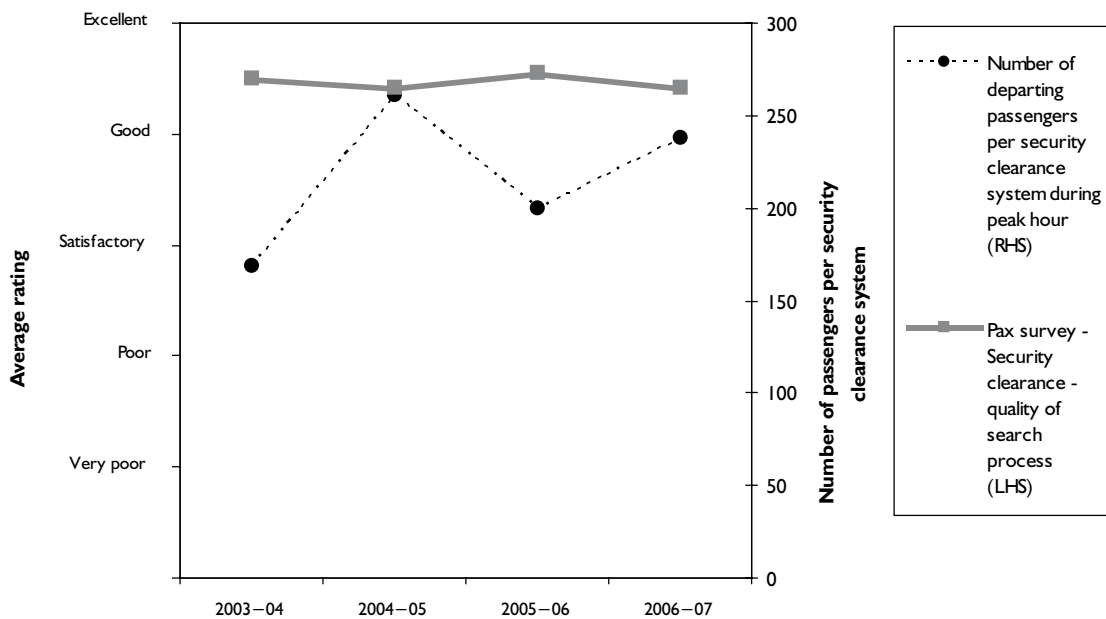


The number of aerobridges available for domestic flights remained at two over the reporting period, so the fluctuations in the number of arriving and departing passengers per aerobridge are a direct result of changes in the number of passengers arriving and departing during peak hour. Both measures followed the same trend as check-in and gate lounge facilities.<sup>86</sup>

As airlines at Brisbane airport operate their own domestic terminal services, the airline ratings of the **availability** and **standard** of aerobridge facilities reflect only Qantas’ rating of its use of an aerobridge in the common user section of the terminal that is outside Qantas’ leased area. Qantas does this when it runs out of capacity in its own leased area.

Security facilities

**Chart 4.27: Brisbane—domestic security**

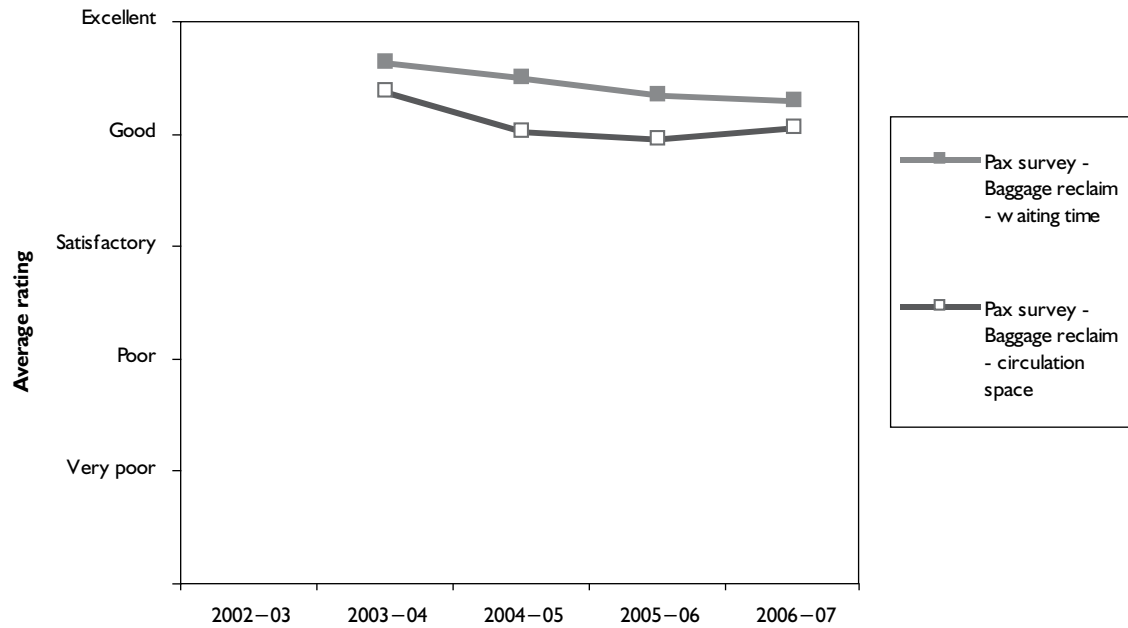


<sup>86</sup> The ACCC’s *Guidelines on quality of service monitoring at airports* and the Airports Act do not currently require the provision of information concerning the number of domestic passengers arriving via an aerobridge as is the case for arriving international passengers. However, for comparison purposes the ACCC has derived a quantitative measure of utilisation wherever possible to assist with analysis. As such, the quantitative measure of number of passengers per aerobridge has been used.

As with check-in, gate lounge and aerobridge facilities, the number of security clearance systems remained constant over the reporting period at two and therefore the fluctuations in the number of departing passengers per facility are a direct result of changes in the number of passengers departing during peak hour. Passenger ratings of the quality of the search process remained relatively stable over the reporting period at between good and excellent.

Baggage facilities

**Chart 4.28: Brisbane—domestic baggage**



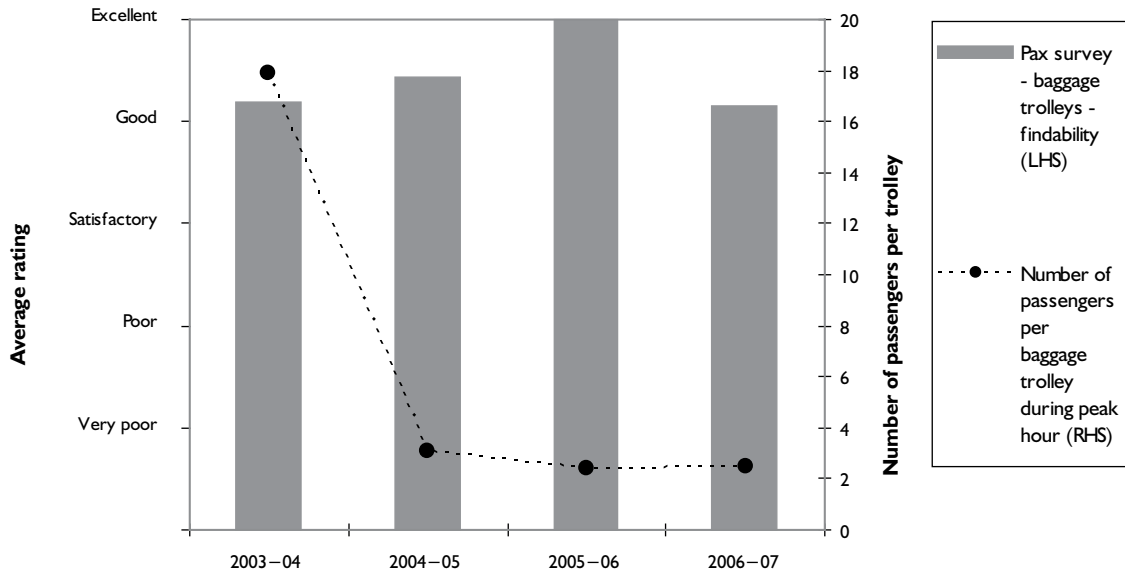
Passenger ratings of baggage reclaim waiting time has decreased over the reporting period from below excellent in 2003–04 to between good and excellent in 2006–07. Similarly, passenger ratings for baggage reclaim circulation space have decreased from between good and excellent in 2003–04 to good in 2006–07.

Airline ratings of the **availability** and **standard** of baggage facilities are not available at Brisbane airport as airlines operate their own domestic terminal services.



Baggage trolleys

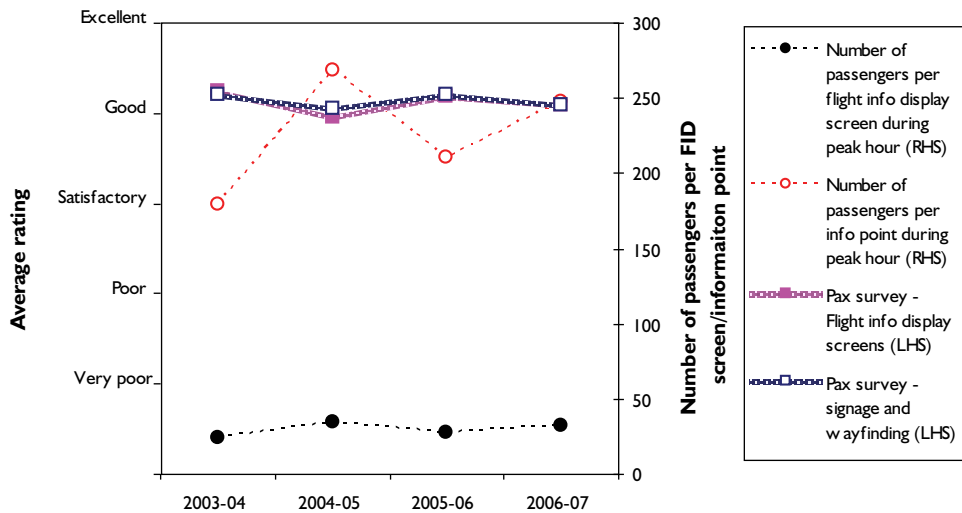
**Chart 4.29: Brisbane—domestic trolleys**



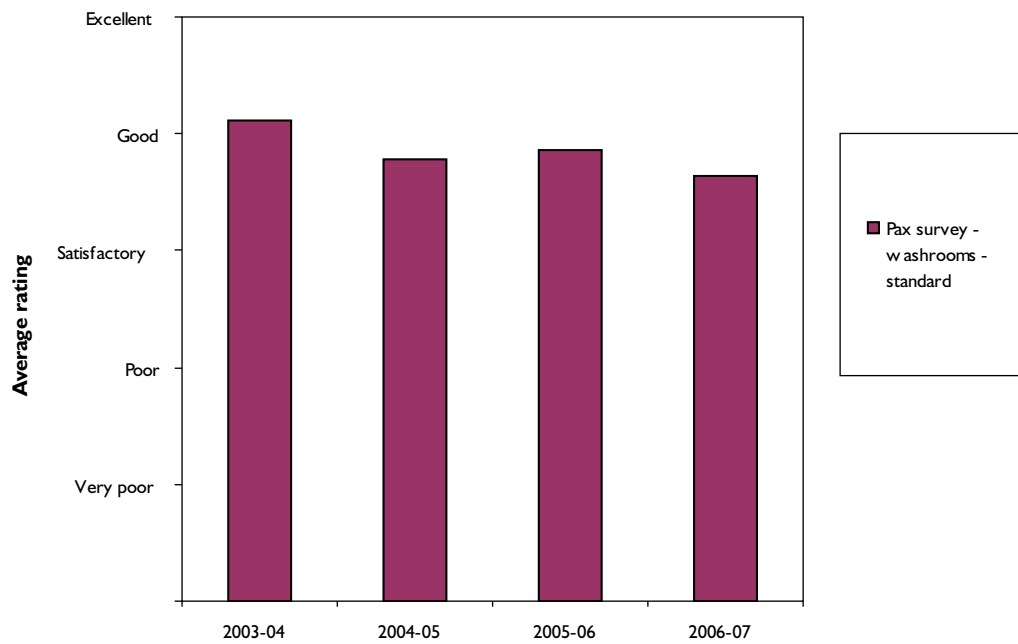
The number of passengers per baggage trolley decreased from 18 in 2003–04 to 2 in 2006–07. This decrease was driven by a large increase in the number of working accessible baggage trolleys, from 40 to 400, over the same period. Passenger ratings of baggage trolley findability increased in 2005–06 to excellent but decreased to good in 2006–07.

Flight information display screens and washrooms

**Chart 4.30: Brisbane—domestic flight information and displays**



**Chart 4.31: Brisbane—domestic washrooms**

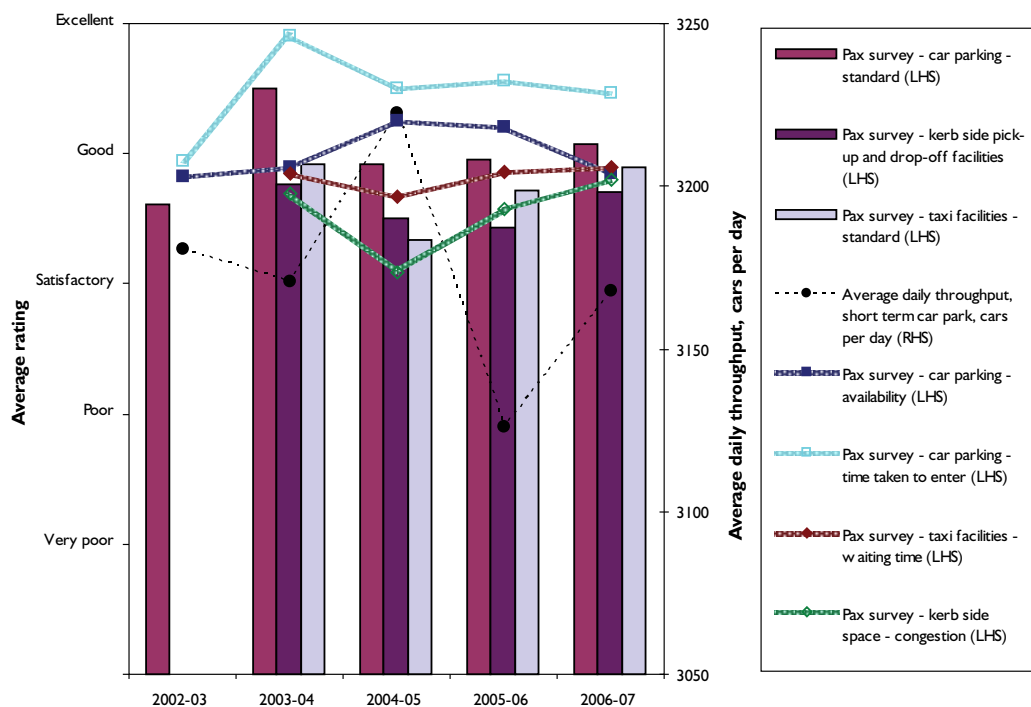


The number of FID screens remained constant at 31 from 2004–05 onwards following an increase from 29 in 2003–04. Information points remained steady at four over the reporting period. As such, the fluctuations in the number of departing passengers per facility are a direct result of changes in the number of passengers departing during peak hour. Passenger rating for FID screens and signage and wayfinding were relatively stable over the reporting period with a rating of good.

Passenger ratings of domestic terminal washrooms have decreased slightly over the reporting period from good in 2003–04 to a low of between satisfactory and good in 2006–07.

Car-parking facilities

**Chart 4.32: Brisbane—domestic car-parking**



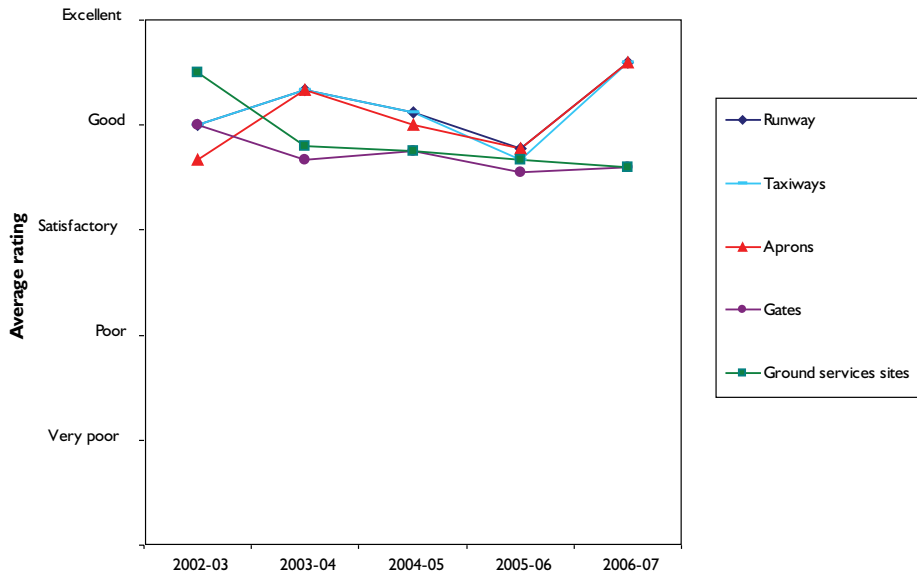
The average throughput of the domestic car park decreased from a reporting period high of 3223 cars per day in 2004–05 to 3126 cars per day in 2005–06, followed by a further increase to 3168 cars per day in 2006–07. Despite this trend, passenger ratings for the **availability** of car-parking facilities increased to between good and excellent in 2004–05 before decreasing to below good in 2006–07. Passenger ratings of the time taken to enter the car park decreased from excellent in 2003–04 to between good and excellent in 2004–05 and remained at this level in 2006–07. Passenger ratings of kerb-side congestion decreased in 2004–05 from below good to just above satisfactory but rebounded to just below good in 2006–07.

Between 2005–06 and 2006–07 passenger ratings increased for the **standard** of car-parking facilities (from just below good to good) and kerb-side pick-up and drop-off facilities (from between satisfactory and good to just below good). Passengers increased their rating for the **standard** of taxi facilities from just above satisfactory in 2004–05 to below good in 2006–07.

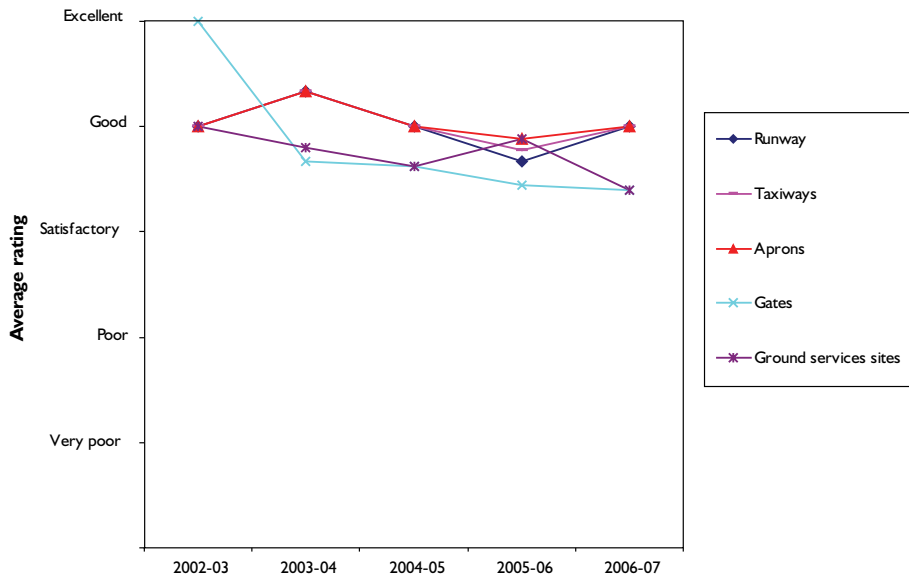
### 4.2.3. Airport services

#### Airside services and facilities

**Chart 4.33: Brisbane—standard of airport airside services**



**Chart 4.34: Brisbane—availability of airport airside services**

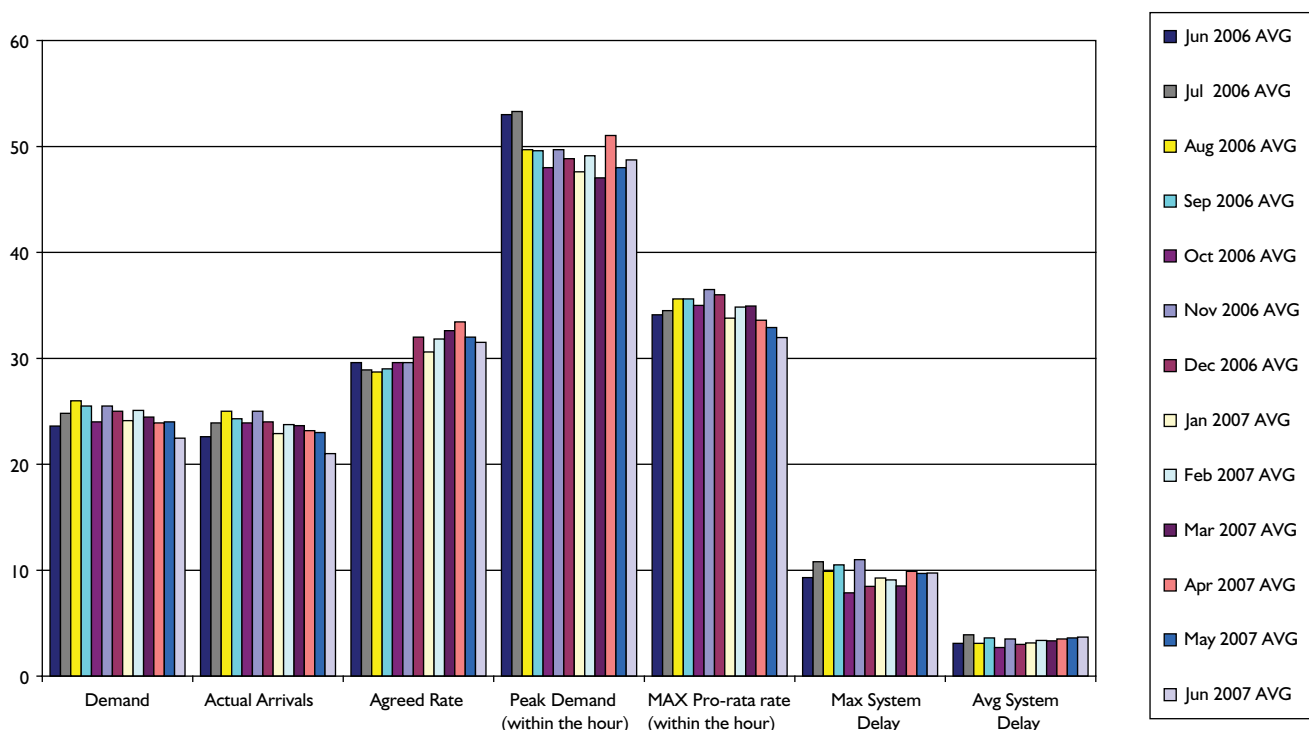


In 2006–07 airline ratings of the **availability** of most airport airside services increased compared to 2005–06 results. The exceptions were gate facilities (which remained constant at between satisfactory and good) and ground services sites facilities (which decreased from good to between satisfactory and good). As a whole, the rating of the **availability** of airside services as good or below in 2006–07 is at a lower level than the rating of around good in 2003–04.

Airline ratings of the **standard** of airside services increased for runway, taxiway and apron services from just below good in 2005–06 to between good and excellent in 2006–07. However, ratings for the **standard** of gate and ground services site facilities remained constant at between satisfactory and good over the same period. In 2006–07 some airlines noted in their survey responses that, when compared to other airport runways, Brisbane airport’s runways are maintained to a high **standard**.

Runway traffic—demand and delays

**Chart 4.35: Brisbane—average peak hour arrival performance for June 2006 to June 2007—by category**



Source: Airservices Australia

Notes: Rate means agreed arrival rate or operational capacity.

Demand, arrivals and agreed rate are measures of aircraft per hour.

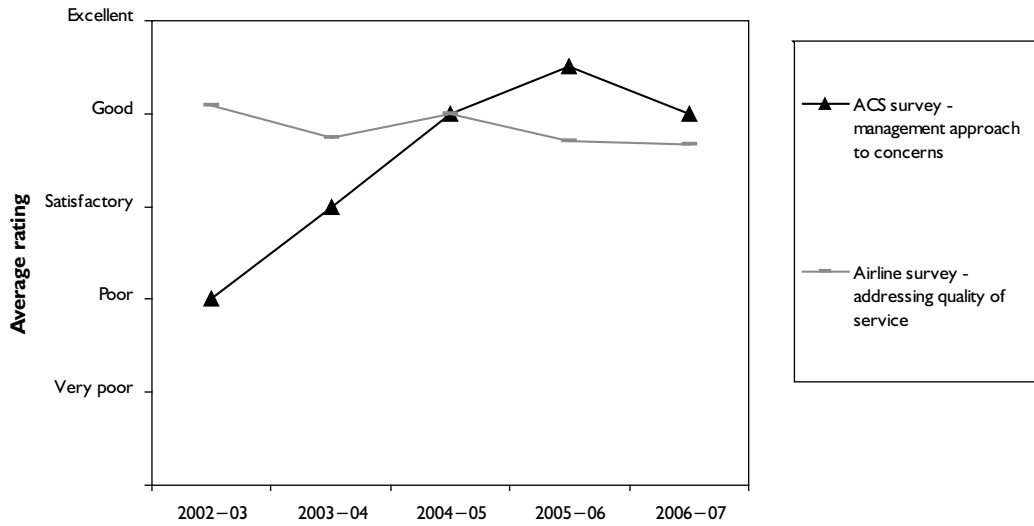
Delays are in minutes.

Measures are further explained earlier in section 2

Runway demand remained within the agreed operational capacity during the morning peak hour, with the capacity rate ranging from 29 arrivals from July to September 2006 to 33 arrivals in March and April 2007. The average runway demand increased to 80 per cent in 2006–07, up from 72 per cent in 2005–06 and 65 per cent in 2004–05. Peak demand was high during June and July 2006 but decreased over the year to a low of 47 arrivals in March 2007. Peak demand exceeded the measure of capacity shown by the pro rata arrival rate by an average of 30 per cent, which is consistent with the past three years. Delay times increased in 2006–07, continuing the upward trend over the reporting period. In 2006–07 the average system delay was 3.3 minutes, up from 2.4 minutes in 2005–06 and 1.4 minutes in 2004–05. Similarly, the average maximum delay increased to 9.5 minutes in 2006–07, up from 7.9 minutes in 2005–06 and 4.3 minutes in 2004–05.

Airport management responsiveness

**Chart 4.36: Brisbane—airport management responsiveness**



Over the reporting period, airlines have rated Brisbane airport management’s approach to resolving quality of service issues as good with a slight decrease to below good in 2006–07. However, the ACS ratings of management approach to concerns have ranged from between poor in 2002–03 to a peak of between good and excellent in 2005–06, followed by a decrease to good in 2006–07. This may demonstrate the variance in the issues considered by management with respect to different airport stakeholders.

## 5. Canberra airport

### Summary

In 2006–07 passenger numbers and aircraft movements both increased. Prices for aeronautical and aeronautical-related services generally increased. On a per passenger basis, aeronautical revenue and expenses have increased—however, aeronautical margins decreased as a result of expenses increasing at a faster rate than revenues. Security revenue increased during 2006–07 while expenses decreased. Total airport revenue, expenses and margins have all increased over 2005–06 results. Returns on assets for aeronautical services decreased while for total airport services it increased. Aeronautical assets increased in 2006–07 predominantly as a result of net investment, however revaluations of non-aeronautical assets also contributed to increases in total airport assets.

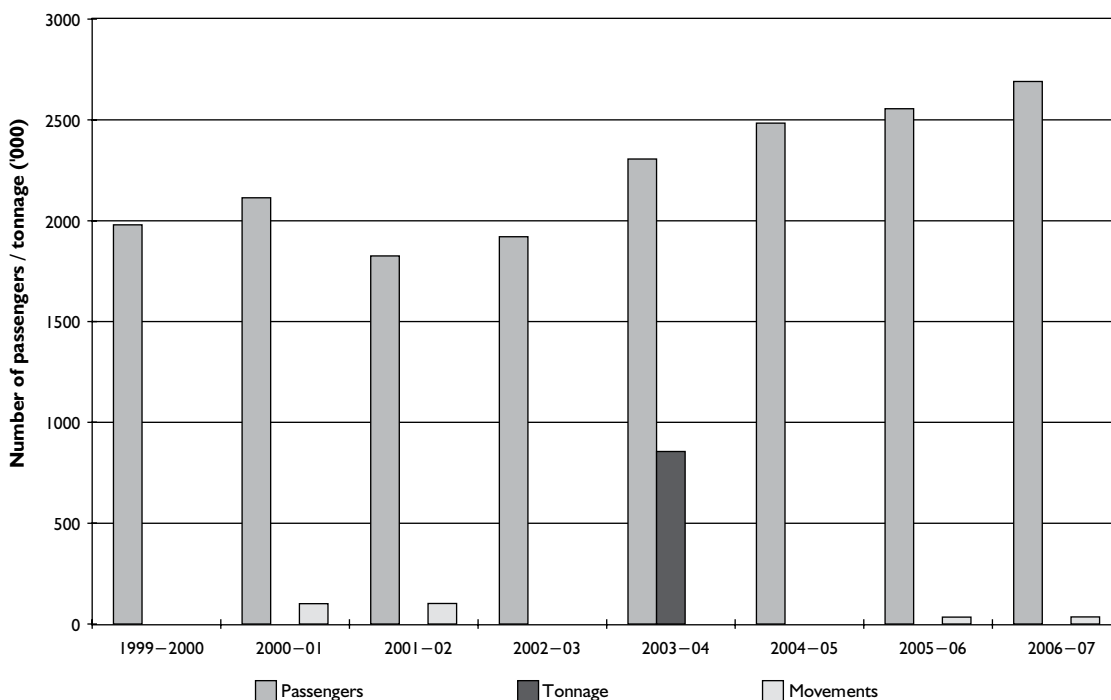
The quality of aeronautical services at Canberra has been rated as slightly below satisfactory. In 2006–07 airline ratings for **availability** and **standard** of baggage facilities decreased. Airline ratings for the **availability** and **standard** of airside services generally decreased, except for apron services, which remained constant compared to 2005–06 results. Airline ratings of the approach of management to quality of services issues remained stable in 2006–07, although the ACS increased its rating of Canberra airport management to poor.

### 5.1. Canberra airport price monitoring results

#### 5.1.1. Activity

Chart 5.1 shows traffic volumes at Canberra airport measured by passenger numbers and tonnage, from 1999–2000 to 2006–07.

**Chart 5.1: Volume of passengers and tonnage**



Note: Before 2005–06 Canberra airport was unable to reliably provide aircraft movements. From 2005–06 aircraft movements represent only RPT aircraft movements and exclude general aviation aircraft movements.

Passenger numbers continued to increase, reaching an estimated 2 690 218 in 2006–07, up 5.3 per cent on 2005–06. This was the highest passenger throughput during the reporting period.

In 2006–07 RPT aircraft movements increased by 2.4 per cent compared to 2005–06. Canberra advised this year that it was unable to reliably record tonnes landed. In 2003–04 Canberra airport provided an estimate of tonnes landed.

More detailed operational statistics for Canberra are attached at appendix 1.2.

## 5.1.2. Prices

Table 5.1 shows the schedule of charges and the indexed change in list prices for both aeronautical and aeronautical-related services at Canberra from 2002–03 to 2006–07, with 2002–03 taken as the base year.

**Table 5.1: Schedule of charges and indexed prices (2002–03 as base year)**

			Indexed list prices			
	Basis of charge (e.g. MTOW)	Charge per unit \$ (incl. GST)	2003–04	2004–05	2005–06	2006–07
<b>Aeronautical services</b>						
<i>Aircraft movements and facilities</i>						
RPT landing charge	Passenger	6.60	105.1	113.2	117.1	122.0
Airport development charge	Passenger	1.22	100.0	100.0	100.0	92.4
RPT landing charge discounts		negotiated	N/A	N/A	N/A	N/A
Security levy	Passenger	0.63	132.0	132.0	132.0	252.0
Landing charges and access fees						
Light recreational aircraft daily permits						
Days 1–3						
landing <2500kg	day	20.14	N/A	N/A	100.0	101.7
landing 2501–4000kg	day	46.99	N/A	N/A	100.0	101.7
landing 4001–5700kg	day	76.08	N/A	N/A	100.0	101.7
landing 5701–15000kg	tonne	16.73	N/A	N/A	100.0	101.7
Day 4>						
landing <2500kg	day	15.10	100.0	90.5	90.5	92.0
landing 2501–4000kg	day	35.24	100.0	105.6	105.6	107.4
landing 4001–5700kg	day	57.06	100.0	102.6	102.6	104.3
landing 5701–15000kg	tonne	12.54	100.0	107.3	107.3	109.1
Light recreational aircraft (annual permits)						
<2500kg	pa	1883.70	100.0	103.0	103.0	107.2
2501–5700kg	pa	3296.47	100.0	103.0	103.0	107.2
<i>Passenger processing facilities and activities</i>						
		N/C	N/C	N/C	N/C	N/C
<b>Aeronautical-related services</b>						
Landside vehicle access to terminals						
		N/C	N/C	N/C	N/C	N/C
Public and staff car-parking						
		See tariffs in appendix 1.3(a)				
Terminal parking	\$/time/car space	1.3(a)	N/A	N/A	N/A	N/A
Terminal parking to tenants	\$/car space/annum	Negotiated	N/A	N/A	N/A	N/A
Taxi holding and feeder services						
Taxi cabs	\$ per visit	\$2.00	100.0	100.0	100.0	100.0

Indexed list prices						
	Basis of charge (e.g. MTOW)	Charge per unit \$ (incl. GST)	2003–04	2004–05	2005–06	2006–07
Hire cars and COMCAR	\$ per licence agreement	N/A(a)	N/A	N/A	N/A	N/A
Check-in counters and related facilities		N/C	N/C	N/C	N/C	N/C
Aircraft light and emergency maintenance sites and buildings						
Land rent	\$/m2	N/A(b)	N/A	N/A	N/A	N/A
Building rent	\$/m2	N/A(b)	N/A	N/A	N/A	N/A

Notes: N/A—not available from the information provided by the airport.

N/C—no specific charge applies.

(a) No change since 30 June 2000.

(b) Various negotiated market rates.

Since 2002–03 RPT landing charges have increased by 22 per cent, while airport development charges decreased by 7.6 per cent. In 2006–07 the security levy increased from \$0.33 per passenger in 2005–06, to \$0.63 per passenger. Canberra airport advised this took account of changes to government-mandated security costs.

In 2006–07 the prices of light recreational aircraft annual permits increased by 4.1 per cent. From 2002–03 to 2006–07, the prices of these permits grew by 7.2 per cent. Canberra advised that before the May 2005 increase, it had not altered the charges for annual permits since 1999, other than for the impact of the goods and services tax (GST).

In 2006–07 the price of light recreational aircraft daily permits increased by 1.7 per cent for days 1 to 3. For permits of four days or more, the index increased for aircraft weighing between 2501 kg to 5700 kg and lower than 2500 kg; however, it increased for aircraft weighing between 5701 kg and 15000 kg. The indexed list price for light recreational aircraft daily permits was discontinued for periods before (and including) 2004–05 because of a change in the basis of this charge.

Before 1 May 2005 these charges comprised a separate landing charge (based on a \$/tonne MTOW) and an access charge (based on aircraft category). After 1 May 2005 these charges changed to a per day charge (based on aircraft category), which incorporated both the previous landing and access charges. For comparison purposes, 2005–06 has become the base year of index for these charges.

## Average aeronautical revenue per passenger

As noted earlier, Canberra's figures for aeronautical services do not include terminal services, meaning that the reported aeronautical revenue consists solely of landing, permit and security charges. Revenue from aeronautical terminal services is generally a significant proportion of total aeronautical revenue, so these results are not wholly representative of aeronautical services. On this basis, annual average aeronautical revenue per passenger increased by approximately 7.9 per cent during 2006–07, following a 1.1 per cent decrease in 2005–06, an 11 per cent increase in 2004–05, a 6.9 per cent decrease in 2003–04 and a 22 per cent increase in 2002–03. Since the period before price monitoring began, the average aeronautical revenue (adjusted) per passenger has increased from \$5.28 to \$7.15 per passenger, representing a 35 per cent increase.

## Average aeronautical revenue per passenger excluding security

In 2006–07 aeronautical revenue per passenger **excluding** security increased by 2.3 per cent to \$6.48 from \$6.33 in 2005–06. This followed a 1.1 per cent decrease in 2005–06, a 12 per cent increase in 2004–05 and an 8.4 per cent decrease in 2003–04. Since price monitoring began, adjusted revenue **excluding** security increased 23 per cent.



In 2006–07 security revenue per passenger increased from \$0.29 to \$0.67, while aeronautical revenue per passenger increased by \$0.53. Since price monitoring began, security revenue per passenger has increased by \$0.67, whereas overall aeronautical revenue per passenger increased by \$1.87.

More detailed information on security services is provided later in this section of the report.

### 5.1.3. Revenues, costs and profits<sup>87</sup>

Table 5.2 lists the revenues, costs and margins relating to aeronautical services and aeronautical-related services under direction 27 definitions at Canberra airport for the period 2002–03 to 2006–07.

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<sup>87</sup> Canberra airport transitioned to AIFRS in 2005–06. Canberra airport did not restate 2004–05 figures. Therefore, all figures for 2004–05 remain stated under AGAAP, while 2005–06 and 2006–07 figures are presented under AIFRS.

**Table 5.2: Revenues, costs and margin**

	Revenues (\$'000)						Costs (\$'000)						Margins (\$'000)					
	2002–03	2003–04	2004–05	2005–06	2006–07		2002–03	2003–04	2004–05	2005–06	2006–07		2002–03	2003–04	2004–05	2005–06	2006–07	
<b>Aeronautical services<sup>(a)</sup></b>																		
Aircraft movement facilities and activities	11 978	13 178	15 996	16 184	17 421		3 934	6 103	5 925	7 697	10 433		8 044	7 253	10 071	8 487	6 988	
Passenger processing facilities and activities	436	705	716	745	1 814		554	444	451	515	769		(118)	261	265	230	1 045	
Non-allocated							3 748	1 614	2 130	1 326	2 838		(3 748)	(1 614)	(2 130)	(1 326)	(2 838)	
<i>Total aeronautical services</i>	<i>12 415</i>	<i>13 883</i>	<i>16 712</i>	<i>16 929</i>	<i>19 235</i>		<i>8 236</i>	<i>8 161</i>	<i>8 506</i>	<i>9 538</i>	<i>14 040</i>		<i>4 179</i>	<i>5 722</i>	<i>8 206</i>	<i>7 391</i>	<i>5 195</i>	
<b>Aeronautical-related services<sup>(b)</sup></b>																		
Public and staff car-parking	2 490	3 190	3 693	4 556	5 514		267	1 575	2 114	2 391	2 110		2 223	1 615	1 579	2 165	3 404	
Taxi holding and feeder services	548	566	563	507	551		N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A	N/A	
Aircraft light and emergency maintenance sites and buildings	34	263	0	0	0		N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A	N/A	
<i>Total aeronautical-related services</i>	<i>3 072</i>	<i>4 019</i>	<i>4 256</i>	<i>5 063</i>	<i>6 065</i>		<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>		<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	

Notes: N/A—not available from the information provided by the airport.

- (a) Canberra advised that it was unable to fully allocate costs associated with the provision of aeronautical services.
- (b) Canberra advised that it was only able to provide cost information for aeronautical-related services relating to car-parking.
- (c) Canberra advised the reported margin does not include financing costs.

Table 5.2 shows that in 2006–07 revenues and costs for aeronautical services increased while the margin has decreased. Revenues for aeronautical-related services increased while car-parking revenues and margin increased and costs decreased.

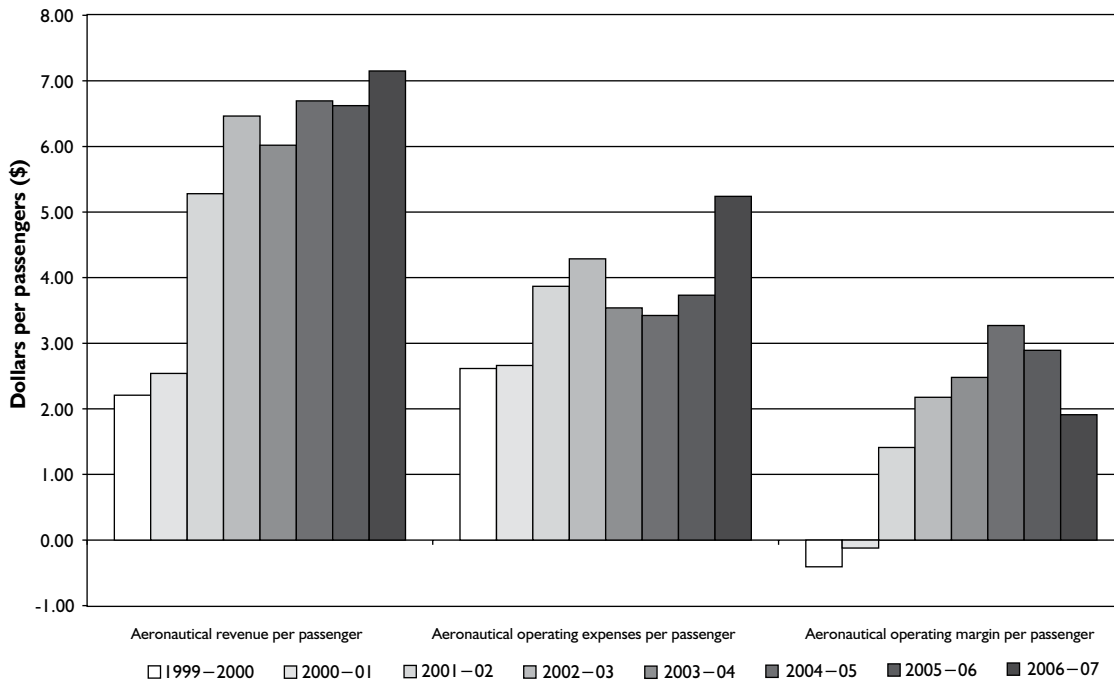
Total revenues for aeronautical services and aeronautical-related services have shown five years of consecutive growth, increasing by 55 per cent and 97 per cent respectively since 2002–03. Aeronautical costs remained relatively stable from 2002–03 to 2005–06, before increasing in 2006–07 by 47 per cent, predominantly as a result of an increase in the costs associated with aircraft movement facilities and services. This contributed to an overall decrease in the margin for aeronautical services by 30 per cent in 2006–07. Since 2002–03 the aeronautical margin has increased by 24 per cent from \$4.2 million to \$5.2 million.

Canberra airport advised the ACCC that all terminal revenue, operating expenses and assets are classified as non-aeronautical in its accounts, because of difficulties associated with separating the non-aeronautical components from the aeronautical. As a result, the total airport measures are of increased importance.

### Aeronautical services

Chart 5.2 shows average revenue, operating expenses and operating margin per passenger for aeronautical services at Canberra from 1999–2000 to 2006–07.

**Chart 5.2: Aeronautical revenue, operating expenses and operating margin per passenger**



Note: The measures of aeronautical operating expenses per passenger and therefore operating margin per passenger do not include an allowance for return on capital, or a return of capital.

In 2006–07 aeronautical revenue and operating expenses per passenger have both increased. As a result, aeronautical operating margin (excluding interest and depreciation) per passenger have decreased because operating expenses have increased at a faster rate than revenue.

In 2006–07 aeronautical revenue per passenger increased to \$7.15 from \$6.62 in 2005–06, representing a 7.9 per cent increase. This follows a 1.1 per cent decrease in 2005–06 and an 11 per cent increase in 2004–05. Aeronautical revenue per passenger also fell in 2003–04 by 6.9 per cent, which followed four years of consecutive growth from 1999–2000 to 2002–03. In 2001–02 it increased by 108 per cent, from \$2.54 in 2000–01 to \$5.28 in 2001–02, and by a further 22 per cent in 2002–03.

Aeronautical operating expenses (excluding interest and depreciation) per passenger remained stable during 1999–2000 and 2000–01 before increasing by 45 per cent in 2001–02 and a further 11 per cent in 2002–03. The increase in 2001–02 partly related to lower passenger numbers when costs remained largely fixed. Aeronautical operating expenses (excluding interest and depreciation) per passenger fell by 17 per cent in 2003–04 and by a further 3.2 per cent to \$3.42 in 2004–05. In 2005–06 costs increased by 9.0 per cent and increased further in 2006–07 by 40 per cent to reach \$5.24 per passenger.

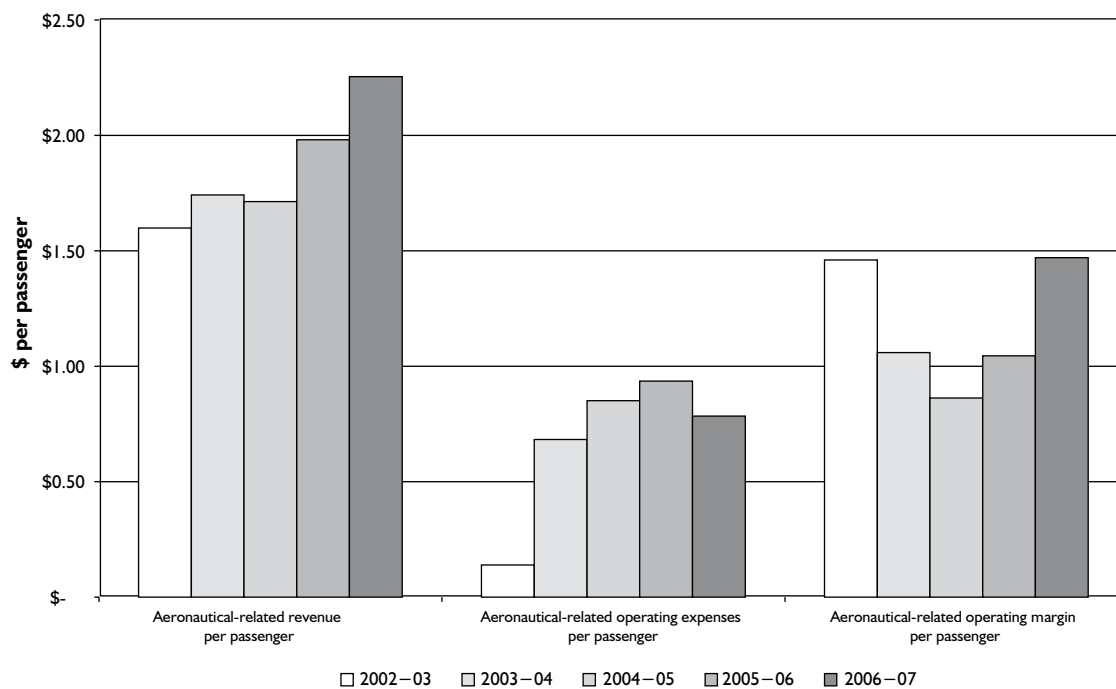
Aeronautical operating margin (excluding interest and depreciation) per passenger decreased by 34 per cent in 2006–07, following a 12 per cent drop in 2005–06. Before 2005–06 the aeronautical operating margin per passenger increased over the six-year reporting period, most notably in 2001–02. In 2004–05 the margin increased by 32 per cent, following a 54 per cent increase in 2002–03 to \$2.18 from \$1.41 in 2001–02.

Since the removal of price cap regulation, aeronautical revenue per passenger has increased by 182 per cent, aeronautical operating expenses have increased by 97 per cent and the aeronautical operating margin (excluding interest and depreciation) per passenger has increased from –\$0.12 in 2000–01 to \$1.91 in 2006–07.

### Aeronautical-related services

Chart 5.3 shows aeronautical-related revenue, operating expenses and operating margin per passenger at Canberra from 2002–03 to 2006–07.

**Chart 5.3: Aeronautical-related revenue, operating expenses and operating margin per passenger**



Note: The measures of aeronautical operating expenses per passenger—and therefore operating margin per passenger—do not include an allowance for return on capital, or a return of capital.

Aeronautical-related revenue per passenger increased in 2006–07 by 14 per cent, while expenses decreased by 16 per cent, leading to a 41 per cent increase in the margin. From 2002–03 to 2006–07, aeronautical-related revenue per passenger increased by 41 per cent. Canberra advised that in 2002–03 aeronautical-related costs were not fully allocated to these services and as a result these costs were understated, which led to an overstatement of the aeronautical-related operating margin in 2002–03.

### Security services

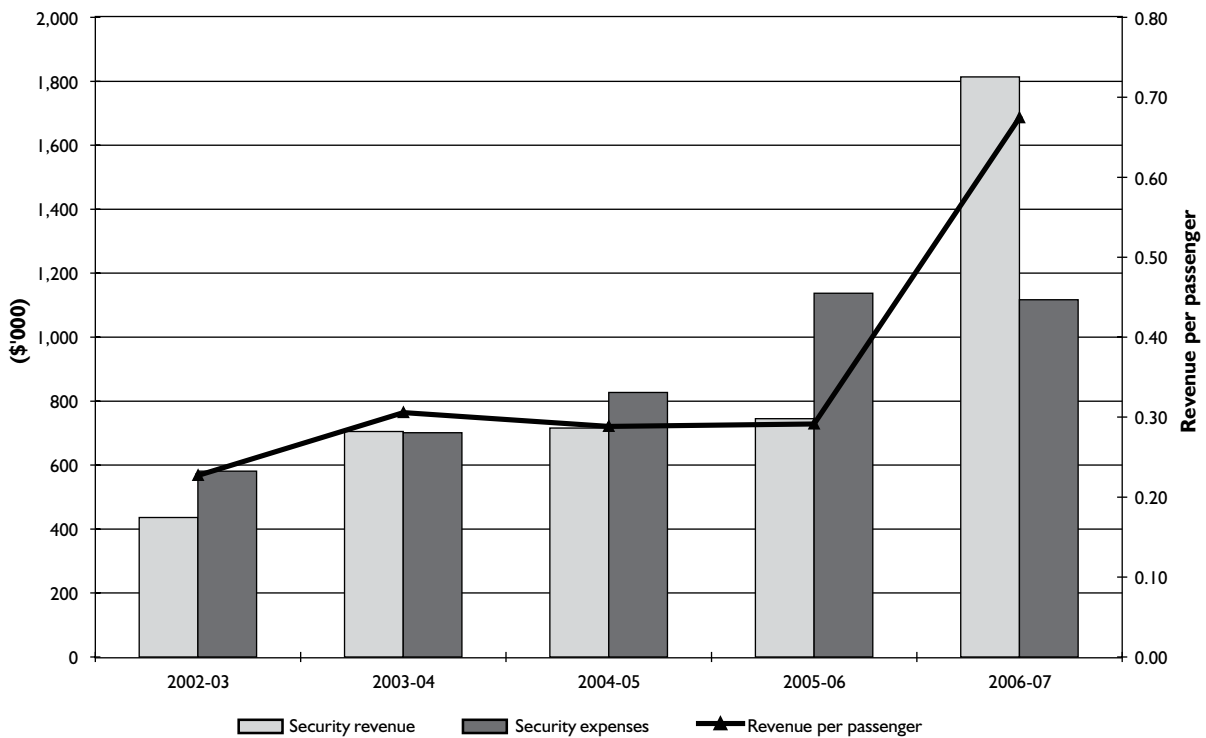
As noted in section 1.2.2, airport security expenses have increased significantly since 2000–01 because of increased government-mandated security requirements. In 2004–05, further requirements were implemented, which contributed to the increase in revenues and costs during 2004–05 and onwards.

Security services within the Canberra terminal are primarily performed by Qantas and other contracted specialist security firms, with the airport maintaining a policy, management and coordination role.

From 2002–03 to 2005–06, security revenue as a proportion of aeronautical revenue has remained relatively stable at approximately 4 per cent, rising in 2006–07 to 9.4 per cent. Security expenses have increased as a proportion of total aeronautical expenses from 7.1 per cent in 2002–03, to 8.6 per cent in 2003–04, 9.7 per cent in 2004–05, 12<sup>88</sup> per cent in 2005–06 and 7.9 per cent 2006–07.

Chart 5.4 shows security revenues, expenses and revenue per passenger at Canberra from 2002–03 to 2006–07.

**Chart 5.4: Security revenue and expenses**



In 2006–07 security revenue increased by 144 per cent while security expenses decreased by 1.8 per cent. Security revenue per passenger increased by 131 per cent in 2006–07, from \$0.29 to \$0.67, after increasing by 1.1 per cent in 2005–06, decreasing by 5.7 per cent in 2004–05 and increasing by 35 per cent in 2003–04.

In 2006–07 Canberra airport advised that in previous years it had significantly under-recovered additional security costs. In 2006–07 the airport raised the levy charge to recoup this under-recovery. In absolute terms the airport’s security reconciliation as at June 2007 indicates a cumulative under-recovery since 2002 of \$791 000.

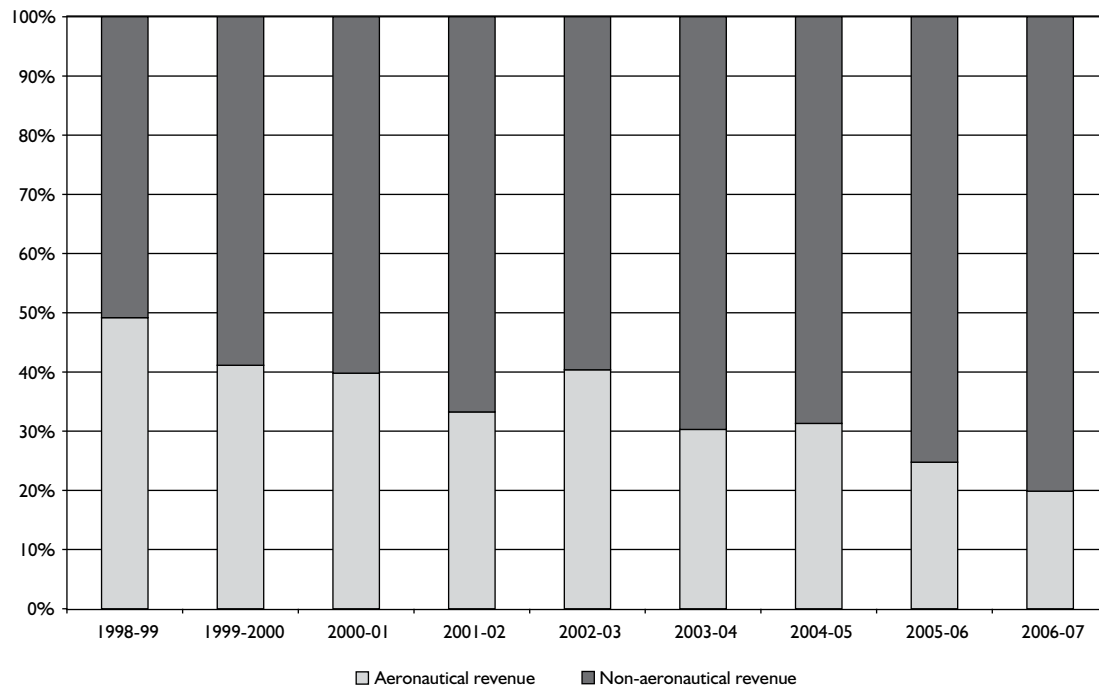
In 2003–04 Canberra advised that it did not profit from security charges and had consistently under-recovered since the introduction of the security levy. In 2004–05 Canberra further advised that the aeronautical security costs described above are those directly allocated as security expenses.

88 In previous reports, it is reported as 8.7 per cent.

## Revenue shares

Chart 5.5 shows the total revenue shares between aeronautical and non-aeronautical services for Canberra from 1998–99 to 2006–07.

**Chart 5.5: Total revenue shares—aeronautical and non-aeronautical revenue**



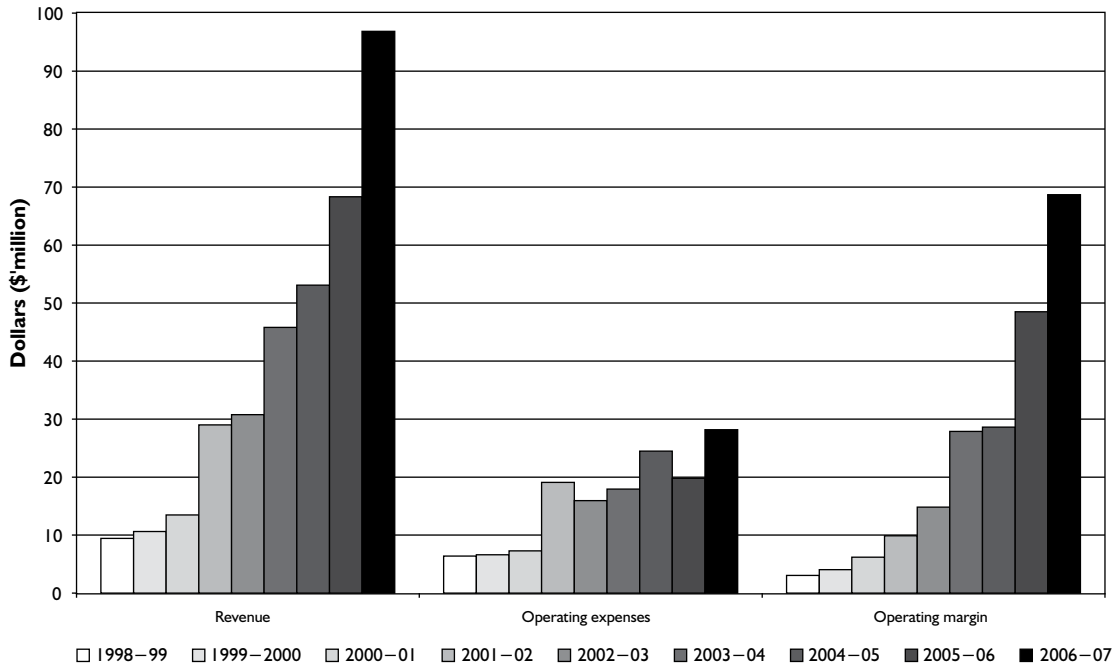
Aeronautical revenue share as a proportion of total airport revenue decreased to 20 per cent in 2006–07 following a decrease to 25 per cent in 2005–06 from 31 per cent in 2004–05. Other than the increases experienced in 2002–03 and 2004–05, this measure has steadily decreased over the reporting period.

As discussed above, because Canberra airport records revenue from terminal services as non-aeronautical revenue, aeronautical revenue over the reporting period is accordingly understated while non-aeronautical revenue is overstated.

### Total airport services

Chart 5.6 shows the total airport revenue, operating expenses and operating margin for Canberra from 1998–99 to 2006–07.

**Chart 5.6: Total airport revenue, operating expenses and operating margin**



Note: The measures of operating expenses and therefore operating margin do not include interest, depreciation expenses and an allowance for return on capital, or a return of capital.

Total airport revenue, operating expenses and margins increased in 2006–07. The total airport operating margin has continued its steady upward trend in 2006–07.

Total airport revenue grew steadily between 1998–99 and 2000–01 before increasing significantly in 2001–02 by 115 per cent, reflecting large increases in both aeronautical and non-aeronautical revenue. In 2006–07 total airport revenue increased by 42 per cent. From 2002–03 to 2006–07 it grew by 215 per cent.

After remaining relatively stable between 1998–99 and 2000–01, total airport operating expenses increased by 162 per cent in 2001–02, reflecting increases in costs for both aeronautical and non-aeronautical services. In 2006–07 total airport operating expenses increased by 42 per cent mainly because of a 90 per cent increase in expenditure associated with aeronautical services salaries and wages. Canberra airport reported a 68 per cent increase in aeronautical full-time equivalent staff numbers over the same period.<sup>89</sup> From 2002–03 to 2006–07 total airport operating expenses increased by 77 per cent.

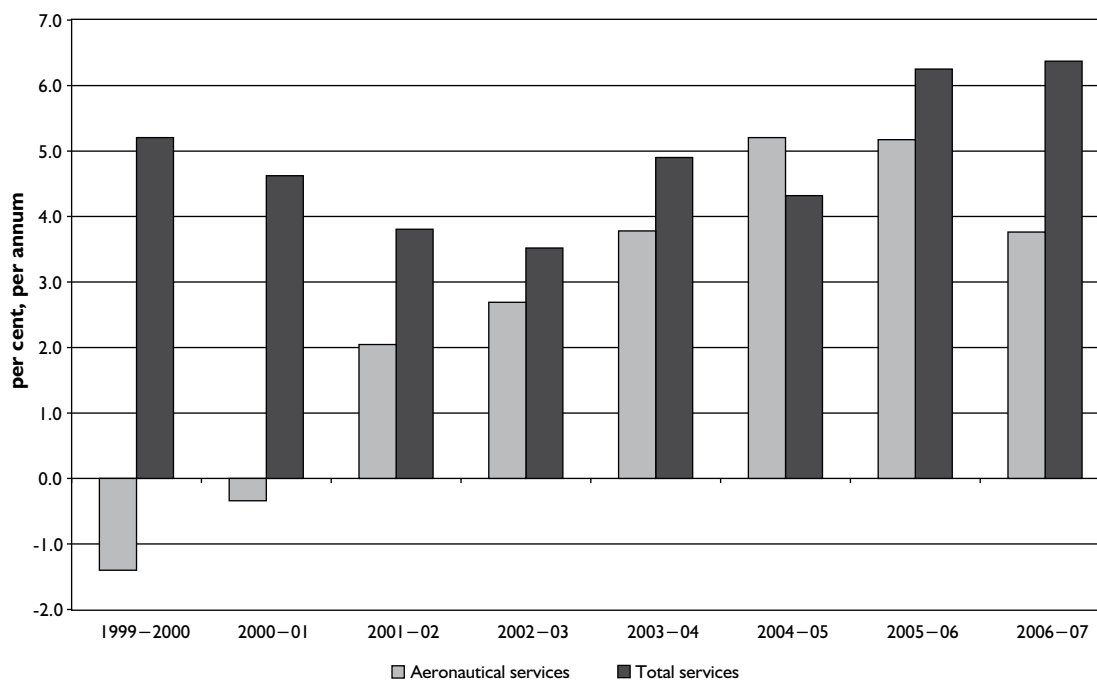
In 2006–07 the total airport operating margin increased by 42 per cent because of growth in revenue. Since monitoring began in 2002–03, the total airport margin (excluding interest and depreciation) has increased by 363 per cent.

89 See table B3, appendix 1.2.

## Rates of return on average tangible non-current assets

Chart 5.7 shows EBITA on average tangible non-current assets for both aeronautical services and total airport services from 1999–2000 to 2006–07.

**Chart 5.7: EBITA on average tangible non-current assets**



EBITA on average tangible non-current assets for aeronautical services and total airport services have decreased and increased respectively in 2006–07.

In 2006–07 EBITA on average tangible non-current assets for aeronautical services decreased from 5.2 per cent in 2005–06 to 3.8 per cent. This follows stable returns in 2005–06 and 2004–05 at 5.2 per cent. These figures represent six years of positive returns and contrast the negative returns reported during 1999–2000 and 2000–01.

For total airport services, EBITA over assets increased in 2006–07 to 6.4 per cent, up slightly from 6.3 per cent in 2005–06. In 2004–05 returns decreased from 4.9 per cent in 2003–04 to 4.3 per cent, following three years of decreasing returns.

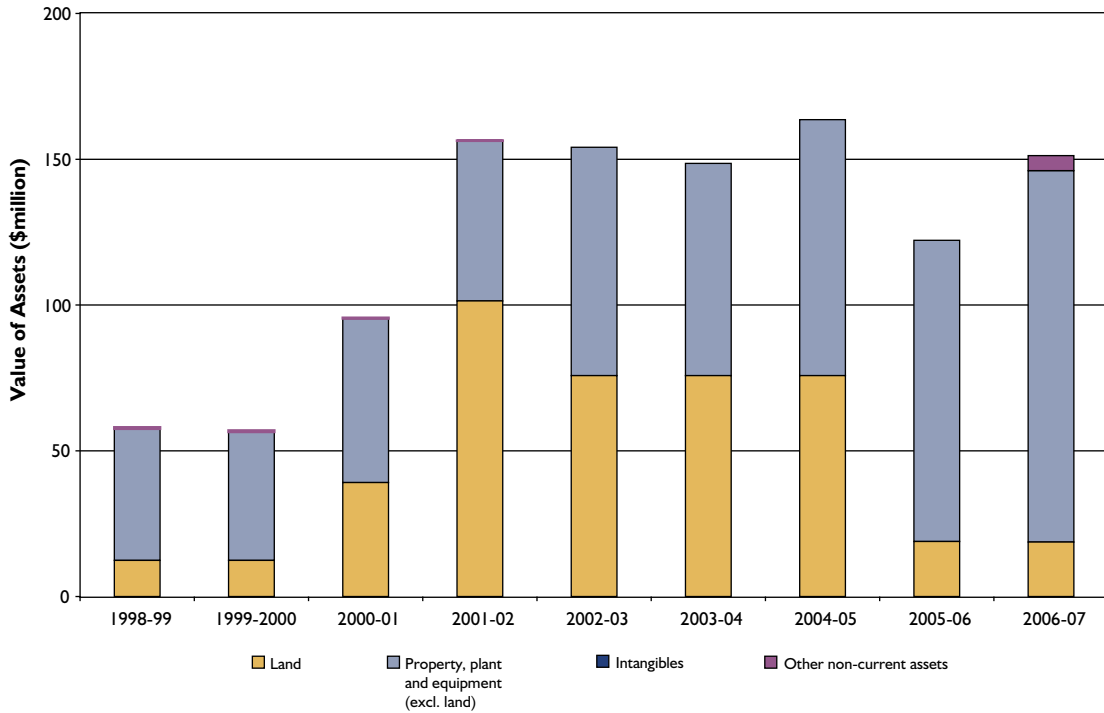
Canberra has revalued its assets several times over the reporting period, which has influenced the EBITA measures. The total value of tangible non-current assets for Canberra airport has increased by 1744 per cent since 1998–99, from \$70.4 million to \$1.30 billion in 2006–07, because of both asset revaluations and investment in new assets. This increase is examined further below.



## Asset values

Chart 5.8 shows the total value of aeronautical non-current assets at Canberra from 1998–99 to 2006–07.

**Chart 5.8: Aeronautical non-current assets**



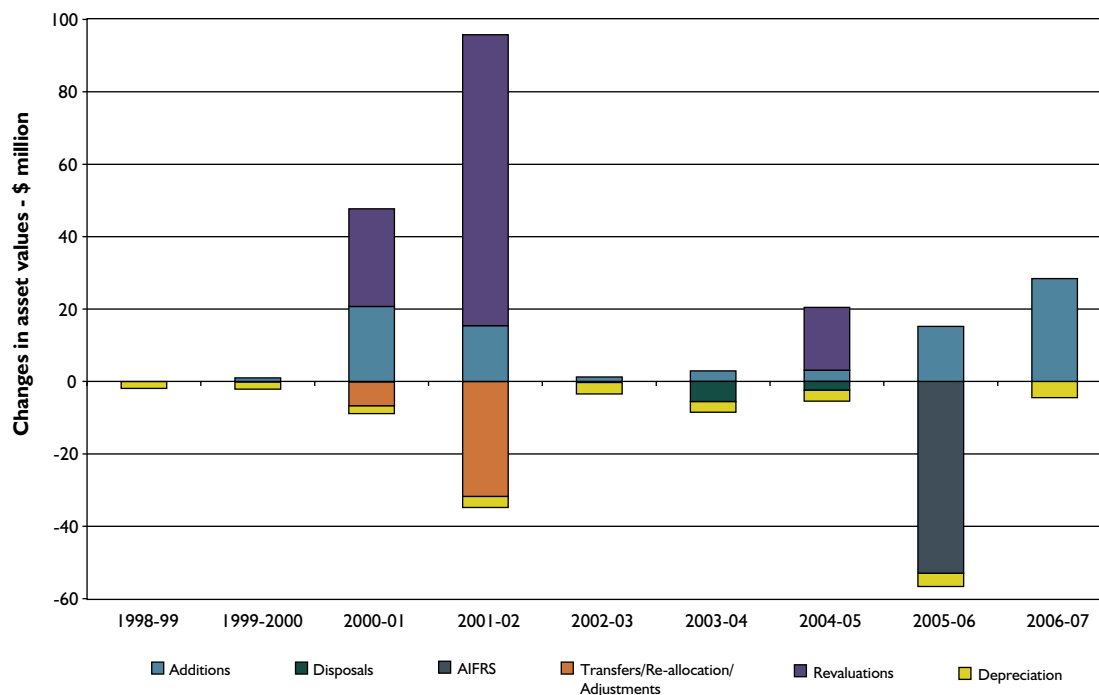
The value of aeronautical assets increased by 24 per cent in 2006–07, following a 25 per cent decrease in 2005–06 due largely to the impact of the transition to AIFRS by the airport. Under the previous AGAAPs, the value of aeronautical assets for 2005–06 would have been \$175.1 million.

In 2006–07 aeronautical assets increased from \$122.2 million to \$151.1 million. This increase was largely driven by a \$24.1 million increase in property, plant and equipment and a \$5.1 million increase in other non-current assets.

In the 2005–06 report, the value of prepaid leases on assets was reported as property, plant and equipment. In this year’s report this value is now separately identified and classified as land for comparison purposes and in 2006–07 was valued at \$18.7 million.

Chart 5.9 further illustrates the changes in value for aeronautical tangible non-current assets from 1998–99 to 2006–07.

**Chart 5.9: Change in tangible non-current assets— aeronautical services<sup>90</sup>**



In 2006–07 depreciation reduced aeronautical non-current assets by \$4.5 million; however, this was offset by \$28.4 million in net investment.

In 2004–05 aeronautical non-current assets increased in value by \$15 million, including an upward revaluation to the value of \$17.4 million, predominantly for buildings and improvements. The significant change to the value in 2000–01 and 2001–02 was caused by upward revaluations and, to a lesser extent, new investment.<sup>91</sup>

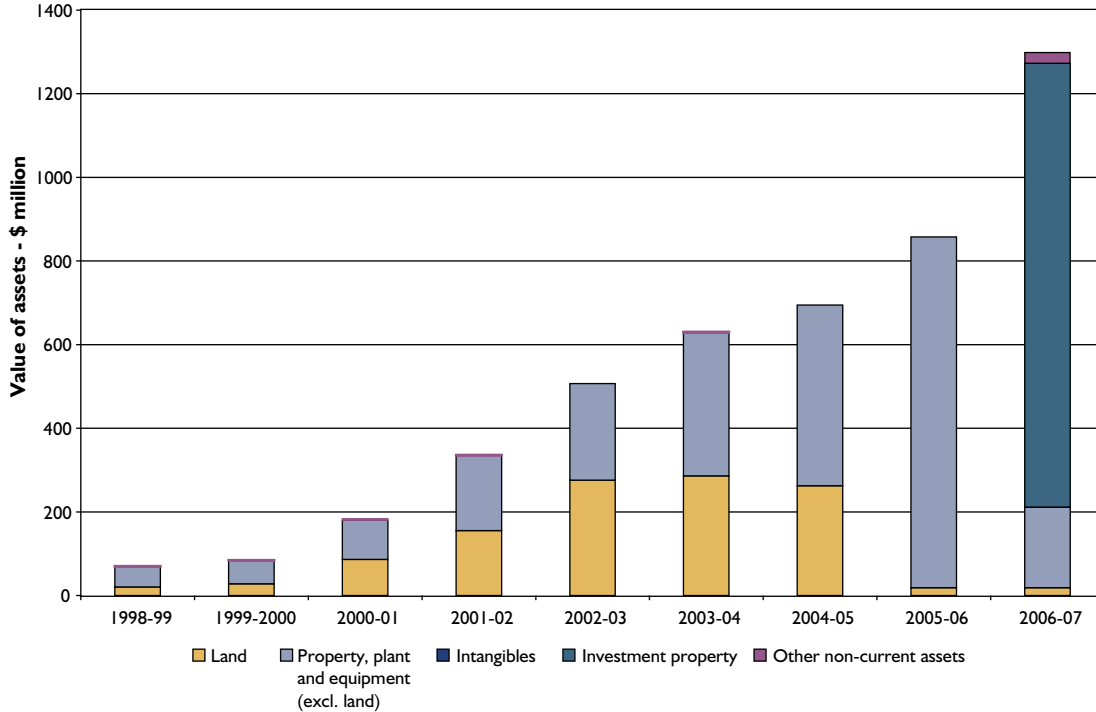
In 2005–06 Canberra airport submitted that the AIFRS-adjusted figures for 2005–06 do not represent the economic value of the assets employed and that they are not suitable for prices oversight purposes.

90 In previous reports, a transfer of assets from aeronautical to non-aeronautical had been presented as a disposal.

91 In 2005–06 Canberra airport advised that there was an unbooked positive revaluation of \$16.9 million of land assets in 2004–05. Canberra airport advised that this positive revaluation was booked with other government agencies, such as the Australian Securities and Investment Commission and the Australian Tax Office; however, it was not recorded in the ACCC regulatory accounts for 2004–05. That said, the ACCC notes that had this revaluation been booked in the regulatory accounts, it may subsequently have been reversed by the application of AIFRS, given the requirement of the accounting standard not to recognise revaluations of assets subject to an operating lease.

Chart 5.10 shows the value of total non-current assets for Canberra from 1998–99 to 2006–07.

**Chart 5.10: Total airport non-current assets**

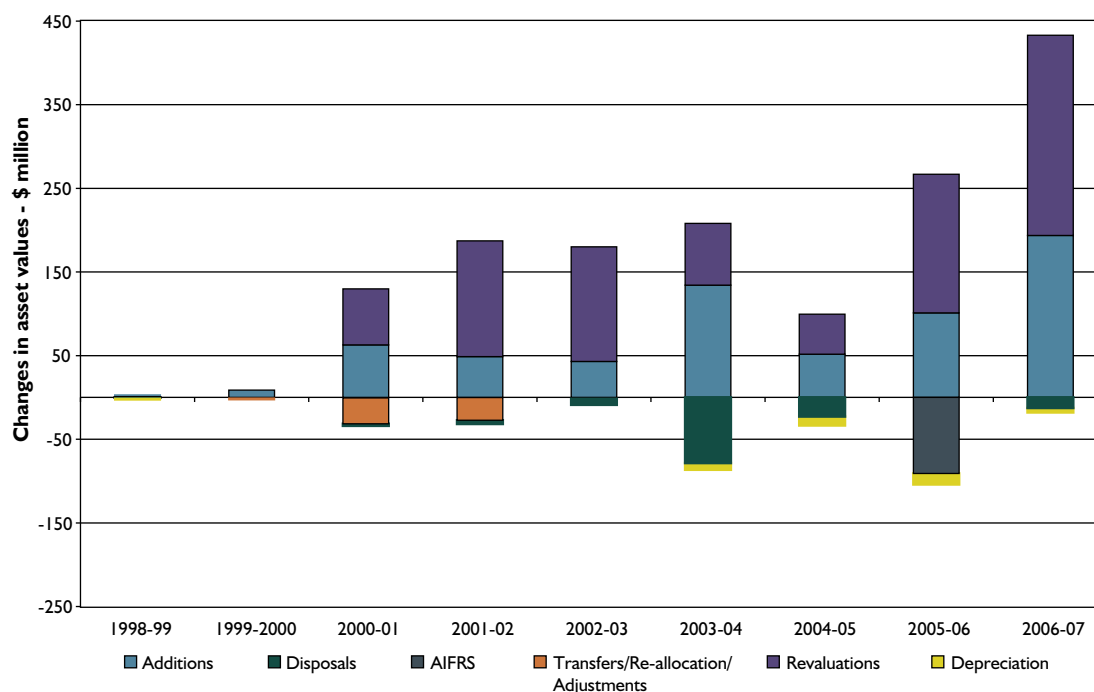


In 2006–07 the value of non-current assets increased, continuing the upward trend over the reporting period. The major contributor to this rise was an accounting transfer of assets from ‘property, plant and equipment’ to ‘investment property’. Canberra describes investment property as property that is held either to earn rental income or for capital appreciation and is stated at fair value, meaning that values are based on market values.

In 2006–07 the value of total airport non-current assets increased by \$441.2 million, representing a 51 per cent increase. This follows increases of 23 per cent in 2005–06, 10 per cent in 2004–05, 24 per cent in 2003–04 and 51 per cent in 2002–03. In 2000–01 the value of non-current assets increased by 117 per cent.

Chart 5.11 shows changes to the value of tangible non-current assets at Canberra from 1998–99 to 2006–07.

**Chart 5.11: Change in tangible non-current assets—total airport**



In 2006–07 the value of total airport tangible non-current assets increased from \$857.4 million in 2005–06 to \$1.3 billion.

The total increase was a result of net investment worth \$193.7 million in works in progress assets and revaluations of investment property to the value of \$239.4 million. Canberra also reported disposals of \$12.5 million and depreciation of \$5.5 million.

Changes between 2000–01 and 2002–03 mostly resulted from new capital investment in, and revaluations of, land and buildings. The increase in the value of non-current assets in 2001–02 followed approximately \$48.8 million in new capital investment and a revaluation of land and commercial properties as at June 2002 to the value of \$138.5 million. In 2002–03 Canberra revalued land and commercial building assets that had not been revalued in 2001–02. In 2003–04 the change reflected an upward revaluation of assets to the value of \$73.9 million as well as new investment of \$134.2 million. The investments were partly offset by a transfer from assets under construction to buildings and improvements.<sup>92</sup> In 2004–05 increases in assets were the result of new additions as well as revaluations. In 2005–06 additions and revaluations again were the major cause of the asset gains; however, the introduction of AIFRS reduced the value by \$91.0 million

### Rates of return to shareholders

Canberra’s post-tax return on equity is influenced by its capital structure. The existence of shareholder loans means reported equity does not reflect total investment by shareholders. Similarly, the existence of interest payable on these shareholder loans identified as operating costs before income tax means that the return on equity measure does not reflect the total returns to shareholders.

In December 2006 Canberra International Airport changed its financial arrangements from being financed by its ultimate holding entity, which charged market rates of interest on loans (via intercompany loan accounts), to direct bank financing.

Canberra reported its fifth consecutive positive post-tax return on average equity in 2006–07. Return on equity has increased again, from 30 per cent in 2005–06 to 37 per cent in 2006–07. Under AIFRS this

<sup>92</sup> Canberra airport reported this as a disposal of assets rather than a transfer despite noting that the change in asset values was the result of a transfer.

includes unrealised valuation gains that are not profit or revenue until realised. This is compared to 1.5 per cent in 2004–05, 2.1 per cent in 2003–04 and 0.6 per cent in 2002–03. Canberra airport advised that most of the increase in 2005–06 is attributed to unrealised revaluation gains resulting from AIFRS. These positive returns followed three years of negative returns from 1999–2000 to 2001–02. However, as discussed in section 1.4.1.4, this measure is currently of limited value. The 2006–07 return is primarily the result of the inclusion in earnings of this year's \$231.5 million gain on investment property revaluation.

Canberra's regulatory accounts are attached at appendix 1.1.

## 5.2. Canberra airport quality of service results

While Canberra airport was able to provide data for some quantitative measures of utilisation, it has not provided the number of passengers arriving and departing during peak hour. As a result, there is insufficient information to provide quantitative measures of utilisation in the proceeding charts.

Canberra airport has previously undertaken to improve the quality and availability of data required for quality of service monitoring as its systems and business processes evolve. Canberra airport has previously advised that during 2004–05 it procured a new passenger reporting system that can provide additional data for quality of service monitoring. However, in 2005–06 Canberra airport advised that Qantas regional airlines did not provide the necessary data for the period in the format required and the passenger reporting system could not be activated. No further information was provided in 2006–07. Furthermore, as a Phase II airport, Canberra airport is not required to undertake passenger surveys.

In light of the considerations above, no information is available for the following services:

### **International terminal**

- Check-in facilities
- Gate lounge facilities
- Aerobridges facilities
- Security facilities
- Baggage facilities
- Baggage trolleys
- Flight information displays and washrooms

### **Domestic terminal**

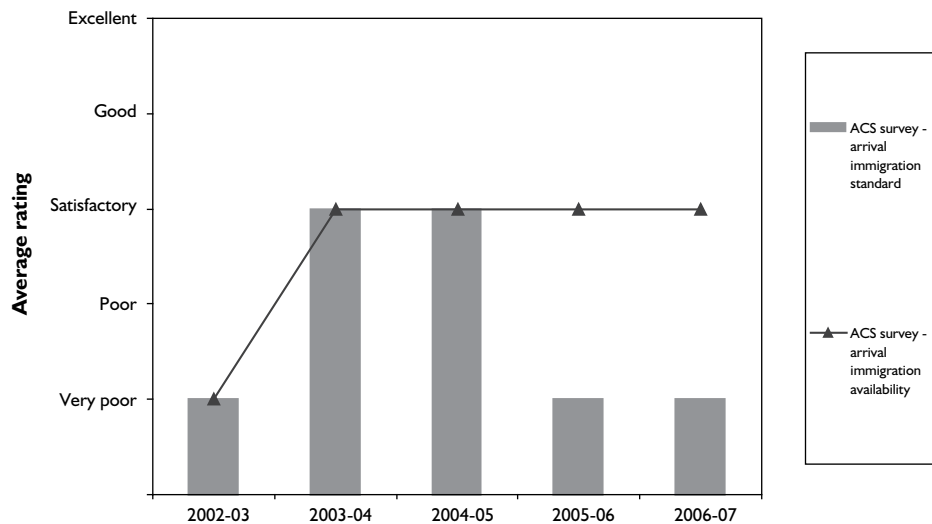
- Gate lounge facilities
- Security facilities
- Baggage trolleys
- Flight information display screens and washrooms

### 5.2.1. International services

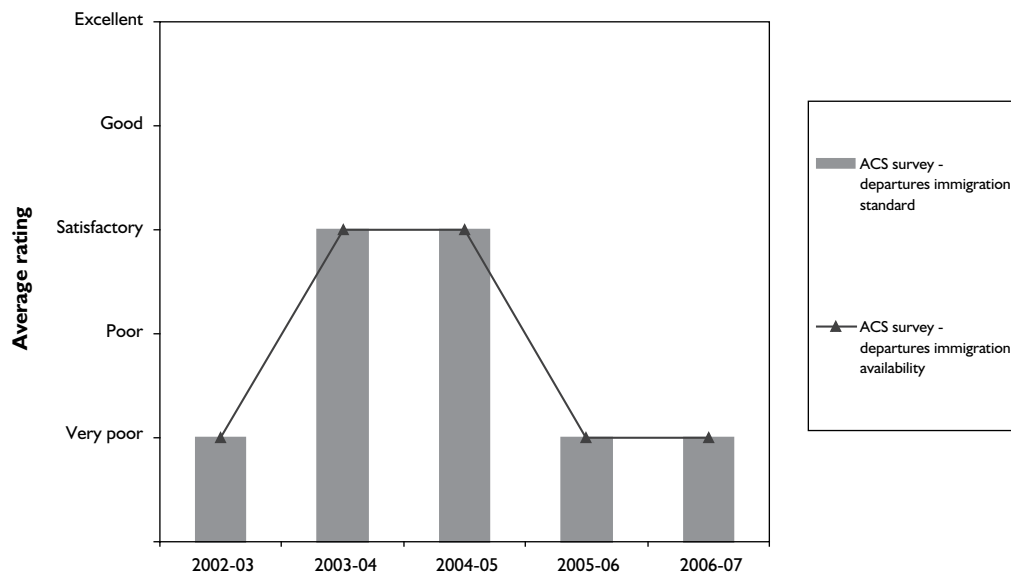
Canberra airport does not service RPT international services. However, the airport has provided international services on a temporary or ad hoc basis over the reporting period.

#### Government inspection facilities

**Chart 5.12: Canberra—international inbound government inspection**



**Chart 5.13: Canberra—international outbound government inspection**

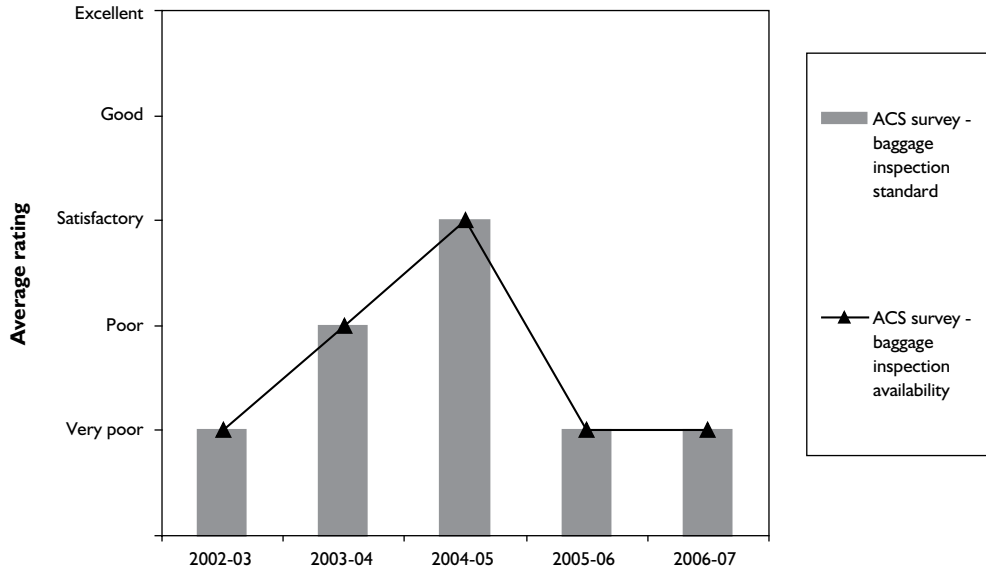


ACS’s rating of the **availability** of inbound immigration facilities has remained stable since 2003–04 at satisfactory following an increase from very poor in 2002–03. However, the ACS decreased its rating of the **availability** of outbound facilities from satisfactory in 2004–05 to very poor in 2005–06, where it remained throughout 2006–07.

The **standard** of both inbound and outbound immigration facilities was rated by the ASC as satisfactory over 2003–04 to 2004–05 but decreased to very poor in 2005–06 and 2006–07.

Baggage inspection facilities

**Chart 5.14: Canberra—international baggage inspection**

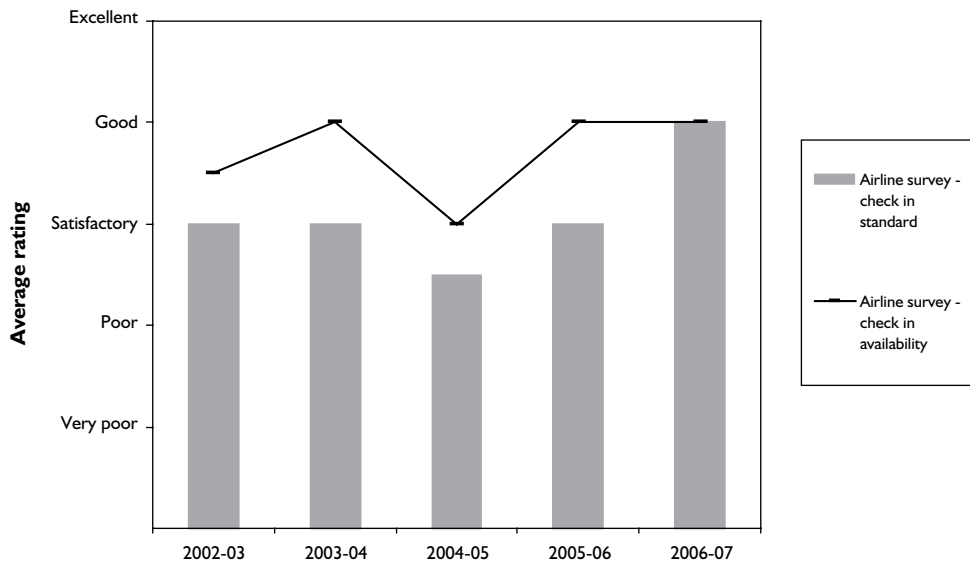


ACS's rating of the **availability** and **standard** of baggage inspection facilities decreased from satisfactory in 2004–05 to very poor in 2005–06 and continued at this rating for 2006–07.

5.2.2. Domestic services

Check-in facilities

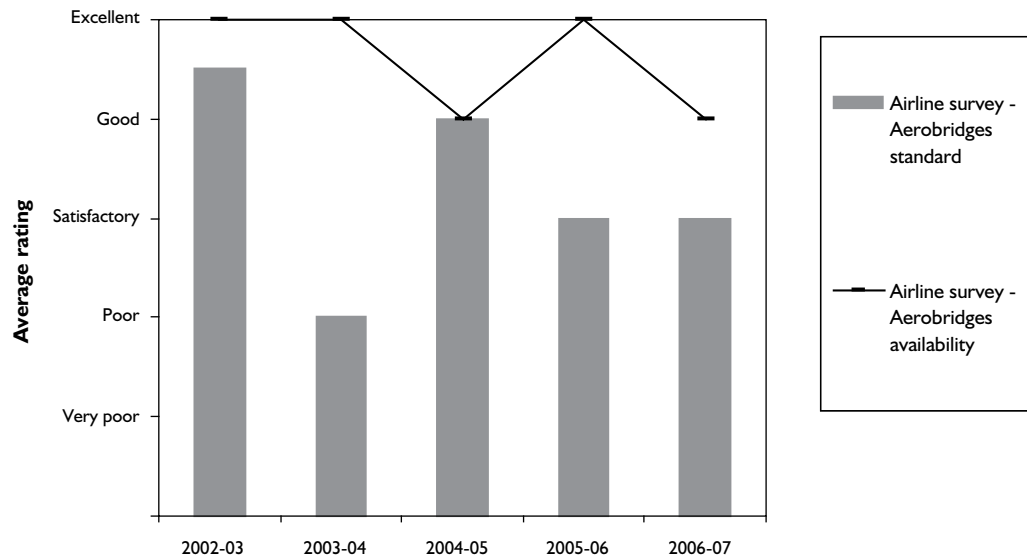
**Chart 5.15: Canberra—domestic check-in**



Airlines rated the **availability** of check-in facilities as good in 2003–04 before decreasing to satisfactory in 2004–05. This was followed by an increase in rating to good in 2005–06, where it remained throughout 2006–07. The **standard** of check-in facilities, as rated by airlines, increased in 2006–07 to good, following ratings of between poor and satisfactory and satisfactory over the remainder of the reporting period.

Aerobridge facilities

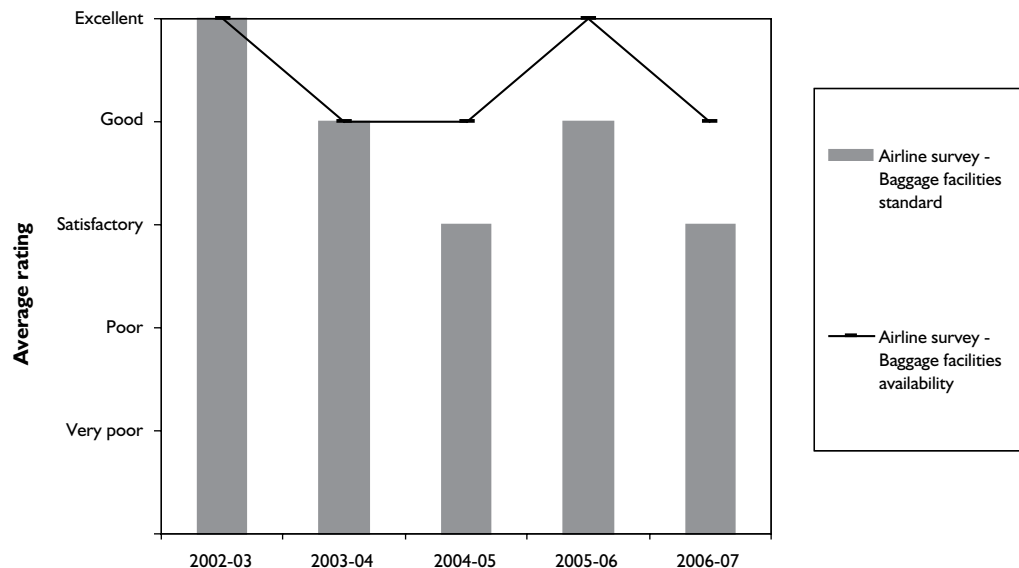
**Chart 5.16: Canberra—domestic aerobridges**



**Availability** and **standard** of aerobridge facilities were rated by airlines as good in 2004–05. **Availability** ratings increased in 2005–06 to excellent and then decreased to good in 2006–07 while ratings of **standard** dropped to satisfactory in 2005–06 and 2006–07.

Baggage facilities

**Chart 5.17: Canberra—domestic baggage**



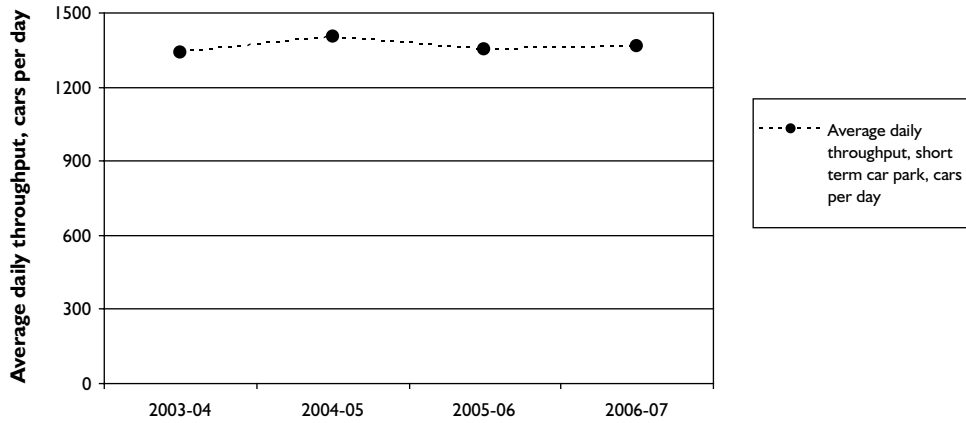
Airlines rated the **availability** of baggage facilities as excellent in 2002–03; however, this rating decreased to good in 2003–04, followed by an increase to excellent in 2005–06 and a further decrease to good in 2006–07. Similarly, the reporting period commenced with a rating of excellent for the **standard** of baggage facilities but this dropped to satisfactory in 2004–05. An increase back to good in the **standard** was recorded in 2005–06; however, this was followed by a decrease in rating to satisfactory in 2006–07. In 2006–07 airlines noted increased occupational, health and safety concerns because of the increased level of manual labour required to position and feed bags in and out of the baggage screening machine. Canberra airport attributed the decrease in the **standard** of baggage facilities in 2006–07 to the introduction of government-mandated checked baggage screening at the airport.



### 5.2.3. Airport services

#### Car-parking facilities

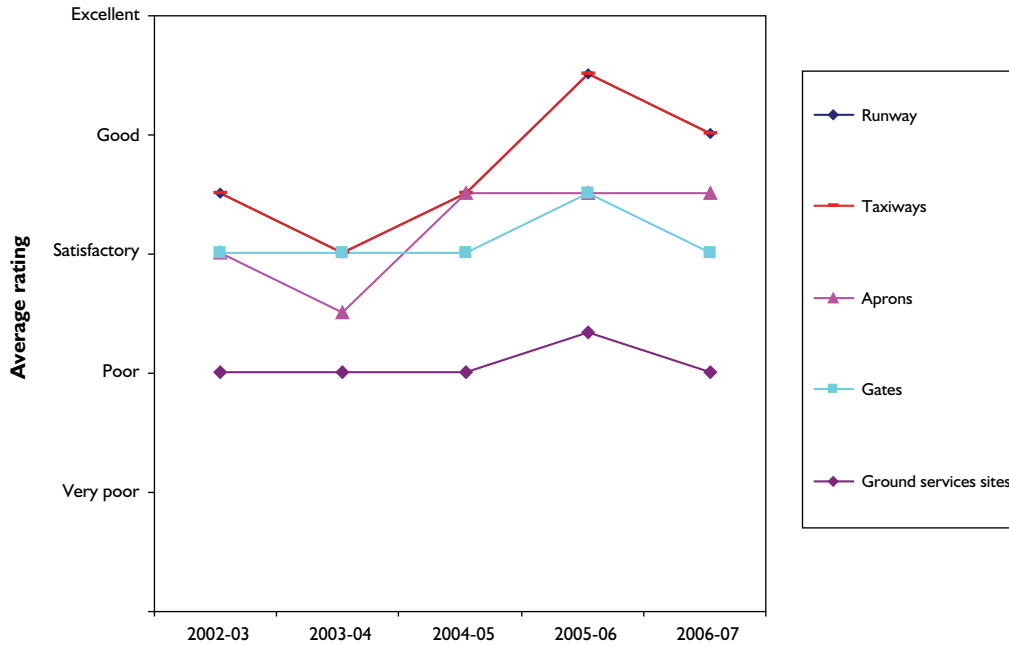
**Chart 5.18: Canberra—car park**



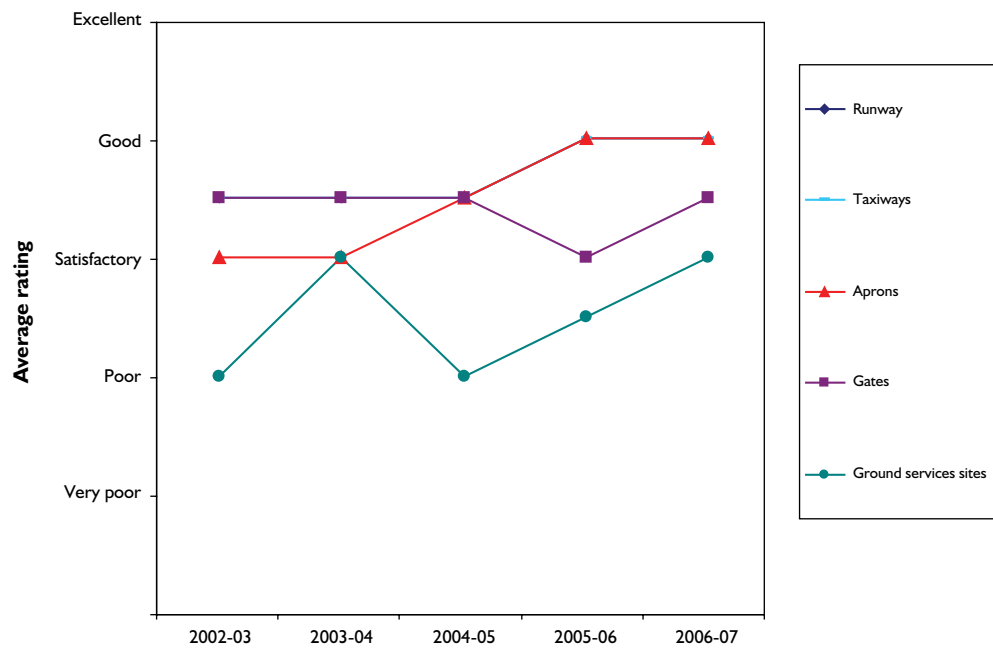
Average daily throughout of the short-term car park ranged from 1337 cars per day in 2003–04 to 1400 in 2004–05. In 2006–07 the average throughput was 1366 cars per day.

#### Airside services and facilities

**Chart 5.19: Canberra—availability of airport airside services**



**Chart 5.20: Canberra—standard of airport airside services**



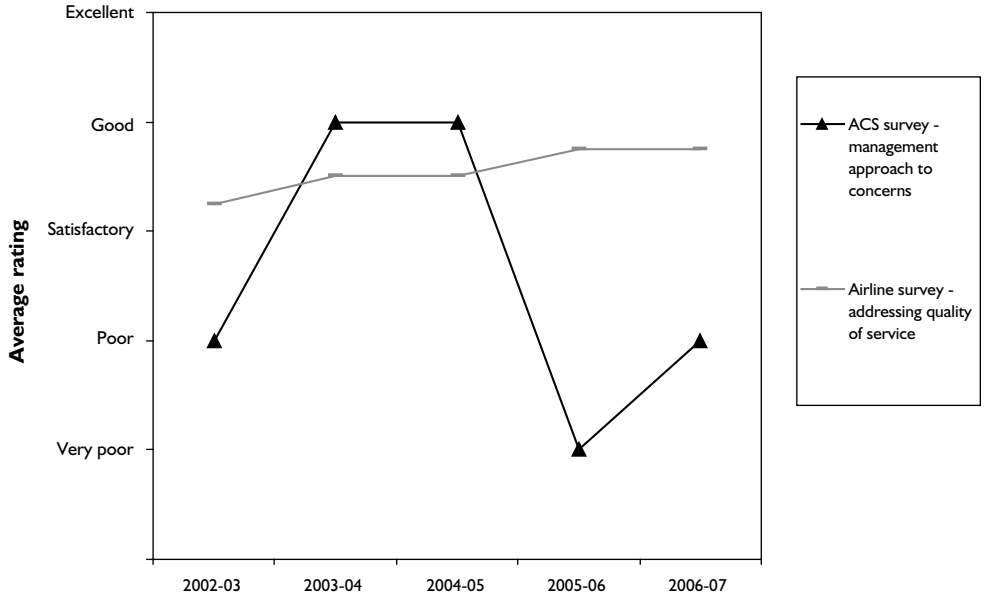
In 2006–07 airline ratings of the **availability** of airport airside services decreased for most services with the exception of apron services, which remained constant at between satisfactory and good. **Availability** of runway and taxiway services both decreased from between good and excellent in 2005–06 to good in 2006–07. The rating of the **availability** of ground services sites returned to poor in 2006–07 after increasing slightly in 2005–06 to above poor. In 2006–07 some airlines noted that during peak times ground services sites are very limited.

Airline ratings of the **standard** of most airport airside services increased in 2006–07 while the rating of apron and taxiway **standards** remained constant at good. Ground services sites increased in **standard** from a low of poor in 2004–05 to satisfactory in 2006–07. Airline ratings of the **standard** of gate services increased to good in 2006–07 following a decrease to satisfactory in 2005–06.

In 2006–07 several airlines noted that although the main runway was extended at Canberra airport to take full advantage of the extra length, a ‘blast wall’ needs to be constructed at the southern end. To date, this has not been built, which means that the airlines are unable to use the runway’s increased capacity. Canberra airport has advised that its main runway was extended by approximately 600 metres in 2006 and that a blast fence is required to use the full 600 metres. Canberra airport also advised that capital works funded by the airport to date have meant 450 metres of this additional length is useable and the remaining 150 metres is useable with some restrictions.

Airport management responsiveness

**Chart 5.21: Canberra—airport management responsiveness**



The rating by airlines of Canberra airport management’s approach to quality of services issues remained relatively stable over the reporting period, between satisfactory and good. Conversely, the ACS ratings of management’s approach varied widely from a peak of good in 2003–04 and 2004–05, decreasing to very poor in 2005–06, followed by an increase to poor in 2006–07.

## 6. Darwin airport

### Summary

In 2006–07 passenger numbers, aircraft movements and tonnes landed all increased as did most aeronautical and aeronautical-related prices. Aeronautical revenue, expenses and margin per passenger increased this year, while for aeronautical-related services revenues and margins increased while expenses decreased.

These increases led to higher profitability for aeronautical services. Returns on assets for aeronautical services increased. The value of aeronautical assets increased compared to 2005–06, predominantly as a result of net investment. Total airport assets increased by 40 per cent compared to 2005–06 because of a \$58 million revaluation of non-aeronautical investment properties.

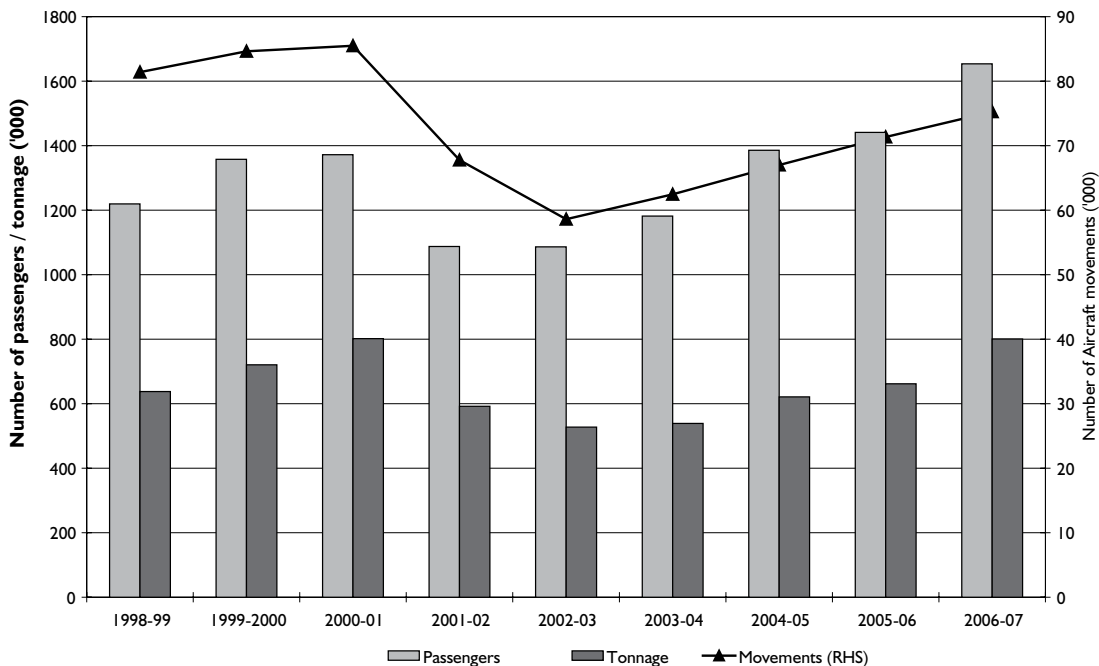
In 2006–07 the rating of Darwin’s overall service quality increased to be just above satisfactory. The number of passengers per inbound immigration desk increased while the ACS increased its rating for the **availability** of immigration desks. The number of passengers per baggage inspection desk increased while the ACS ratings remained stable compared to 2005–06 results. Airline ratings of the **availability** and **standard** of baggage facilities and the **availability** of airport airside services decreased in 2006–07, while airline ratings of the **standard** of airport airside services generally increased. This year, airlines’ rating of the airport’s approach to resolving quality of service issues remained stable while the ACS ratings of this measure decreased.

### 6.1. Darwin airport price monitoring results

#### 6.1.1. Activity

Chart 6.1 shows traffic volumes at Darwin airport measured by passenger numbers, tonnage and aircraft movements from 1998–99 to 2006–07.

**Chart 6.1 Volume of passengers, tonnage and aircraft movements**



Note: Passenger numbers for 1999–2000 and 2000–01 are estimated based on the passenger–aircraft ratio from 2001–02 because Darwin did not receive actual figures from the airlines.

In 2006–07 passenger numbers, tonnes landed and aircraft movements have increased. Passenger numbers reported a record high of 1.65 million. Aircraft movements peaked at Darwin during 2000–01. In 2001–02, and again in 2002–03, passenger numbers, aircraft movements and tonnes landed all decreased following the SARS outbreak, the September 2001 terrorist attacks and the collapse of Ansett.

After remaining relatively stable from 2001–02 to 2002–03, passenger numbers have increased over the last four years. In 2006–07, passenger numbers increased to 1 654 000, representing a 15 per cent increase following a 4 per cent increase in 2005–06. Aircraft movements have increased by 5.5 per cent in 2006–07, after recovering in 2003–04 from the lowest observed levels over the reporting period in 2002–03. In 2006–07 tonnes landed increased by 21 per cent from 2005–06.

More detailed operational statistics for Darwin are attached at appendix 1.2.

## 6.1.2. Prices

Table 6.1 shows the schedule of charges and the indexed change in list prices for both aeronautical and aeronautical-related services at Darwin from 2002–03 to 2006–07, with 2002–03 taken as the base year.

**Table 6.1 Schedule of charges and indexed prices (2002–03 as base year)**

	Basis of charge (e.g. MTOW)	Charge per unit \$ (incl. GST)	Indexed list prices			
			2003–04	2004–05	2005–06	2006–07
<b>Aeronautical services</b>						
<i>Aircraft movements and facilities</i>						
Airport services charge <sup>(a)</sup>	passenger	7.01	110.4	110.4	115.5	127.9
General landing charges <sup>(b)</sup>						
Domestic landings	tonne MTOW	20.90	114.3	128.6	132.1	135.7
International landings	tonne MTOW	20.90	106.6	119.9	123.3	126.6
Advance purchase landing charges <sup>(c)</sup>						
Minimum charge	tonne MTOW	1 925.63				100.0
Maximum charge	tonne MTOW	3 029.65	100.0	100.0	109.3	112.2
<i>Passenger processing facilities and activities</i>						
Passenger facilitation charge <sup>(a)</sup>	passenger	7.40	140.0	180.0	200.0	269.1
Security screening charges <sup>(d)</sup>	departing domestic	10.82	73.4	115.3	170.9	158.1
Security screening charges <sup>(d)</sup>	departing domestic	10.82	96.5	136.9	202.9	187.8
<b>Aeronautical-related services</b>						
Landside vehicle access to terminals	% of turnover, negotiated agreements	N/A	N/A	N/A	N/A	N/A
Public and staff car parking						
Public parking (public car park) <sup>(e)</sup>	vehicle per day	Check appendix C	100.0	100.0	108.3	N/A

Indexed list prices						
	Basis of charge	Charge per unit \$	2003–04	2004–05	2005–06	2006–07
	(e.g. MTOW)	(incl. GST)				
Staff car parking <sup>(f)</sup>	per parking label p.a.	148.50			100.0	103.8
Other authorised parking	parking bay p.a.	1 351.90	N/A	N/A	N/A	N/A
Taxi holding and feeder services per departure		2.00	N/A	N/A	N/A	100.0
Check-in counters and related facilities <sup>(g)</sup>	passenger	7.40	140.0	180.0	200.0	269.1
Aircraft light and emergency maintenance sites and buildings		N/A	N/A	N/A	N/A	N/A

Notes: N/A—not available from the information provided by the airport.

- (a) Applies to all arriving and departing passengers on scheduled RPT flights. As of 1 January 2006, transit passengers no longer charged the ASC or PFC.
- (b) Applies to general aviation aircraft and other aircraft not charged on a per passenger basis.
- (c) Available to aircraft below 10 000 kg MTOW and not used for RPT services. Before 2006–07 this service can be purchased for periods between one and 12 months. From 2006–07 advance purchase can only be purchased for a period of 6 or 12 months. In accordance with this change in the basis of charging, the index base of this charge has been changed to 2006–07.
- (d) Applies to all departing passengers on aircraft using the security restricted area (where 100 per cent cost recovery applies). These services were listed separately in 2002–03 but charged as a total all inclusive charge. From 2003–04 these charges were only listed as a total all inclusive charge. Prices listed for 2006–07 represent an average charge where \$15.49 was charged between 01/07/06 and 31/8/06 and \$9.88 was charged between 01/09/06 and 30/06/06.
- (e) Darwin airport's pricing system changed in 2006–07. The price for short-term parking (<24 hours) and long-term parking (>24 hours) were \$4.00 and \$8.00 per vehicle per day from 01/07/06 to 14/12/06. From 15/12/06 to 30/06/07, Darwin airport has changed to an incremental car park charging system. The new car park charges are listed in appendix 1.3.
- (f) Darwin advised that in 2005–06 staff car-parking changed from being charged per bay to a charge per parking label. As such, 2005–06 will become the new base year for future reports.
- (g) This charge is also known as the passenger facilities charge.
- (h) Some index calculations were reported incorrectly in 2005–06, these are now correctly presented in table 6.1.

Changes in the categories of service items during 2004–05 meant the change in list prices for some services could not be calculated. Over the four-year period from 2002–03 to 2006–07, all aeronautical service charges increased. These increases ranged from 27 per cent for international landing charges to 88 per cent for the international passenger security screening charge. In 2006–07 Darwin changed the basis of charging for the minimum advance purchase landing charge from a one monthly period to a six monthly or twelve monthly period charge. As such, the index base for the monthly charge has been reset to 2006–07. For comparison purposes, if the six monthly minimum charge is converted to a one monthly charge the minimum charge has effectively decreased by 10 per cent when compared to 2005–06.

In 2006–07 Darwin reported the introduction of a \$2.00 taxi holding and feeder services charge per vehicle from 1 July 2006 and per hourly car parking charges applicable from 15 December 2007. Security screening charges dropped in 2006–07 with the charge applicable for both domestic and international passengers decreasing to an average of \$10.82 from \$11.69 in 2005–06.

## Aeronautical revenue per passenger

Aeronautical revenue per passenger at Darwin increased by 19 per cent in 2006–07 to \$21.23, following increases of 12 per cent in 2005–06, 8.8 per cent in 2004–05, 16 per cent in 2003–04 and 26 per cent in 2002–03. In the five years since price monitoring began, there has been a 152 per cent increase in aeronautical revenue per passenger.

## Aeronautical revenue per passenger excluding security

In 2006–07 aeronautical revenue per passenger **excluding** security increased by 22 per cent to \$18.42, from \$15.06 in 2005–06. Since price monitoring began, adjusted revenue **excluding** security has increased by 80 per cent. In 2006–07 security revenue per passenger decreased by \$0.03, while the overall increase in aeronautical revenue per passenger was \$3.33. Since price monitoring began, security revenue per passenger has increased by \$0.32, while the overall increase in aeronautical revenue per passenger was \$8.52.

More detailed information on security services is provided later in this section of the report.

### 6.1.3. Revenues, costs and profits

Table 6.2 lists the operating revenues, operating costs and operating margins relating to aeronautical services and aeronautical-related services under direction 27 definitions at Darwin from 2002–03 to 2006–07.

**Table 6.2 Revenues, costs and margins**

	Revenues (\$'000)						Costs (\$'000)						Margins (\$'000)					
	2002–03	2003–04	2004–05	2005–06	2006–07		2002–03	2003–04	2004–05	2005–06	2006–07		2002–03	2003–04	2004–05	2005–06	2006–07	
<b>Aeronautical services</b>																		
Aircraft movements and facilities	8 247	9 170	10 981	11 613	14 691		2 922	27 99	3 867	4 924	5 337		5 325	6 371	7 113	6 689	9 354	
Passenger processing facilities and activities	5 657	8 353	11 338	14 299	20 500		6 077	6 712	7 964	7 854	10 802		(420)	1 641	3 375	6 445	9 698	
<i>Total aeronautical services</i>	<i>13 903</i>	<i>17 523</i>	<i>22 319</i>	<i>25 913</i>	<i>35 191</i>		<i>8 999</i>	<i>9 511</i>	<i>11 831</i>	<i>12 778</i>	<i>16 139</i>		<i>4 904</i>	<i>8 012</i>	<i>10 488</i>	<i>13 134</i>	<i>19 052</i>	
<b>Aeronautical-related services</b>																		
Landside vehicle access to terminals	66	65	161	38	59		86	98	113	166	108		(20)	(33)	49	(127)	(49)	
Public and staff car-parking	1 689	1 792	1 998	2 276	2 897		368	391	293	216	168		1 321	1 401	1 705	2 060	2 728	
Check-in counters and related facilities	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A	N/A	
Aircraft light and emergency maintenance sites and buildings	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A	N/A	
Taxi holding and feeder services	N/A	N/A	N/A	N/A	185		N/A	N/A	N/A	N/A	22		N/A	N/A	N/A	N/A	164	
<i>Total aeronautical-related services</i>	<i>1 755</i>	<i>1 857</i>	<i>2 160</i>	<i>2 315</i>	<i>3 141</i>		<i>454</i>	<i>489</i>	<i>406</i>	<i>381</i>	<i>298</i>		<i>1 301</i>	<i>1 368</i>	<i>1 754</i>	<i>1 933</i>	<i>2 843</i>	

Notes: N/A—not available from the information provided by the airport



Table 6.2 shows that revenues, costs and margin for aeronautical services all increased in 2006–07. Revenue for aeronautical-related services increased while costs for these services decreased compared with 2005–06, leading to increases in the operating margin. Over the last year, revenue for aeronautical services increased by 36 per cent, while costs rose by 26 per cent. This resulted in a 45 per cent increase in the margin. The major contributor to the increase in aeronautical revenue in 2006–07 was a 43 per cent increase in revenues from passenger processing facilities. Revenues from aeronautical-related services increased by 36 per cent, while costs decreased by 22 per cent. This resulted in a 47 per cent increase in aeronautical-related services margin.

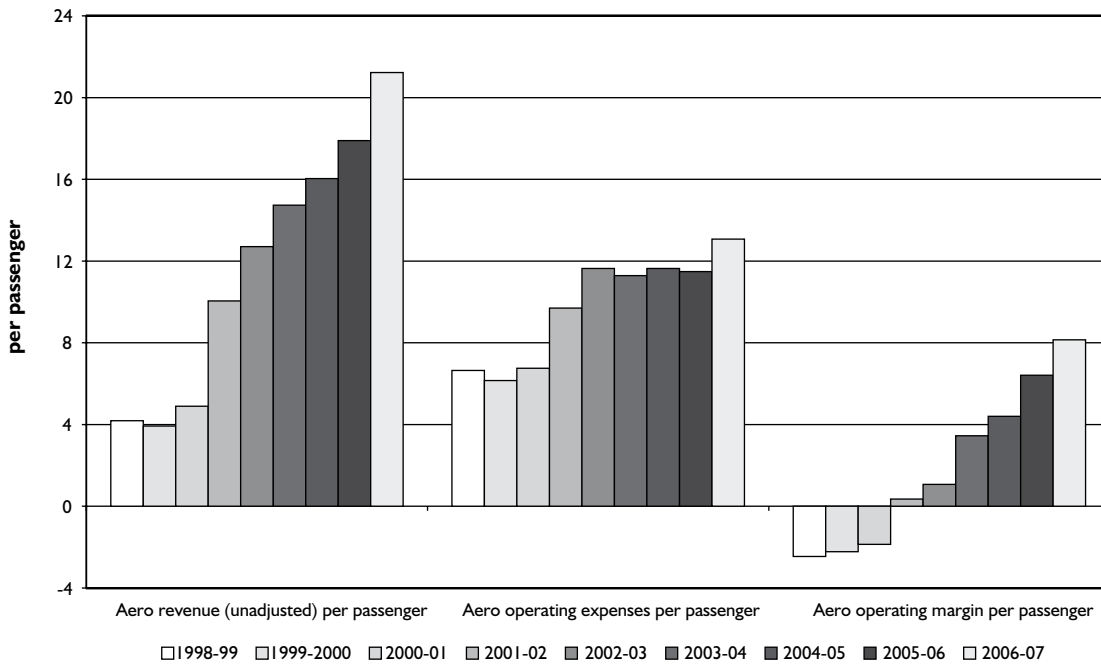
Over the five years from 2002–03 to 2006–07 aeronautical revenue increased by 153 per cent and costs by 79 per cent, resulting in a 288 per cent increase in the margin. Aeronautical-related services revenue increased by 78 per cent while costs decreased by 34 per cent, thereby increasing the margin for aeronautical-related services by 118 per cent.

Darwin advised that revenue from check-in counters and related facilities could not be separately identified because of the implementation of a passenger facilities charge, which is an all-inclusive terminal charge. Costs associated with this charge are currently included within passenger processing facilities and activities.

### Aeronautical services

Chart 6.2 shows revenue, operating expenses and the operating margin per passenger for aeronautical services at Darwin from 1998–99 to 2006–07.

**Chart 6.2: Aeronautical revenue, operating expenses and operating margin per passenger**



Note: The measures of aeronautical operating expenses per passenger and therefore operating margin per passenger do not include an allowance for return on capital.

On a per passenger basis in 2006–07, aeronautical revenue and operating expenses both increased. Aeronautical revenue has, however, increased to a larger degree compared with aeronautical expenditure, resulting in an increase in aeronautical operating margin.

Aeronautical revenue per passenger was relatively stable from 1998–99 to 2000–01 before increasing by 334 per cent over the six-year period to 30 June 2007. In 2006–07 revenue per passenger increased by 19 per cent to \$21.23, from \$17.90 in 2005–06.

Following significant increases between 2000–01 and 2002–03, average aeronautical operating expenses per passenger were relatively stable over the five-year period to 30 June 2006. In 2006–07 expenses increased by 14 per cent to \$13.08, from \$11.48 in 2005–06.

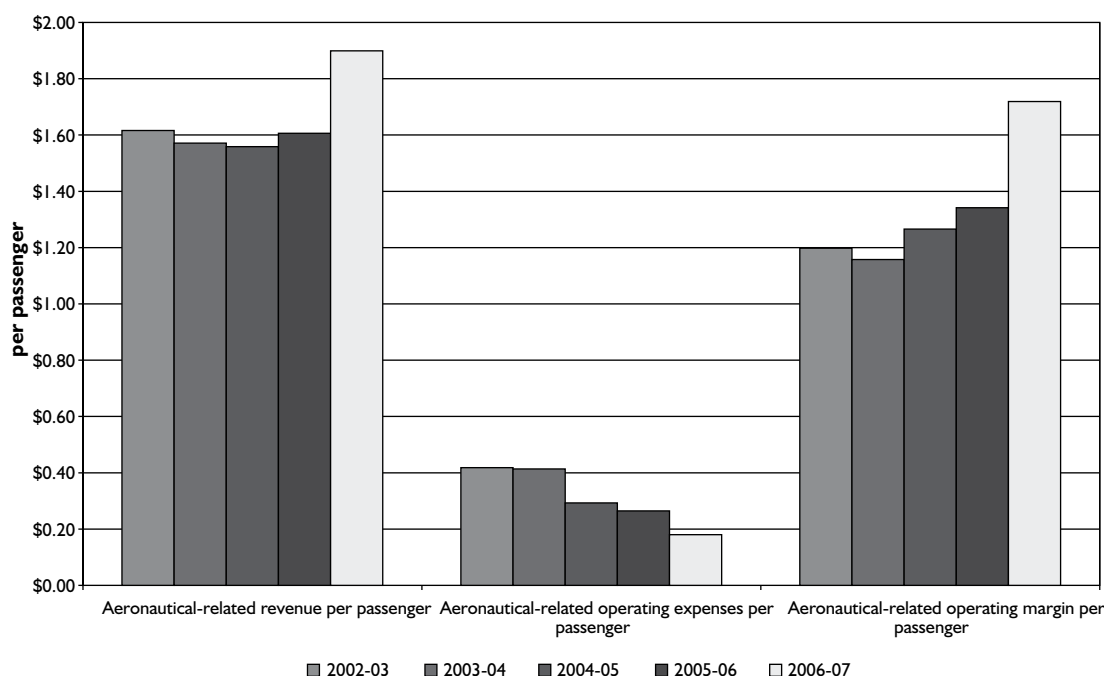
The aeronautical operating margin per passenger increased in each year of the reporting period. In 2006–07 it increased to \$8.15 from \$6.41 in 2005–06, an increase of 27 per cent. This follows a 46 per cent increase in 2005–06, a 28 per cent increase in 2004–05 and a 221 per cent increase in 2003–04.

Since the removal of price cap regulation, aeronautical revenue per passenger has increased by 334 per cent while aeronautical operating expenses have increased by 93 per cent. The aeronautical operating margin per passenger has increased from –\$1.86 in 2000–01 to \$8.15 in 2006–07.

### Aeronautical-related services

Chart 6.3 shows revenue, operating expenses and operating margin per passenger for aeronautical-related services at Darwin airport from 2002–03 to 2006–07.

**Chart 6.3 Aeronautical-related revenue, operating expenses and operating margin per passenger**



On a per passenger basis in 2006–07, aeronautical-related revenue increased by 18 per cent while expenses decreased by 32 per cent to \$0.18 from \$0.26. This resulted in a 28 per cent increase in the margin from \$1.34 in 2005–06 to \$1.72. From 2002–03 to 2006–07 aeronautical-related revenue per passenger increased by 18 per cent while expenses decreased by 57 per cent, resulting in a 44 per cent increase in the margin from \$1.20 in 2002–03 to \$1.72 in 2006–07.

### Security services

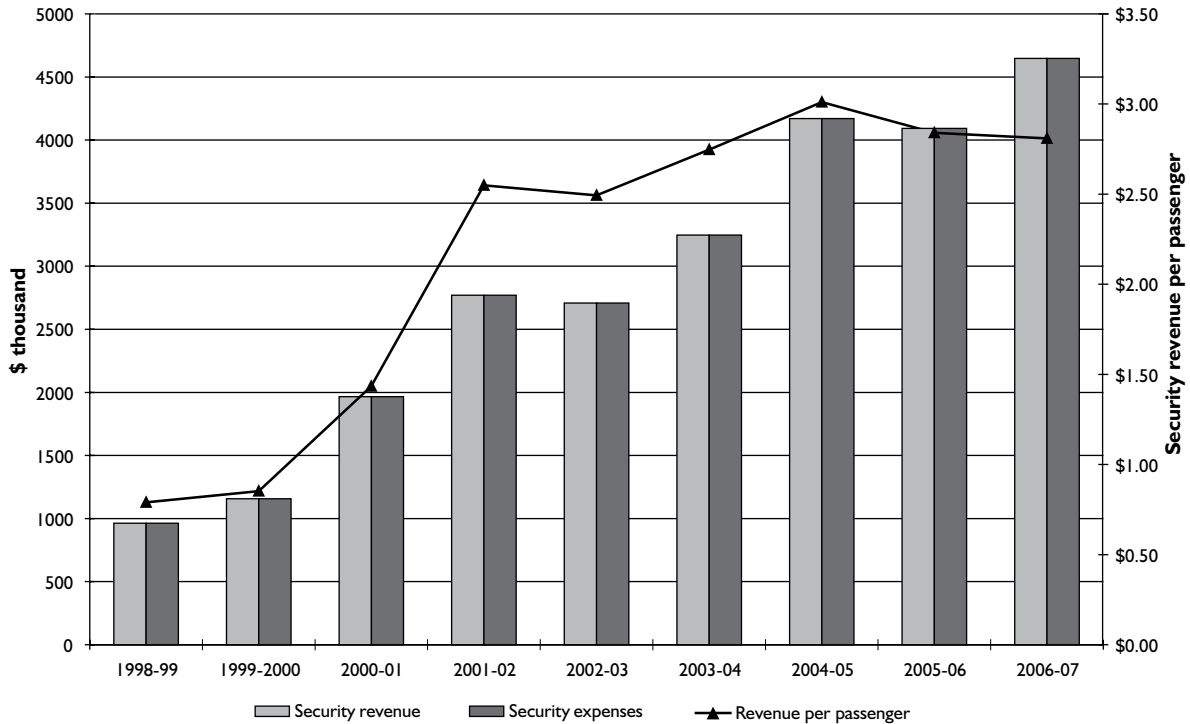
As noted in section 1.2.2, airport security expenses have increased significantly since 2000–01 because of increased government-mandated security services. In 2004–05 further requirements were implemented, contributing to the increase in revenues and costs during 2004–05 and onwards.

Darwin airport advised that during 2006–07, liquids, aerosols and gels screening (LAGS) was introduced on international passengers. This has resulted in an increase in operating costs associated with providing this mandated security requirement. In view of Darwin airport operating an integrated international and domestic terminal, the LAGS requirement has necessitated a separate and additional screening point being established for international passengers only.

Over the reported period security expenses as a proportion of aeronautical expenses increased from 12 per cent in 1998–99 to 21 per cent in 2006–07. Security revenues as a proportion of aeronautical revenue increased from 19 per cent in 1998–99 to 29 per cent in 2000–01. They have since decreased to 13 per cent in 2006–07, the lowest level observed over the reported period.

Chart 6.4 shows security revenues, expenses and revenue per passenger at Darwin from 1998–99 to 2006–07.

**Chart 6.4: Security revenue and expenses**



In 2006–07 security revenue and expenses increased, while revenue per passenger decreased compared with 2005–06. These measures have generally trended upward over the reporting period, with the exception of 2002–03 and 2005–06, when revenues and expenses declined slightly.

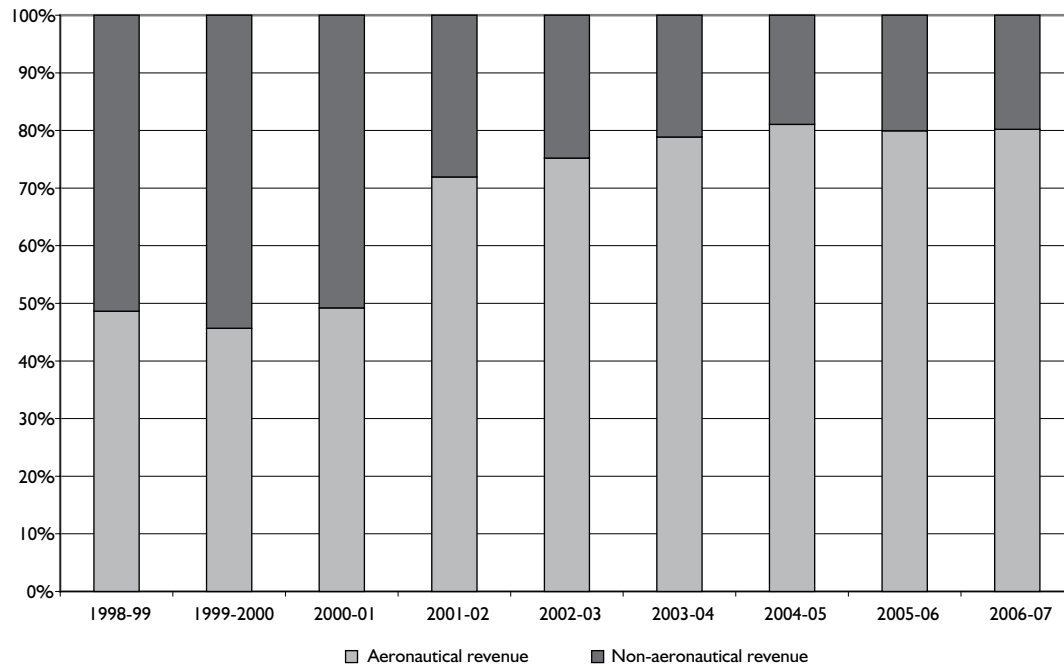
In 2006–07 security revenue and expenses increased by 14 per cent, to \$4.6 million from \$4.1 million in 2005–06. In 2006–07 security revenue per passenger was \$2.81, a decrease of 1.1 per cent from \$2.84 in 2005–06.

Darwin advised that any over- or under-recovery of costs is factored into future charges and is reflected as an asset or a liability in the balance sheet. No current loss or profit is reflected in the annual accounts, reflecting that revenue and costs for security functions will balance.

## Revenue shares

Chart 6.5 shows the total revenue shares between aeronautical and non-aeronautical services for Darwin from 1998–99 to 2006–07.

**Chart 6.5: Total revenue shares—aeronautical and non-aeronautical revenue**



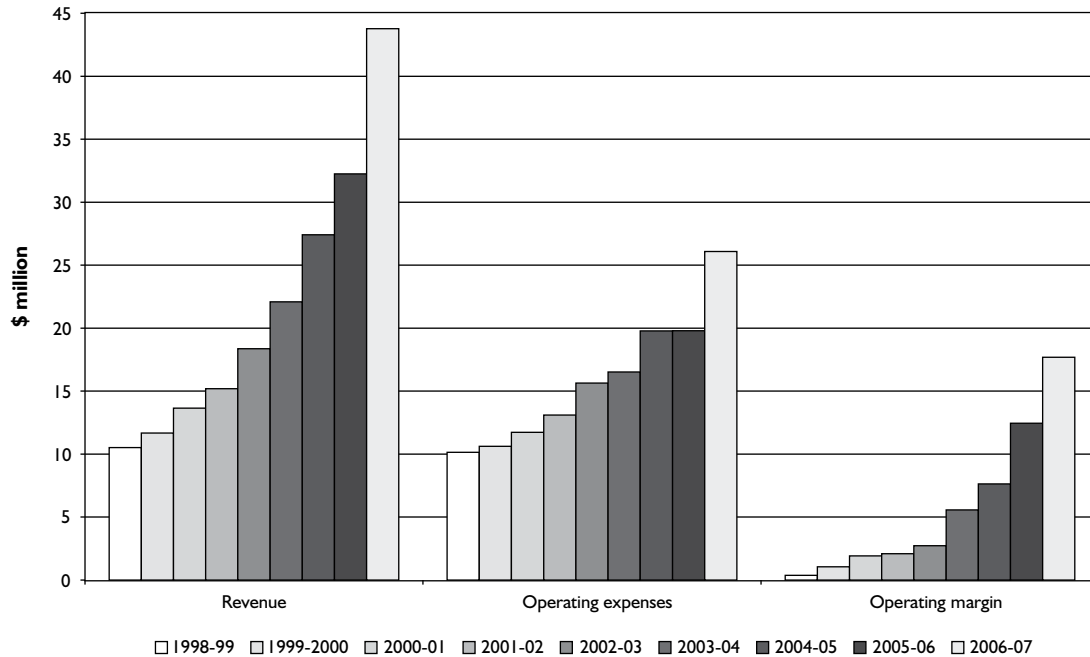
Aeronautical revenue as a proportion of total revenue remained stable in 2006–07, but increased over the reporting period. From 1998–99 to 2000–01 it accounted for approximately half of total revenue. In 2001–02 aeronautical revenue as a proportion of total revenue increased to 72 per cent. Since then, it has generally continued to increase, accounting for 75 per cent in 2002–03, 79 per cent in 2003–04, 81 per cent in 2004–05 and 80 per cent 2005–06. In 2006–07, it remained at 80 per cent.

The increase in aeronautical revenue share in 2001–02 is likely to have resulted from the increase in the price of aeronautical services that occurred after price cap regulation was removed.

## Total airport services

Chart 6.6 shows the total revenue, operating expenses and the operating margin for Darwin from 1998–99 to 2006–07.

**Chart 6.6: Total airport revenue, operating expenses and operating margin**



Note: The measures of operating expenses and therefore operating margin do not include an allowance for return on capital.

In 2006–07 total airport revenue, total airport operating expenses and the operating margin increased, consistent with the upward trend over the reporting period.

Total airport revenue increased by 36 per cent in 2006–07 to \$43.8 million from \$32.2 million in 2005–06, reflecting increases in aeronautical and non-aeronautical services revenue.

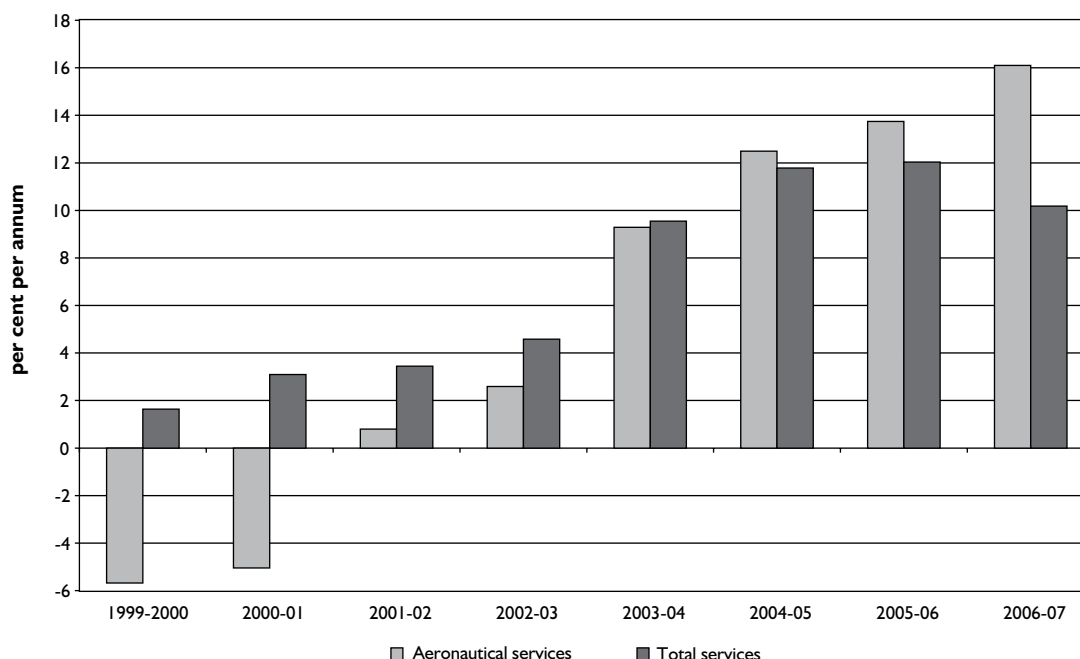
Total airport operating expenditure increased by 32 per cent in 2006–07 to \$26.1 million from \$19.8 million in 2005–06, because of increased expenses for both aeronautical and non-aeronautical services.

As total airport revenue increased at a faster rate than operating expenses, the total airport margin increased by 42 per cent in 2006–07 to \$17.7 million from \$12.5 million in 2005–06.

## Rates of return on average tangible non-current assets

Chart 6.7 shows the return on average tangible non-current assets for both aeronautical services and total airport services from 1999–2000 to 2006–07.

**Chart 6.7: EBITA on average tangible non-current assets**



In 2006–07 EBITA on average tangible non-current assets for aeronautical services increased while the measure decreased for total airport services.

EBITA on average tangible non-current assets for aeronautical services increased in 2006–07 to 16 per cent from 13 per cent in 2005–06. This is the sixth consecutive year of positive returns on aeronautical assets, in contrast to the first two years of the reporting period, which had negative returns.

For total airport services, the measure has been positive in all years of the reporting period; however, it decreased to 10 per cent in 2006–07 from 12 per cent in 2005–06.<sup>93</sup> This is predominantly the result of a large increase in the value of total airport non-current assets—specifically, Darwin revalued investment property by \$58.2 million.

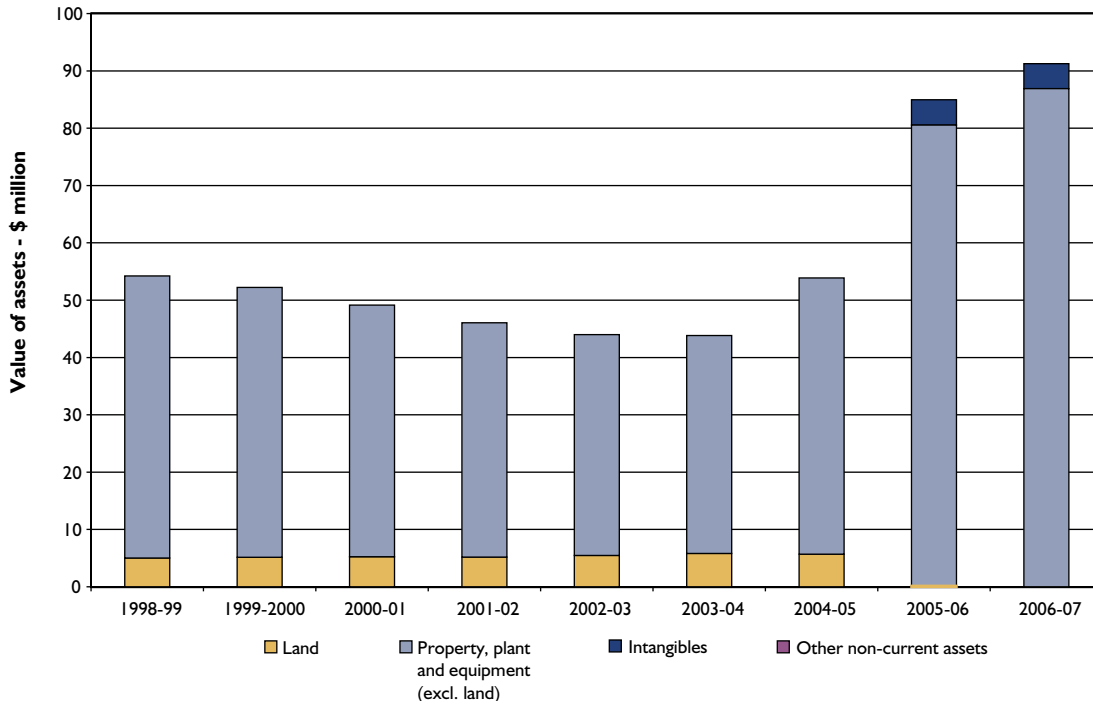
As explained in section 1.4.1.4, the return on assets measures are influenced by the airport operator’s valuation of its assets recorded in its financial accounts. The following section gives details of asset values and changes in asset values over time.

93 The 2005–06 result for total airport services was previously reported as 15 per cent as Darwin airport previously reported its prepaid rent asset as a non-current tangible asset.

## Asset values

Chart 6.8 shows the total value of aeronautical non-current assets at Darwin from 1998–99 to 2006–07.

**Chart 6.8: Aeronautical non-current assets**

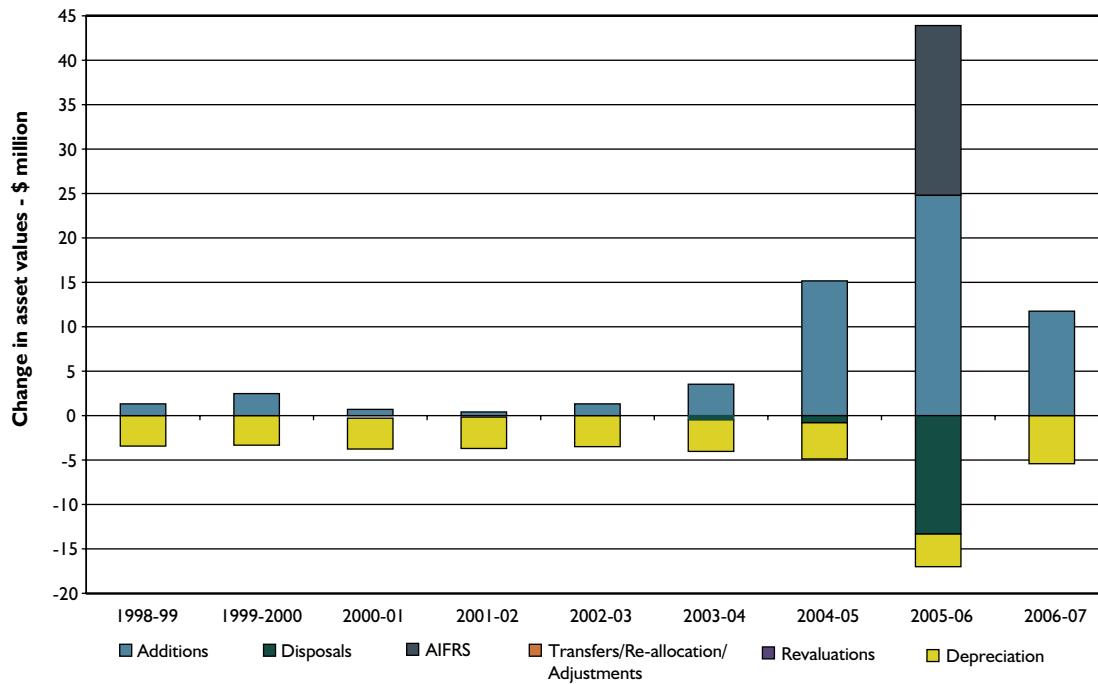


The value of aeronautical assets increased in 2006–07 following increases in 2005–06 and 2004–05, after declining over the period 1998–99 to 2003–04. In 2006–07 the value of aeronautical non-current assets increased by 7.4 per cent to \$91.3 million from \$85.0 million in 2005–06. This is largely the result of an increase in the value of property plant and equipment.

In 2005–06 Darwin airport’s application of AIFRS (including a revaluation of certain assets undertaken with the implementation of AIFRS) and some infrastructure investment increased the value of property, plant and equipment, excluding land, from \$48.2 million to \$80.4 million, an increase of 67 per cent.

Chart 6.9 further illustrates the changes in value for tangible aeronautical non-current assets from 1998–99 to 2006–07.

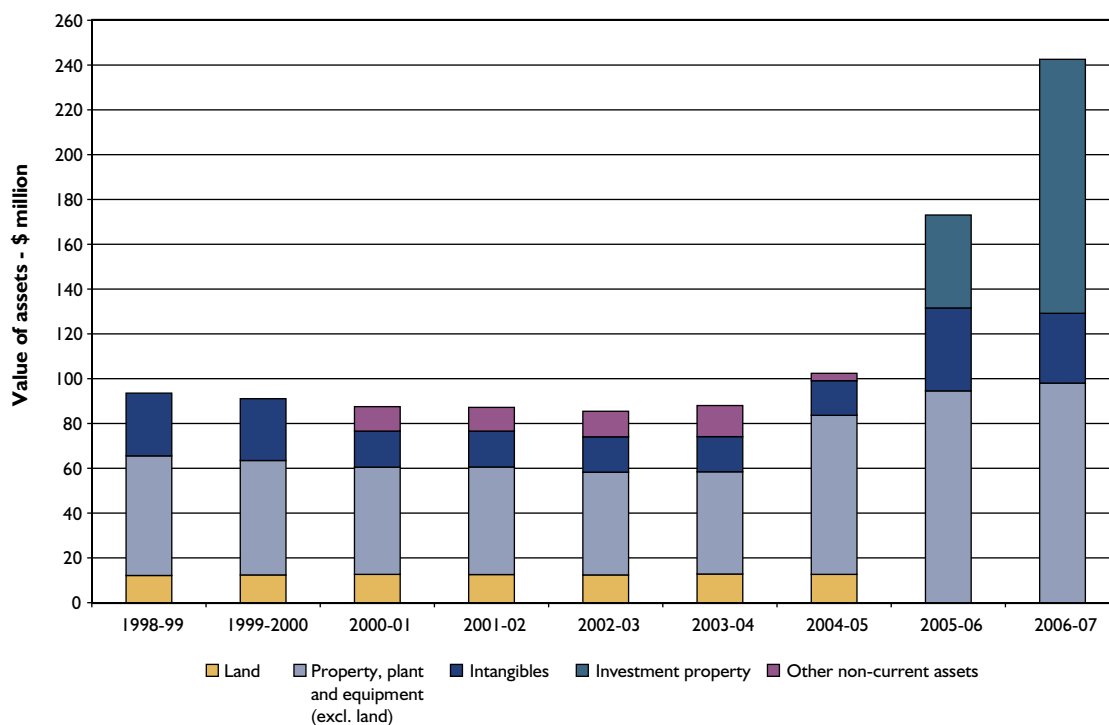
**Chart 6.9: Change in tangible non-current assets—aeronautical services**



In 2006–07 value of tangible non-current aeronautical assets increased by \$11.8 million worth of net investment predominantly in the categories of other infrastructure (\$6.6 million), runways, taxiways and aprons (\$1.7 million) and buildings (\$1.6 million). This investment was somewhat offset by \$5.4 million-worth of depreciation. In 2006–07 Darwin airport noted it had constructed and installed a new aerobridge on Bay 1 and completed terminal building enhancements, including smoke spill system and refurbishing of public amenities, departure lounge seating and carpets.

Chart 6.10 shows the value of total non-current assets for Darwin from 1998–99 to 2006–07.

**Chart 6.10: Total airport non-current assets**



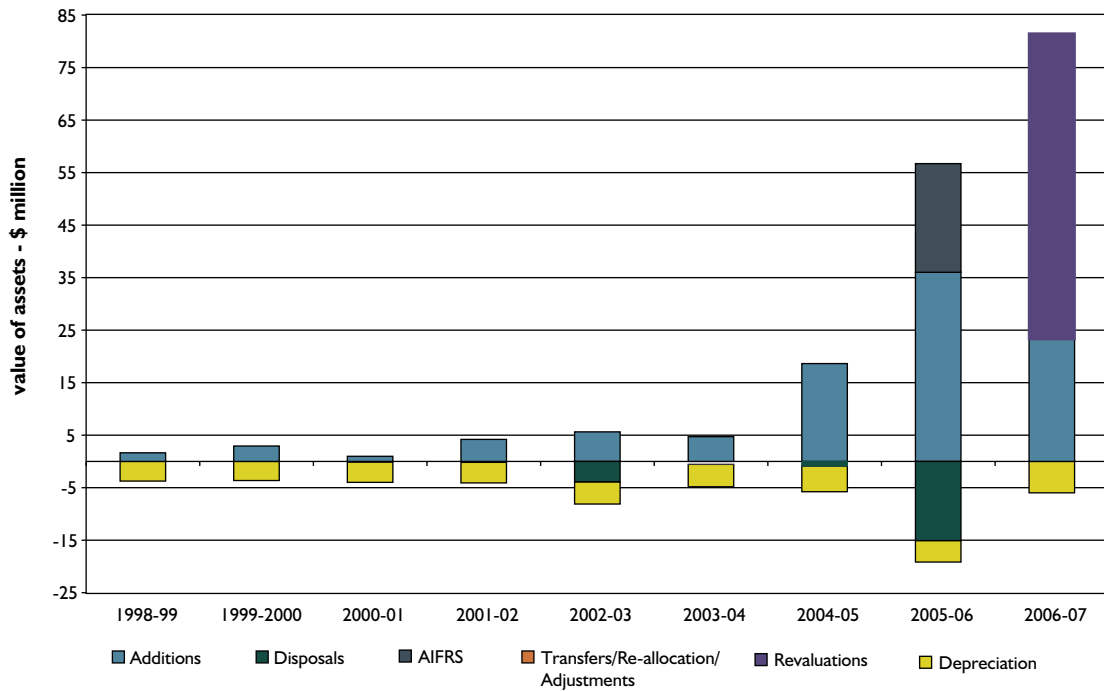


The value of non-current assets has increased over the last four years. In 2006–07 the value of total airport non-current assets increased by 40 per cent to \$242.6 million from \$173 million in 2005–06, after declining over the period 1998–99 to 2002–03.

The major cause of this increase is attributed to the value of investment property, which increased by 173 per cent to \$113.4 million in 2006–07 from \$41.5 million in 2005–06. In 2006–07 the value of property, plant and equipment also increased by 3.7 per cent to \$98.1 million.

Chart 6.11 shows changes to the value of tangible non-current assets at Darwin from 1998–99 to 2006–07.

**Chart 6.11: Change in tangible non-current assets—total airport**



After relatively little change in the value of tangible non-current assets over the reporting period to 2003–04, the value of total airport non-current assets increased significantly by \$12.9 million in 2004–05, \$37.6 million in 2005–06 and by \$75.5 million in 2006–07.

While the increase in 2004–05 was mainly the result of investment in total airport assets, the increase in 2005–06 was predominantly the result of Darwin airport’s application of AIFRS. In 2006–07 investment property assets increased by \$71.9 million, which included a revaluation of \$58 million. Net investment at the airport contributed to a \$23.3 million-increase in the value of total airport non-current assets. In 2006–07 Darwin airport advised it completed construction and development of the airport’s new commercial precinct including associated roads and infrastructure.

### Rates of return to shareholders

Darwin’s post-tax return on equity is influenced by its capital structure. Darwin reports share capital of \$12.00 and long-term borrowings of \$205 million. This means that the return on equity measures is not meaningful.

Darwin’s regulatory accounts are attached at appendix 1.1.

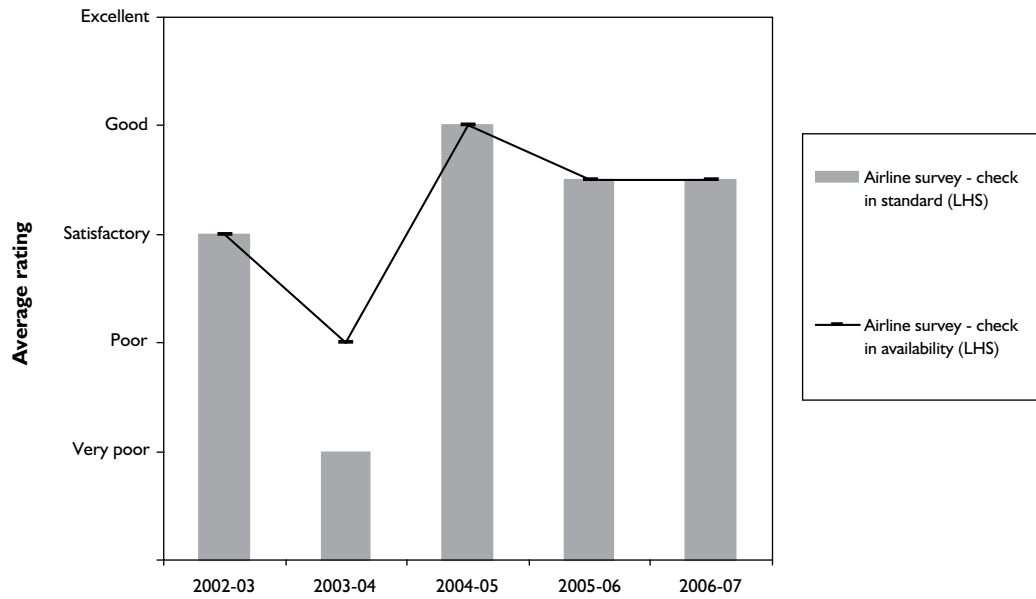
## 6.2. Darwin airport quality of service results

As a Phase II airport, Darwin airport is not required to undertake passenger surveys.

### 6.2.1. International services

Check-in facilities

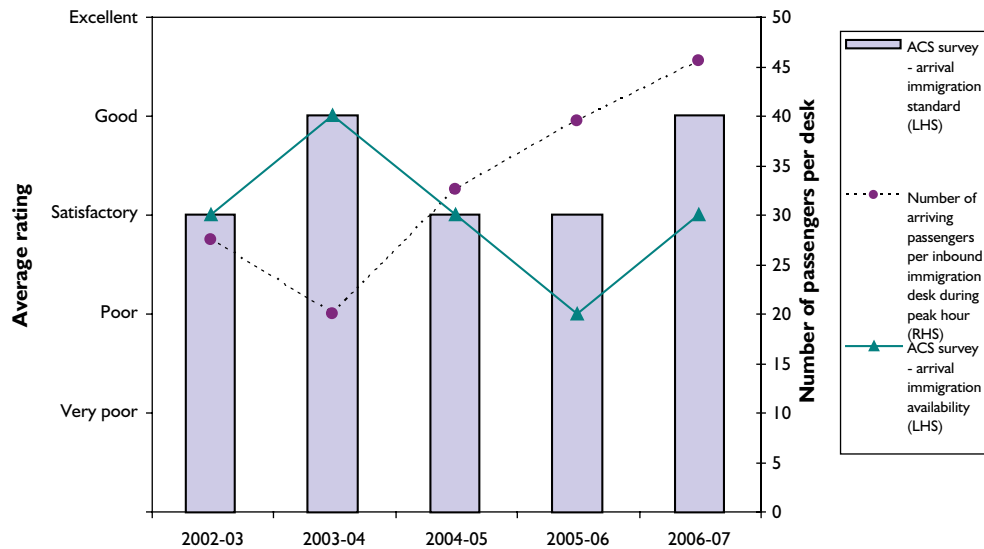
**Chart 6.12: Darwin—international check-in**



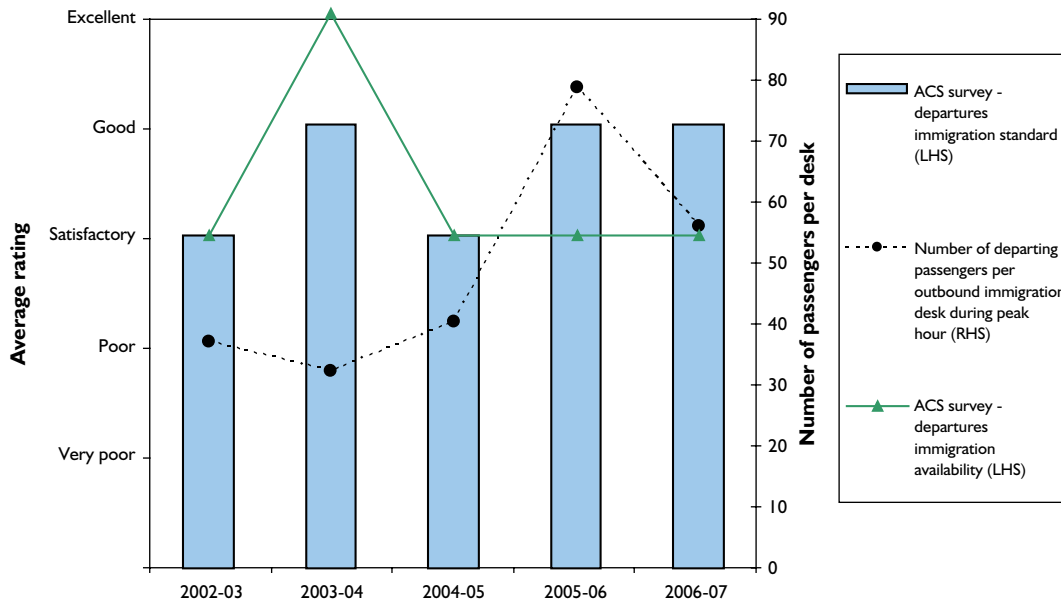
Airline ratings of the **availability** and **standard** of check-in desks remained stable over the two years to 2006–07 at between satisfactory and good. This follows airline ratings of very poor for the **standard** and poor for the **availability** of check-in facilities in 2003–04.

Government inspection facilities

**Chart 6.13: Darwin—international inbound government inspection**



**Chart 6.14: Darwin—international outbound government inspection**



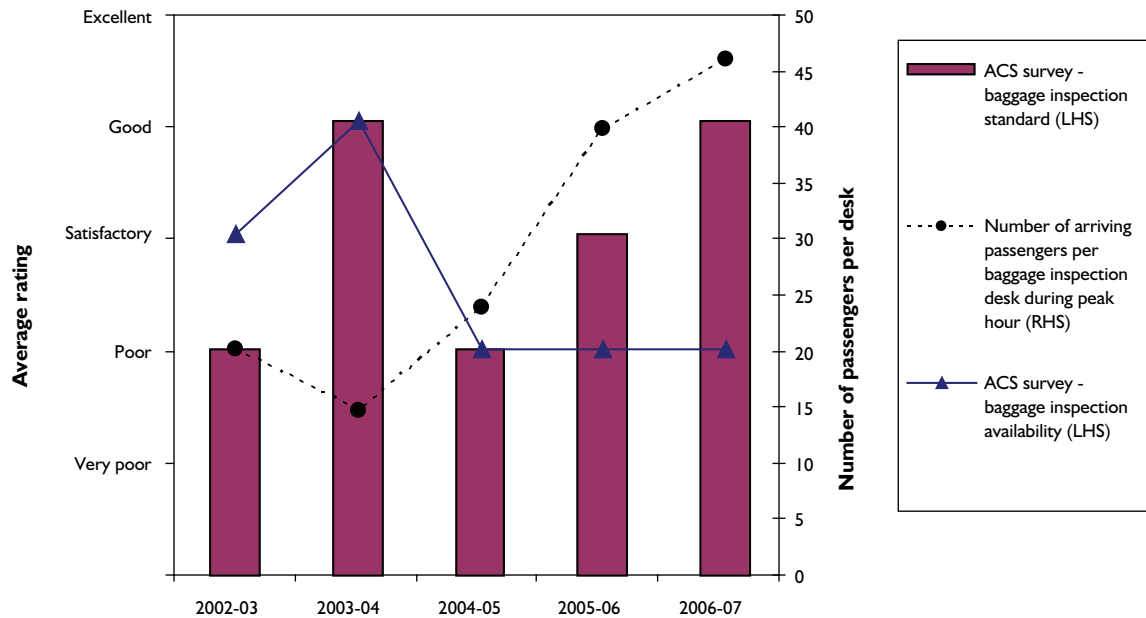
The number of arriving passengers per inbound immigration desk during peak hour decreased to 20 passengers in 2003–04 but increased over the remainder of the reporting period to a peak of 46 passengers in 2006–07. As the number of inbound immigration desks remained at eight throughout the reporting period, the increases in desk use is a result of an increased number of arriving passengers during peak hour.

The decrease in desk utilisation in 2003–04 was coupled with an increase in the ACS’s rating to good for **availability** of the facilities. Conversely, the increase in 2005–06 to 39 passengers was associated with a decrease in the ACS’s rating to poor. However, despite a further increase in the use of inbound immigration desks to 46 passengers, the ACS rating increased to satisfactory in 2006–07. This may be a result of an increase in the **standard** of these facilities from satisfactory during 2004–05 to 2005–06 to good in 2006–07.

The number of departing passengers per outbound immigration desk remained relatively stable between 2002–03 and 2004–05, but increased to 78 passengers in 2005–06, followed by a decrease to 55 passengers in 2006–07. Despite the higher levels of use in recent years, the ACS ratings for **availability** of these facilities has remained stable at satisfactory from 2004–05 to 2006–07. The ACS has rated the **standard** of these facilities as good for the past two years.

Baggage inspection facilities

**Chart 6.15: Darwin—international baggage inspection**

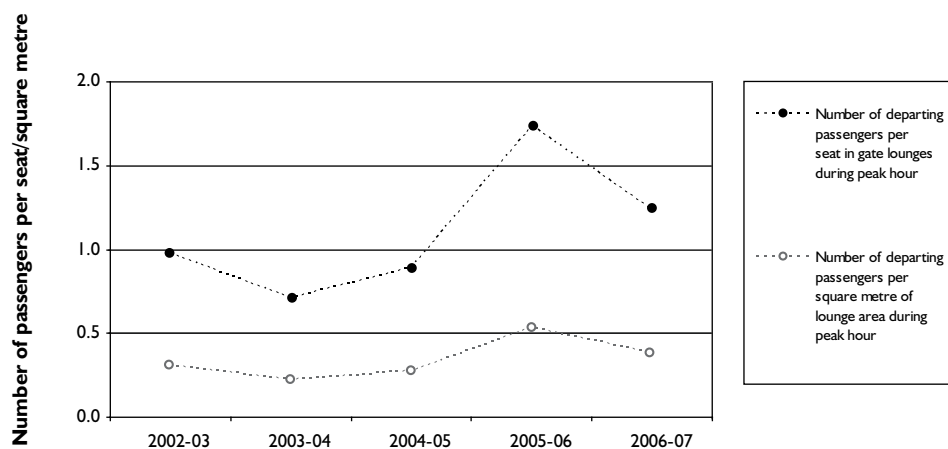


The number of passengers per baggage inspection desk steadily increased from a low of 15 passengers in 2003–04 to a high of 46 in 2006–07. In 2003–04, when this measure was at its lowest, the ACS ratings of the **availability** of these facilities were at their highest (at good). While the utilisation measure has increased since that time, the ACS ratings of **availability** have remained stable after falling to poor in 2004–05.

The ACS has rated the **standard** of these facilities as good in 2006–07, up from poor in 2004–05. The ACS noted in 2006–07 that baggage collection and baggage examination areas are small and are easily subject to congestion at peak times. Furthermore, the ACS stated the increased intervention by the Australian Quarantine Inspection Service (AQIS) contributes to congestion during peak times.

Gate lounge facilities

**Chart 6.16: Darwin—international gate lounge**

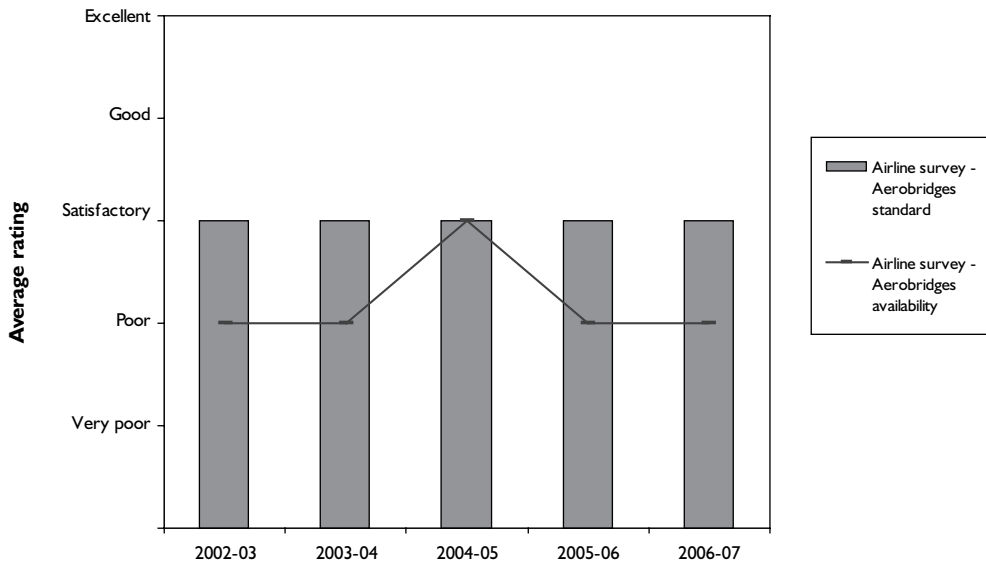


The number of departing passengers per seat in gate lounges during peak hour increased from 0.7 passengers in 2003–04 to 1.7 in 2005–06; however, this measure decreased to 1.2 passengers in 2006–07.

Unlike gate lounge seat, the quantitative measure for passengers per square metre of lounge area represents the area allocated to international passengers within the common use terminal. The measure has varied from a low of 0.2 passengers in 2003–04 to 0.5 passengers in 2005–06.

Aerobridges facilities

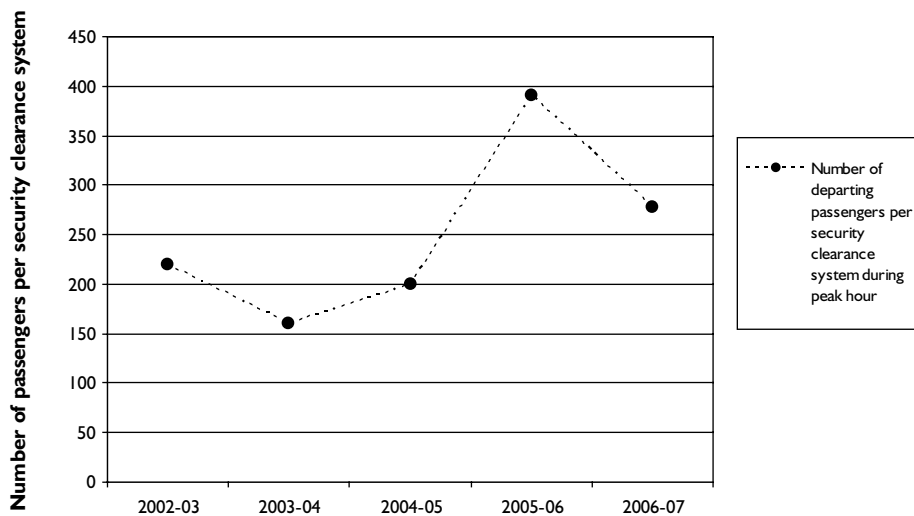
**Chart 6.17: Darwin—international aerobridges**



Airlines have consistently rated the **standard** of aerobridge facilities as satisfactory over the reporting period. Airline ratings for the **availability** of aerobridge facilities increased from poor in 2002–03 and 2003–04 to satisfactory in 2004–05, before decreasing to poor for the remainder of the reporting period.

Security facilities

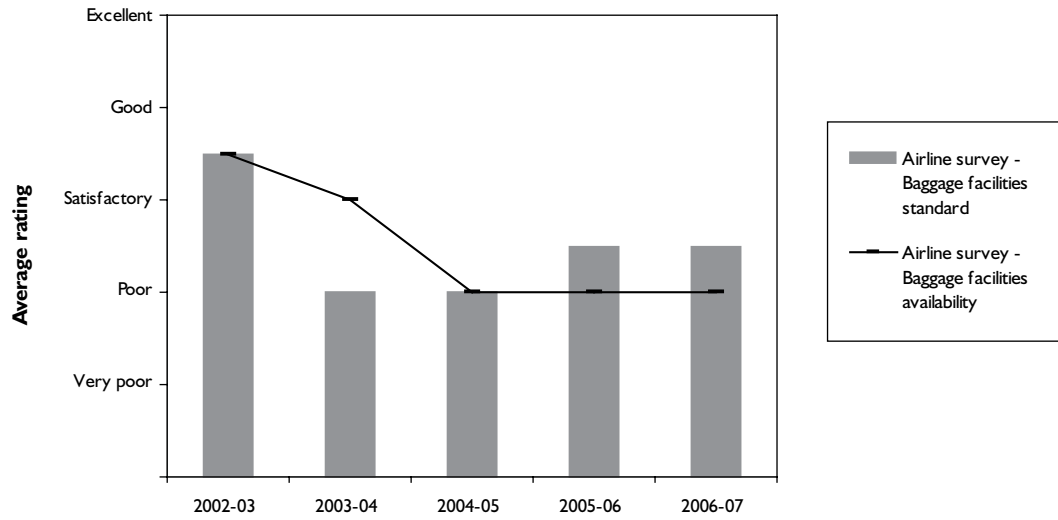
**Chart 6.18: Darwin—international security**



The number of passengers per security clearance system during peak hour was 160 in 2003–04. This increased to a peak of 390 passengers in 2005–06 and dropped to 277 passengers in 2006–07. As the number of security clearance systems remained at 1 for the entire reporting period, the fluctuations in the quantitative measure of use are a result of changes in the number of departing passengers during peak hour.

Baggage facilities

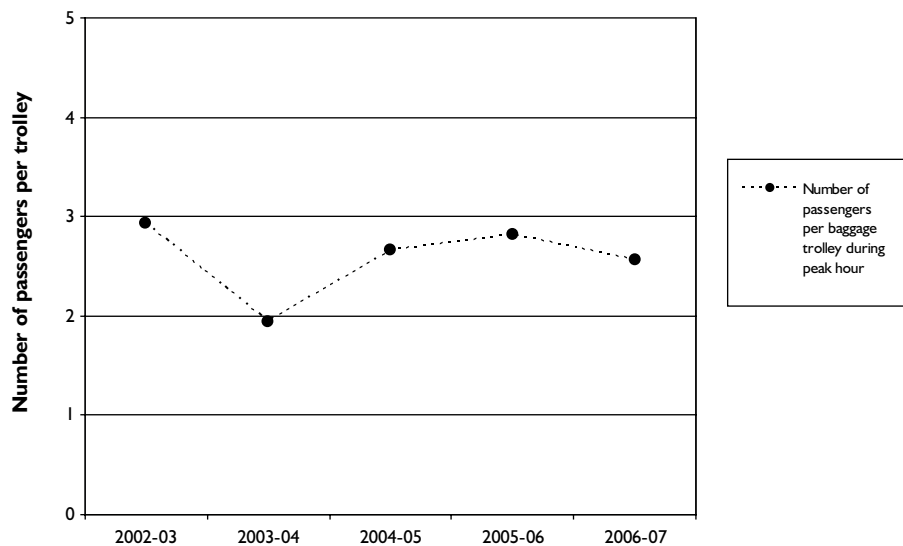
**Chart 6.19: Darwin—international baggage**



While airlines rated the **availability** and **standard** of baggage facilities between satisfactory and good at the start of the reporting period, these facilities are now rated as poor for *availability* and between poor and satisfactory for *standard*.

Baggage trolleys

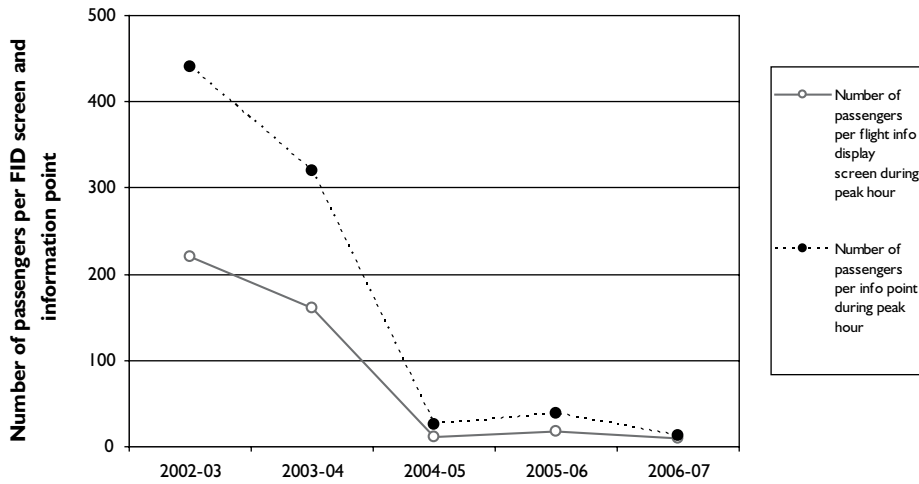
**Chart 6.20: Darwin—international trolleys**



As the airport operates as a common user terminal, this measure is calculated using the total number of baggage trolleys available for use by both domestic and international passengers. The number of international passengers per baggage trolley increased from a low of 1.9 passengers in 2003–04 to 2.8 passengers in 2005–06. In 2006–07 Darwin airport introduced a further 77 trolleys to take the total number of trolleys available to 250. Coupled with the decrease in the number of passengers during peak hour, this led to a decrease in the number of passengers per trolley.

Flight information displays

**Chart 6.21: Darwin—international flight information and displays**

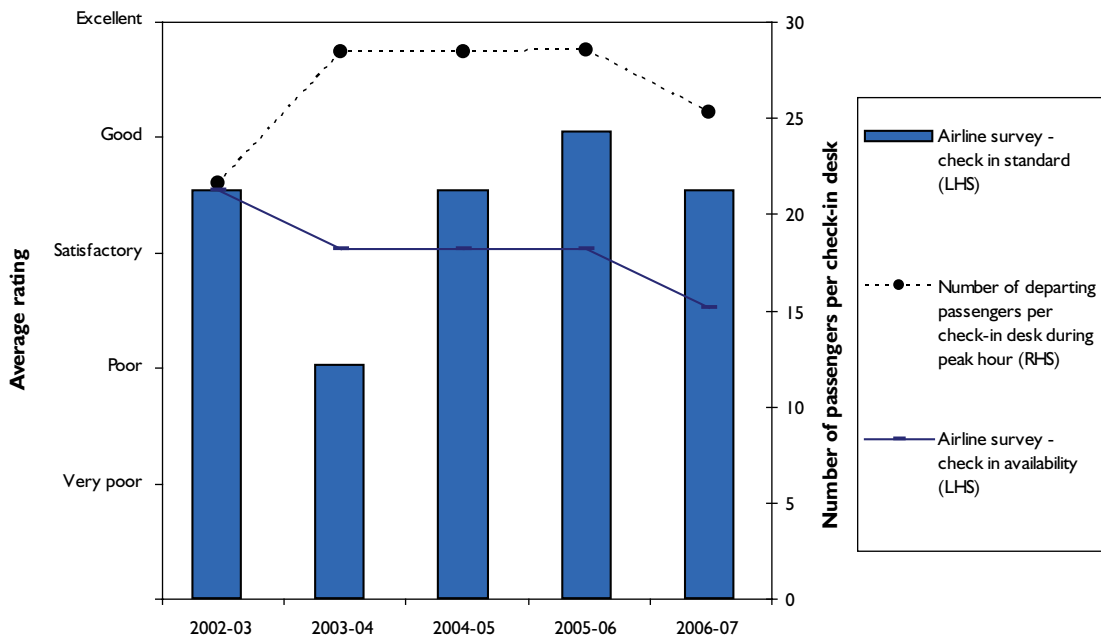


From 2004–05 Darwin airport reported the number of FID screens and information points as a common-use number that reflected the total number of these facilities. The number of passengers per FID screen decreased from 18 passengers in 2005–06 to 9 passengers in 2006–07. This followed an increase in the number of FID screens from 39 to 70, as a result of Darwin airport altering the basis of reporting from gate screens alone before 2006–07 to including arrival, departure, counter and baggage screens. Similarly, information points were reported to have increased from 18 to 52 in 2006–07, following a change in the basis of reporting from customer service office, baggage collection screens and direction signs to including existing directional and/or information signs and temporary signs.

6.2.2. Domestic services

Check-in facilities

**Chart 6.22: Darwin—domestic check-in**

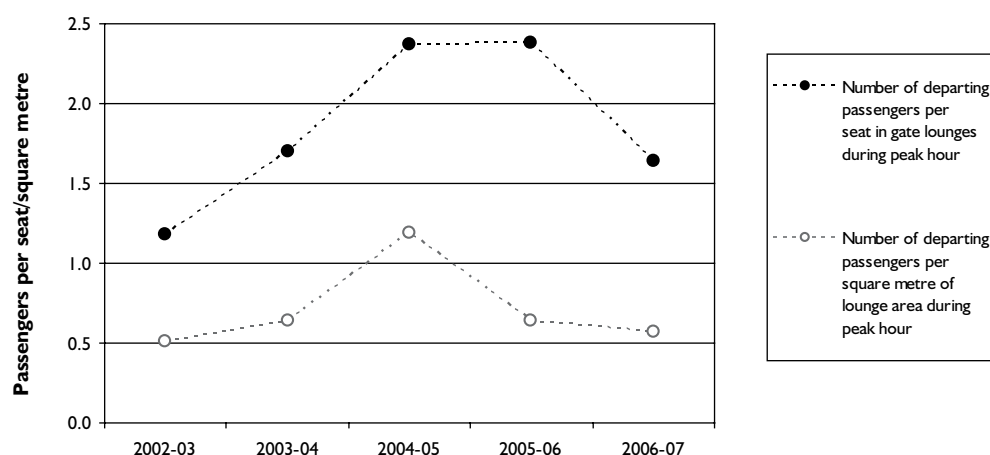


The number of passengers per check-in desk remained stable for most of the reporting period but dropped from 28 passengers in 2005–06 to 25 passengers in 2006–07. As the number of check-in desks remained steady at 24 over the reporting period, changes in the number of passengers per check-in desk are a result of changes in the number of passengers departing during peak hour.<sup>94</sup>

Airline ratings of the **availability** of check-in facilities ranged from between satisfactory and good in 2002–03 to between poor and satisfactory in 2006–07. The **standard** of these facilities was rated at a low of poor in 2003–04 rising to a high of good in 2005–06, with decrease in the rating to between satisfactory and good in 2006–07.

### Gate lounge facilities

**Chart 6.23: Darwin—domestic gate lounge**



The number of passengers per seat within gate lounges increased over the period from 1.2 passengers in 2002–03 to 2.4 passengers in 2004–05 and 2005–06. This measure decreased to 1.6 passengers in 2006–07.

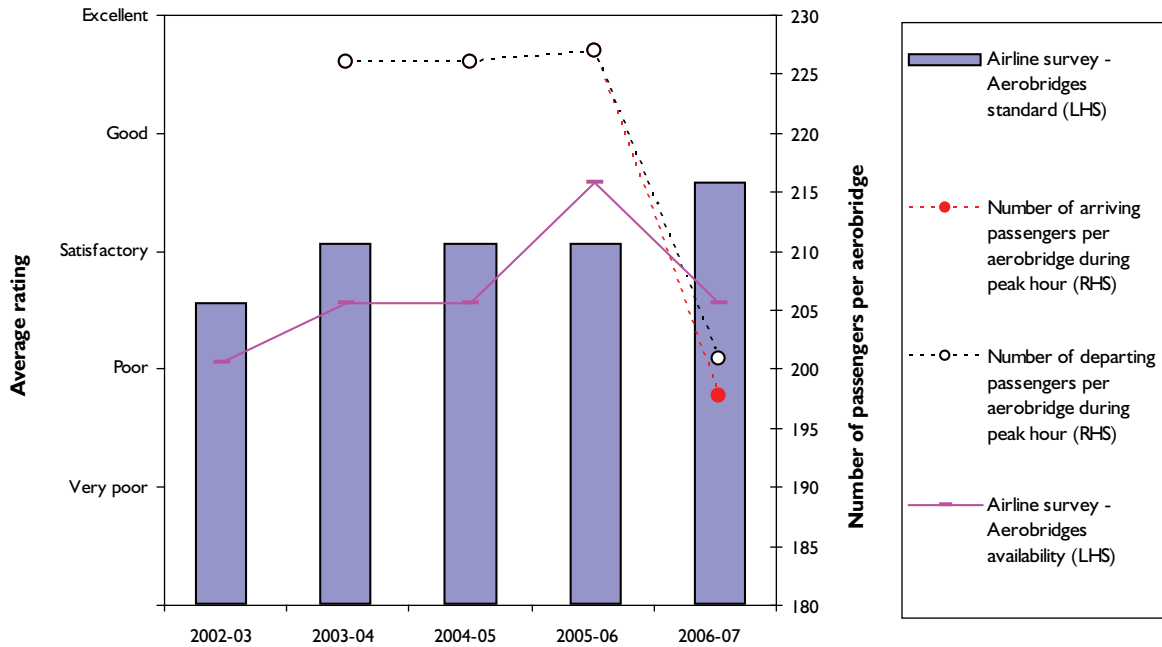
The quantitative measure for passengers per square metre of lounge area represents the area allocated to domestic passengers within the common use terminal. The measure varied from a low of 0.5 passengers in 2002–03 to 1.2 passengers in 2004–05.

94 The ACCC’s *Guidelines for quality of service monitoring at airports* and the Airports Act require the provision of information concerning both the number of hours of operation with more than 80 per cent of domestic check-in desks staffed and the total number of hours any domestic check-in desks are open. However, Darwin airport did not provide this information because the airport does not record it. For comparison purposes the ACCC has derived a quantitative measure of use wherever possible to assist with analysis. As such, the quantitative measure of number of passengers per check-in counter has been used.



Aerobridges facilities

**Chart 6.24: Domestic aerobridges**

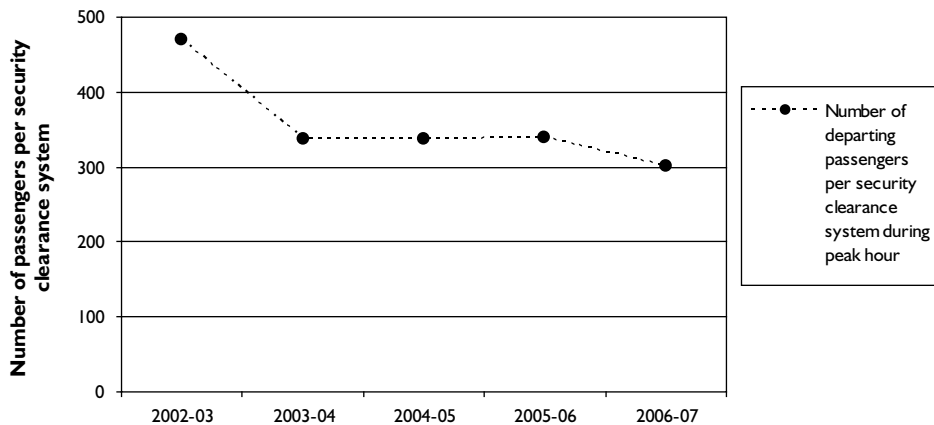


The number of arriving and departing passengers per aerobridge has remained steady at around 225 since 2003–04. However, this measure decreased to 197 arriving passengers and 200 departing passengers per aerobridge in 2006–07. As the number of aerobridges remained fixed at 3, this decrease is a result of decreases in the number of passengers during peak hour.<sup>95</sup>

Airlines rated the **availability** of aerobridge facilities as between poor and satisfactory from 2003–04 to 2004–05, increasing their rating to between satisfactory and good in 2005–06 but reversing this in 2006–07 by reporting a rating of between poor and satisfactory. From 2003–04 to 2005–06 airlines rated the **standard** of aerobridge facilities as satisfactory and increased this to between satisfactory and good in 2006–07.

Security facilities

**Chart 6.25: Darwin—security clearance**

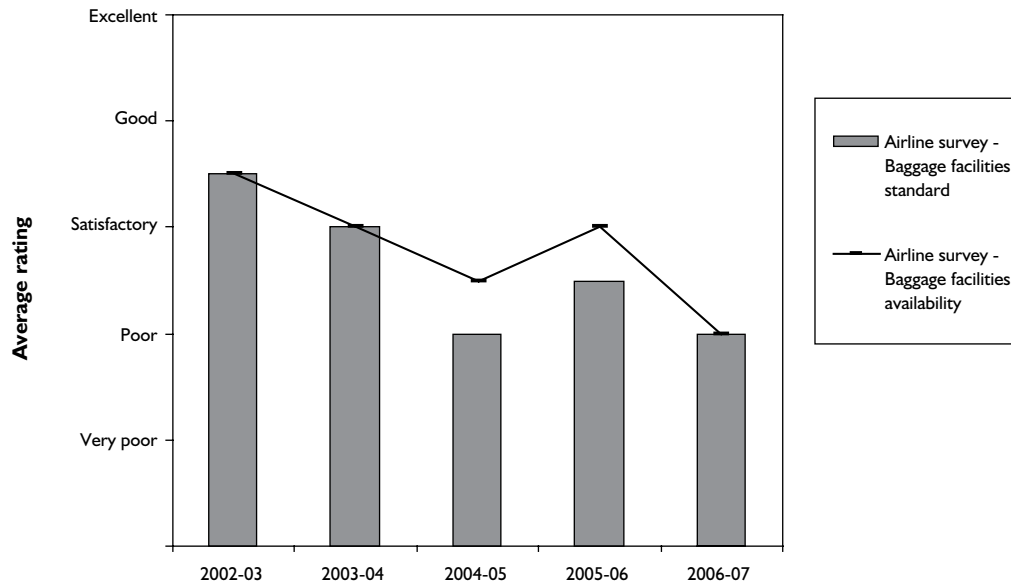


<sup>95</sup> The ACCC's *Guidelines for quality of service monitoring at airports* and the Airports Act do not currently require the provision of information concerning the number of domestic passengers arriving via an aerobridge as is the case for arriving international passengers. However, for comparison purposes the ACCC has derived a quantitative measure of utilisation wherever possible to assist with analysis. As such, the quantitative measure of number of passengers per aerobridge has been used.

The number of passengers per security clearance system has remained stable over the reporting period following a decrease from 470 passengers in 2002–03 to 338 passengers in 2003–04. A further decrease occurred in 2006–07 down to 301 passengers. Security clearance systems remained at 2 throughout the reporting period.

Baggage facilities

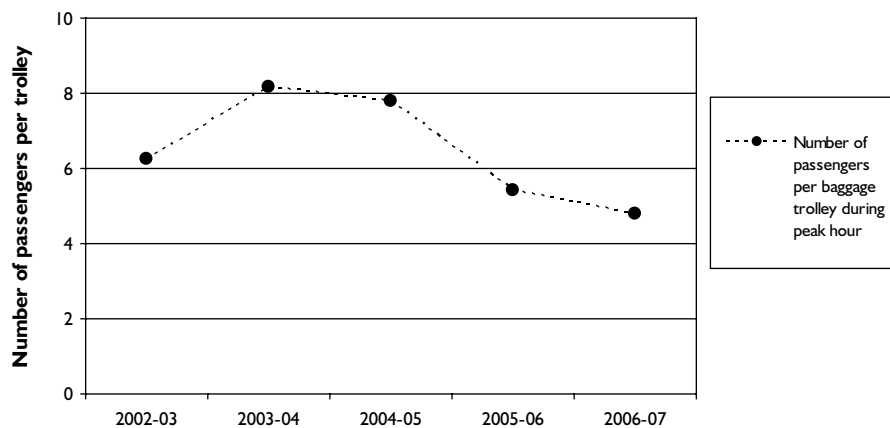
**Chart 6.26: Darwin—domestic baggage**



Airline ratings of **availability** and **standard** of baggage facilities decreased over the reporting period from between satisfactory and good in 2002–03 to a low of poor for both aspects of the facility in 2006–07. Some airlines noted in 2006–07 that one arrival baggage carousel is not sufficient for more than one arriving flight at a time.

Baggage trolleys

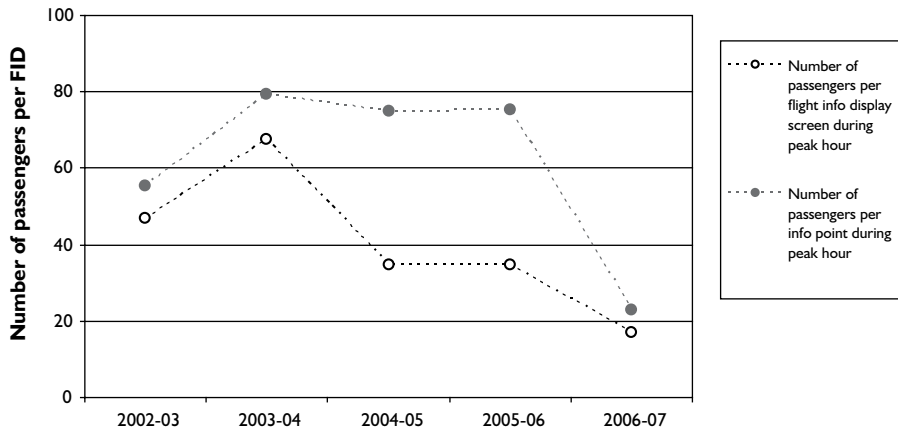
**Chart 6.27: Darwin—domestic trolleys**



As noted above, this measure is calculated using the total number of baggage trolleys available for use by both domestic and international passengers given that the airport operates as a common use terminal. The number of baggage trolleys per passenger decreased from 8.2 passengers in 2003–04 to 4.8 passengers in 2006–07. This is the combined result of an increase in the number of baggage trolleys made available for use and a decrease in the number of passengers during peak hour.

Flight information display screens

**Chart 6.28: Darwin—domestic flight information and displays**

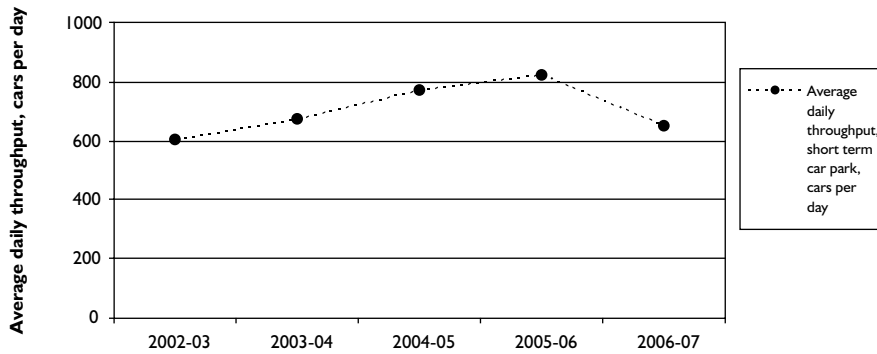


As noted above, Darwin airport altered the basis of reporting both FID screens and information points to include facilities not previously included in the report. As a result, the number of passengers per FID varied from 68 passengers in 2003–04 to 17 passengers in 2006–07. Similarly, the number of passengers per information point ranged from 79 in 2003–04 to 23 passengers in 2006–07.

6.2.3. Airport services

Car-parking facilities

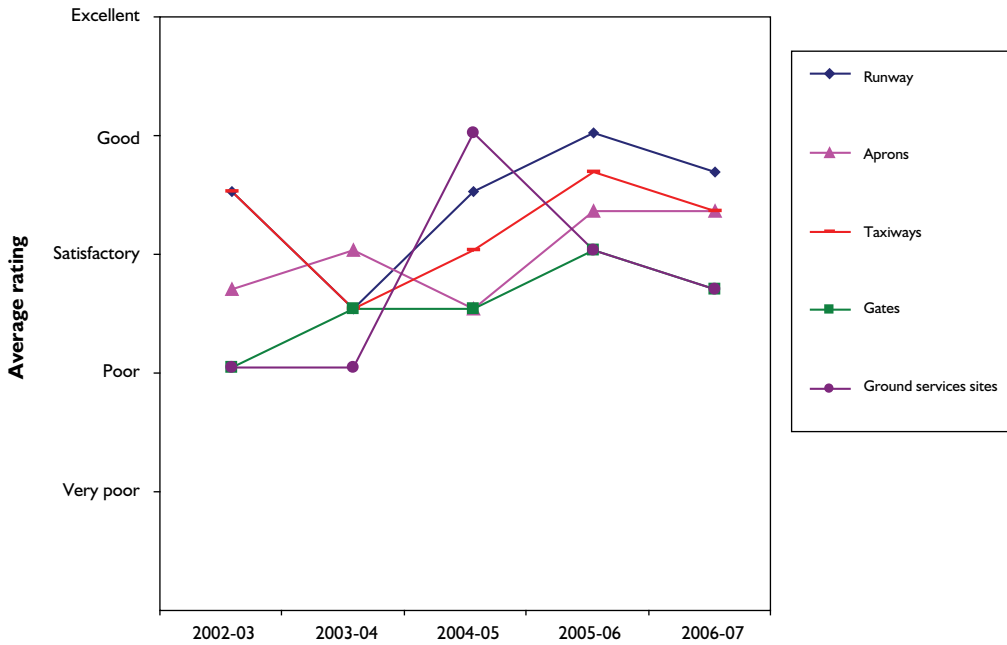
**Chart 6.29: Darwin—car park**



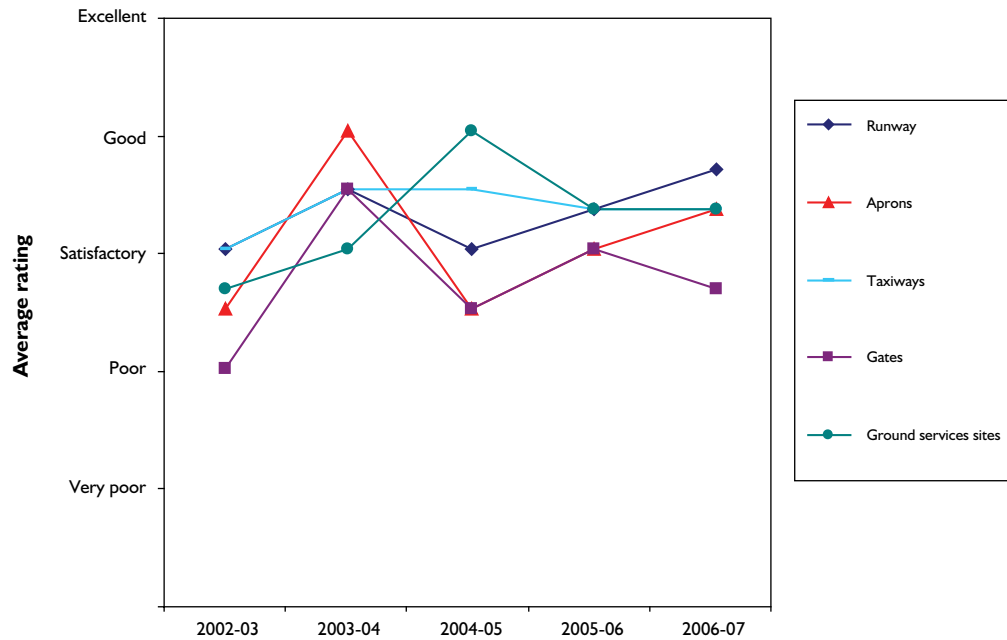
The average throughput of the short-term car park increased from 603 in 2002–03 to 672 in 2003–04. This was followed by further increases—to 772 in 2004–05 and 822 in 2005–06; however, these figures decreased to 649 in 2006–07.

Airside services and facilities

**Chart 6.30: Darwin—availability of airport airside services**



**Chart 6.31: Darwin—standard of airport airside services**

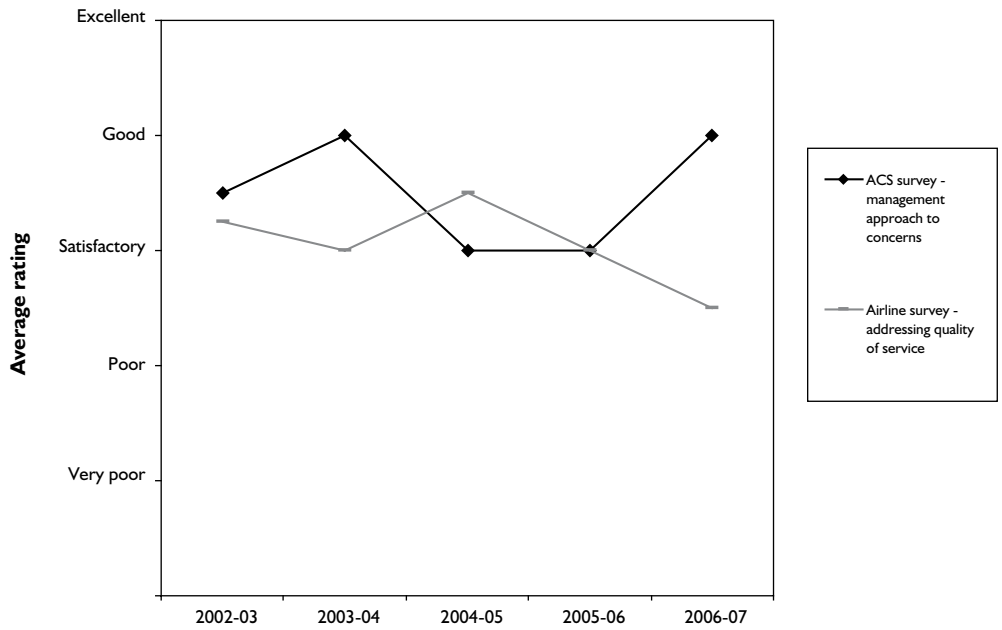


In 2006–07 most airline ratings of the **availability** of airport airside services decreased, moving from good to between satisfactory and good in the case of runways and taxiways and decreasing from satisfactory to poor in the case of gate and ground services sites facilities. The exception was apron facilities, which continued to rate as just above satisfactory following a similar rating in 2005–06.

In 2006–07 most airline ratings of the **standard** of airport airside services increased or remained stable. Following rating peaks of good for apron services (2003–04) and for ground services sites (2004–05), these services were rated as just above satisfactory in 2006–07. Airline ratings of gate services was the only rating to decrease this year, from satisfactory in 2005–06 to between satisfactory and poor in 2006–07. Some airlines commented in 2006–07 that ground services sites have become scarce since Jetstar began operations.

Airport management responsiveness

**Chart 6.32: Darwin—airport management responsiveness**



Over the reporting period the ACS and airline ratings have diverged substantially; only in 2005–06 did the two stakeholders rate the airport management’s approach to resolving quality of service issues as satisfactory. In 2006–07 the ACS rated management responsiveness as good while airlines rated the airport’s approach as between poor and satisfactory.

# 7. Melbourne airport

## Summary

In 2006–07 passenger numbers increased, while aircraft movements remained stable and tonnes landed decreased slightly. Aeronautical and aeronautical-related prices generally increased. On a per passenger basis, aeronautical revenue, expenses and margins increased this year, as did the measures for aeronautical-related services. This contributed to an increased profitability of providing aeronautical services. In 2006–07 returns on assets for aeronautical services increased.

The value of aeronautical assets increased, predominantly as a result of net investment in property, plant and equipment. Results for the total airport were affected by Melbourne recording at fair value non-aeronautical investment property that had been previously been recorded at cost. This resulted in a considerable revaluation of this asset category in 2006–07.

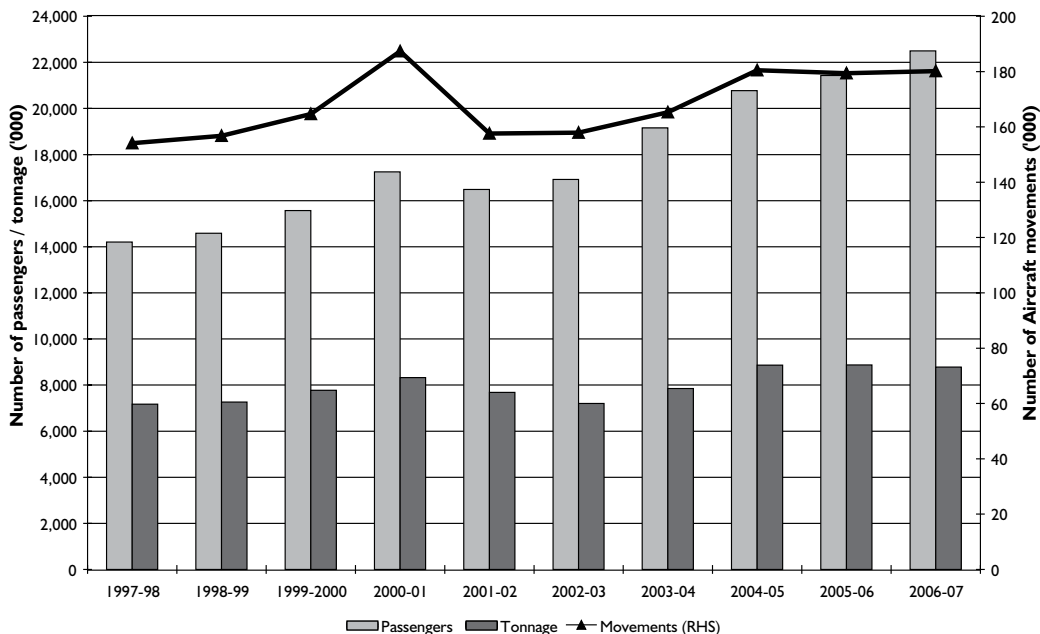
Melbourne’s overall quality of service has been rated between satisfactory and good. In 2006–07 the number of passengers per inbound immigration desk decreased, corresponding to an increase in the ACS ratings for this measure. Passengers per baggage inspection desk also decreased; however, the ACS ratings of both the **availability** and **standard** of baggage inspection desks remained the same compared to 2005–06. Domestic passengers per check-in desk increased and airline ratings of availability decreased. However, airlines’ rating of the **standard** of check-in desks increased and passenger waiting times decreased. Passengers per security clearance system decreased as the result of the installation of additional systems at the airport. Airline ratings of the **availability** and **standard** of airside services generally decreased. This year, runway demand increased slightly, while airlines’ rating of the airport’s approach to resolving quality of service issues decreased.

## 7.1. Melbourne airport price monitoring results

### 7.1.1. Activity

Chart 7.1 shows traffic volumes at Melbourne measured by passenger numbers, tonnage and aircraft movements from 1997–1998 to 2006–07.

**Chart 7.1: Melbourne—volume of passengers, tonnage and aircraft movements**



In 2006–07 passenger numbers increased while aircraft movements remained relatively stable and tonnage decreased slightly when compared with 2005–06.

Over the reporting period, passenger numbers have continued a general upward trend, increasing since 2002–03 after falling following the SARS outbreak, the September 2001 terrorist attacks in the USA and the collapse of Ansett. Before 2001 passenger numbers were showing positive growth; they have improved in the past five years to reach 22 495 110 passengers in 2006–07, representing a 5 per cent increase when compared to 2005–06.

Aircraft movements increased by less than 1 per cent in 2006–07 following last year's slight decrease of less than 1 per cent. Tonnes landed decreased by 1 per cent in 2006–07 following a stable result of less than 1 per cent increase in 2005–06.

More detailed operational statistics for Melbourne are contained in appendix 1.2.

### 7.1.2. Prices

Table 7.1 shows the schedule of charges and the indexed change in list prices for both aeronautical and aeronautical-related services at Melbourne from 2002–03 to 2006–07, with 2002–03 taken as the base year.

**Table 7.1: Schedule of charges and indexed prices (2002–03 as base year)**

			Indexed list prices			
	Basis of charge (e.g. MTOW)	Charge per unit (2006–07) \$ (incl. GST)	2003–04	2004–05	2005–06	2006–07
<b>Aeronautical services</b>						
<i>Aircraft movement facilities and activities</i>						
Landing charges						
International (for passenger aircraft utilising international terminal operated by Melbourne airport)	Passengers	12.23	104.3	106.1	108.2	111.2
Other (for passenger aircraft not utilising international terminals operated by Melbourne airport)	Passengers	3.72	105.8	107.6	109.7	112.7
South terminal—by airline	Passengers	4.19	103.6	109.1	109.1	115.4
International freight	MTOW	7.30	103.6	105.5	107.6	110.6
Domestic freight	MTOW	7.30	103.6	105.5	107.6	110.6
General aviation	MTOW	12.17	103.6	105.5	107.6	110.6
Parking <sup>(a)</sup>	15 minutes	30.41	103.6	105.5	107.6	110.6
Minimum charges						
International and domestic freight minimum charge		133.82	103.6	105.5	107.6	110.6
General aviation minimum charge		182.47	103.6	105.5	107.6	110.6
<i>Passenger processing facilities and activities</i>						
Common user passenger screening <sup>(b)</sup>	Departing passenger	1.85	88.0	150.6	172.3	222.3
International passenger and bag screening charges						
01.07.06–31.12.06	Departing passenger	3.30				
01.05.07–30.04.07	Departing passenger	2.75				
01.05.07–30.06.07	Departing passenger	5.00	101.4	100.3	107.6	117.6
<b>Aeronautical-related services</b>						
Landside vehicle access to terminals	N/A	N/A	N/A	N/A	N/A	N/A
Public, VHA and staff car-parking	N/A	See tariffs in appendix 1.3	N/A	N/A	N/A	N/A
Taxi holding and feeder services	Per trip	1.32	103.9	103.9	103.9	103.9
Check-in counters and related facilities <sup>(c)</sup>	Based on hourly rate	20.82	100.0	101.8	103.8	97.1
Aircraft light and emergency maintenance sites and buildings	N/A	N/A	N/A	N/A	N/A	N/A

Notes: N/A—not available from the information provided by the airport.

(a) Applicable after the first six hours.

(b) Includes checked baggage from 1 January 2005.

(c) New charge introduced in 2003–04 and this has been set as the base.



In 2006–07 Melbourne increased the list price of many of its aeronautical services by 2.8 per cent. From 2002–03 to 2006–07 the list price increased, generally by between 11 and 15 per cent. Melbourne decreased its Australian Protective Service passenger charges by around 90 per cent in 2006–07 due to the new arrangements with government whereby from 1 January 2006 the government has directly met the cost of the AFP Counter Terrorism First Response service rather than charging monitored airports.

In average revenue terms (i.e. revenue divided by the number of units provided) since 2002–03, the average price of general aviation charges has increased by approximately 54 per cent, which is primarily affected by the increase in the minimum charge. However, the change in the list price for general aviation charges has increased by 11 per cent over the same period. Before 2002–03 an hourly rate was calculated for check-in counters on a fixed monthly fee basis and was back-solved by dividing the total number of hours used for check-in counters to arrive at an hourly rate. This rate was then applied to each airline's use of the counters for the month. From 2002–03, in agreement with the Board of Airline Representatives of Australia (BARA), charging was altered to a fixed rate per hour. In average revenue terms, this charge increased by 5.7 per cent in 2006–07.

### Aeronautical revenue (adjusted)<sup>96</sup> per passenger

In 2006–07 aeronautical revenue (adjusted) per passenger increased by 3.8 per cent to \$5.73 from \$5.52 in 2005–06. This follows increases of 1.2 per cent in 2005–06, 2.6 per cent in 2004–05, 3.7 per cent in 2003–04 and 29 per cent in 2002–03 after the removal of price cap regulation on 1 July 2002. In total, it has increased by 44 per cent since price cap regulation ceased.

### Aeronautical revenue (adjusted) per passenger excluding security

In 2006–07 aeronautical revenue (adjusted) per passenger **excluding** security increased by 5.8 per cent from \$4.84 in 2005–06 to \$5.12. Since price monitoring began, adjusted revenue **excluding** security increased by 50 per cent. In 2006–07 security revenue per passenger decreased by \$0.07, while the overall increase in aeronautical revenue (adjusted) per passenger was \$0.21. Since price monitoring commenced, security revenue per passenger has increased by \$0.04, while the overall increase in aeronautical revenue (adjusted) per passenger was \$1.74.

More detailed information on security services is provided later in this section of the report.

## 7.1.3. Revenues, costs and profits<sup>97</sup>

Table 7.2 lists the revenues, costs and margins relating to aeronautical services and aeronautical-related services under the direction 27 definitions at Melbourne airport for the period 2002–03 to 2006–07.

In 2006–07 revenues and costs for both aeronautical and aeronautical-related services continued to increase compared with 2005–06 and 2004–05. Over the past year revenue from aeronautical services increased by 11 per cent and costs increased by 16 per cent, resulting in a 4.3 per cent increase in the margin. Revenue from aeronautical-related services increased by 14 per cent and costs increased by 31 per cent, also resulting in an 8.2 per cent increase in the margin.

<sup>96</sup> Melbourne's aeronautical revenue has been adjusted to exclude new revenue earned from the provision of the terminal formally operated by Ansett.

<sup>97</sup> Melbourne airport transitioned to AIFRS in 2004–05. A re-statement of the airport's regulatory accounts for 2004–05 was not available. Although the airport provided comparative information demonstrating the impact of the adoption of AIFRS, this report is based on the regulatory account statements that split information between aeronautical, aeronautical-related and non-aeronautical according to the Airports Act and direction 27 (as described in section 1.1), and therefore all 2004–05 figures remain stated under AGAAP.

**Table 7.2: Revenues, costs and margins**

	Revenues (\$'000)						Costs (\$'000)						Margins (\$'000)					
	2002–03	2003–04	2004–05	2005–06	2006–07		2002–03	2003–04	2004–05	2005–06	2006–07		2002–03	2003–04	2004–05	2005–06	2006–07	
<b>Aeronautical services</b>																		
Aircraft movements and facilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Passenger processing facilities and activities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
<i>Total aeronautical services</i>	98 649	118 886	134 635	141 563	156 768		57 419 <sup>(a)</sup>	63 191 <sup>(a)</sup>	70 260 <sup>(a)</sup>	74 550	86 842		41 230	55 695	64 375	67 013	69 926	
<b>Aeronautical-related services</b>																		
Landside vehicle access to terminals	417	566	704	823	890		1 416	1 361	1 394	1 427	1 412		(999)	(795)	(690)	(604)	(522)	
Public and staff car-parking	36 272	42 868	49 219	59 113	68 674		12 461	9 248	10 666	12 823	19 261		23 811	33 620	38 553	46 290	49 413	
Check-in counters and related facilities	3 400	3 350	3 837	3 725	3 936		1 358	1 124	1 169	1 302	1 312		2042	2 226	2 668	2 423	2 624	
Aircraft light and emergency maintenance sites and buildings	2 916	3 217	3 326	3 535	3 707		1 388	1 402	1 223	1 526	1 313		1 528	1 815	2 103	2 009	2 394	
Taxi-holding and feeder services	1 411	1 603	1 727	1 971	1 965		1 402	1 796	1 869	2 142	1 818		9	(193)	(142)	(171)	147	
<i>Total aeronautical-related services</i>	44 416	51 604	58 813	69 167	79 172		18 025	14 931	16 321	19 220	25 116		26 391	36 673	42 492	49 947	54 056	

Notes: N/A—not available from information provided by the airport.

Data for 2005–06 onwards have been prepared on the basis of AIFRS. Earlier years have been based on data prepared under AGAAPs.

(a) This is an estimate of total costs from aeronautical-services as specified under direction 27 based upon Melbourne's reported expenditure in relation to aeronautical services under the *Airports Act 1996*, less costs associated with landside vehicle access to terminals and taxi holding and feeder services.

From 2002–03 to 2006–07 the margin for total aeronautical services increased by 70 per cent. This increase was influenced by revenue for these services increasing at a higher rate than costs—revenue for aeronautical services increased by 59 per cent during 2002–03 to 2006–07, while costs increased by 51 per cent over the same period.

As noted in previous reports, Melbourne advised that the aeronautical services contracts signed with airlines do not split charges between the categories of **aircraft movement facilities and activities** and **passenger processing facilities and activities**. The charge is a combined charge for the provision of both services.

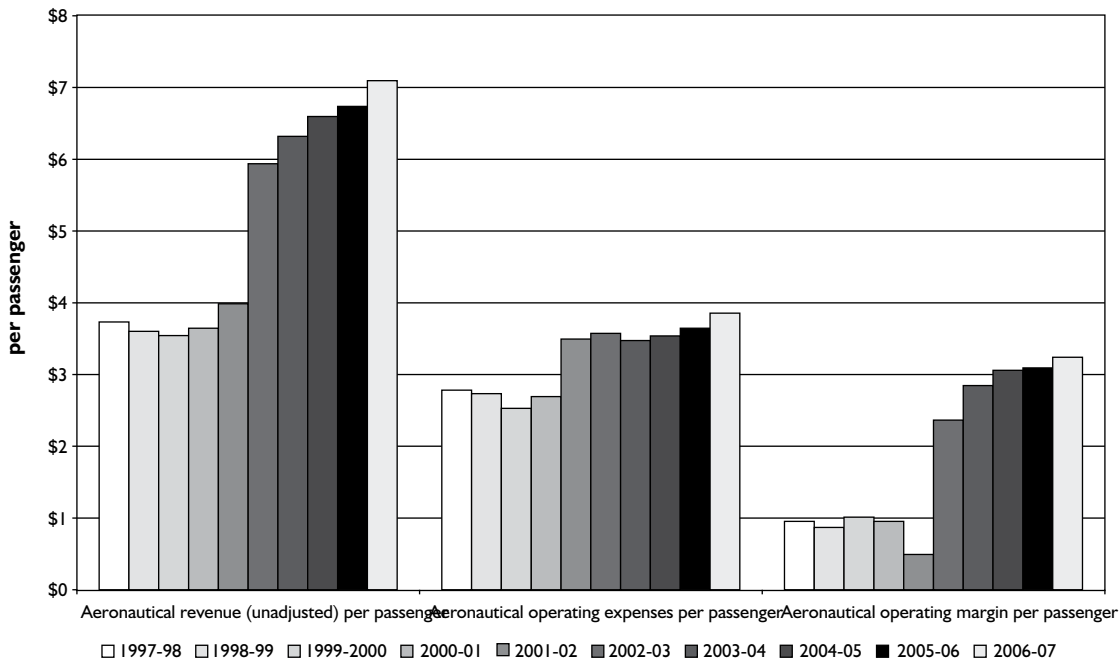
The margin for aeronautical-related services over the period 2002–03 to 2006–07 increased by 105 per cent. This was similarly influenced by revenue for these services increasing at a higher rate than costs. Revenue for aeronautical-related services increased by 78 per cent from 2002–03 to 2006–07, up to \$79.2 million, while costs increased by 39 per cent during the same period, up to \$25.1 million. The 89 per cent increase in revenue from public and staff car-parking services and the corresponding 55 per cent increase in the costs of this service in particular heavily influenced this increase in the margin over the reporting period from 2002–03 to 2006–07. The margin for these services increased by 47 per cent over five years.

Melbourne advised in 2004–05 that the reduction in costs for aeronautical-related services over the period was because it no longer allocated amortisation of the lease premium to aeronautical-related costs, in accordance with ACCC guidelines.

### Aeronautical services

Chart 7.2 shows aeronautical revenue<sup>98</sup>, operating expenses and operating margin per passenger for aeronautical services at Melbourne from 1997–98 to 2006–07.

**Chart 7.2: Aeronautical revenue, operating expenses and operating margin per passenger**



Note: The measures of aeronautical operating expenses per passenger and therefore operating margin per passenger do not include an allowance for return on capital.

98 Melbourne’s reported aeronautical revenue does not include revenue from check-in counters.

Aeronautical revenue, operating expenses and operating margin increased on a per passenger basis in 2006–07.

Aeronautical revenue per passenger was relatively stable from 1997–98 to 2001–02, before increasing by 9.3 per cent in 2001–02 and 49 per cent in 2002–03. This was followed by a further four consecutive periods of growth—including a 5.3 per cent growth in 2006–07 to reach \$7.10 per passenger. The increase in 2002–03 resulted from a major restructuring and increase of prices following the removal of price cap regulation on 1 July 2002. Aeronautical revenue includes revenues from the operations of the domestic terminal formerly operated by Ansett.<sup>99</sup>

Aeronautical operating expenses per passenger increased by 5.7 per cent, from \$3.65 in 2005–06 to \$3.85 in 2006–07. After a rise of 30 per cent in 2001–02 (affected by additional costs associated with the operation of Ansett’s domestic terminal), operating expenses per passenger appears to have remained relatively stable to 2005–06 compared to increases in aeronautical revenue over the same period.

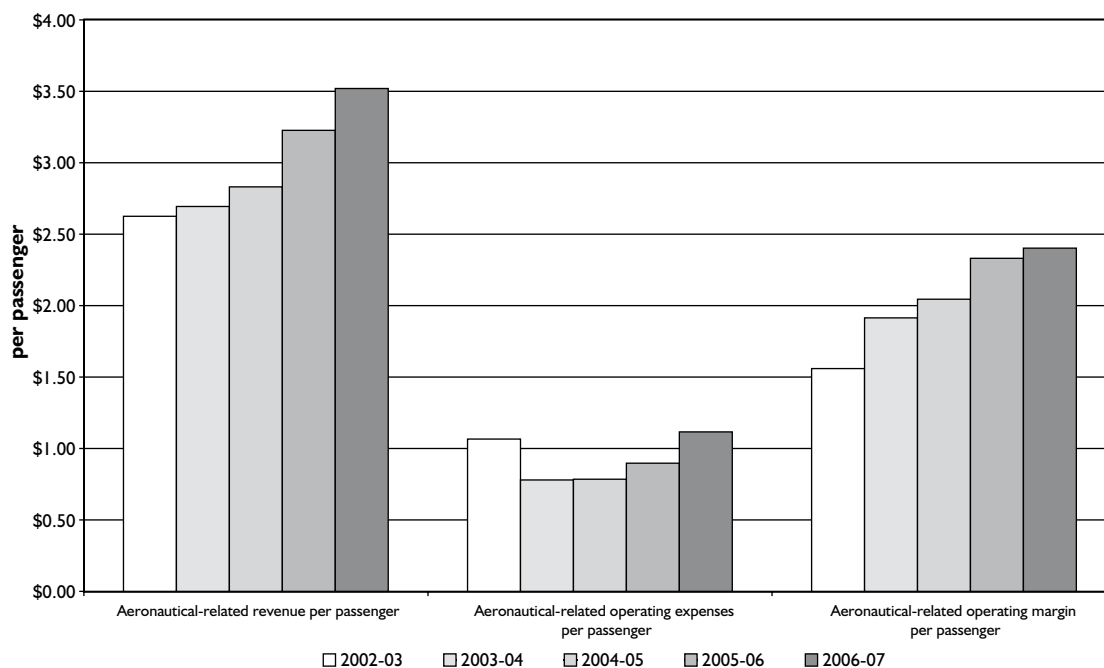
The aeronautical operating margin per passenger remained similarly stable from 1997–98 to 2000–01. There was a 48 per cent reduction in margins in 2001–02 before a strong rebound (381 per cent) in 2002–03 as the increase in aeronautical revenue more than offset increases in expenses. In 2006–07 the operating margin was \$3.24, up 4.9 per cent from \$3.09 in 2005–06. This reflects the continued increase in operating revenues coupled with the stabilisation of operating expenses.

Since price cap regulation was removed in 2001–02, aeronautical revenue per passenger has increased by 78 per cent while aeronautical operating expenses per passenger have increased by 10 per cent. Aeronautical operating margin per passenger increased from \$0.49 in 2001–02 to \$3.24 in 2006–07.

### Aeronautical-related services

Chart 7.3 shows revenue, operating expenses and operating margin per passenger for aeronautical-related services at Melbourne from 2002–2003 to 2006–07.

**Chart 7.3: Aeronautical-related revenue, operating expenses and operating margin per passenger**



<sup>99</sup> Revenue from the domestic terminal lease with Qantas (and formerly Ansett) is classified as non-aeronautical by Melbourne. However, revenue from its operation of the terminal formerly operated by Ansett has been included in aeronautical revenue.

On a per passenger basis in 2006–07, aeronautical-related revenue increased by 9 per cent to \$3.52 from \$3.23 in 2005–06, while expenses also increased by 24 per cent, which led to a 3 per cent increase in the margin. From 2002–03 to 2006–07 aeronautical-related revenue increased by 34 per cent on a per passenger basis while expenses increased by 4.8 per cent. This resulted in a 54 per cent increase in the margin from \$1.56 in 2002–03 to \$2.40 in 2006–07.

### Security services

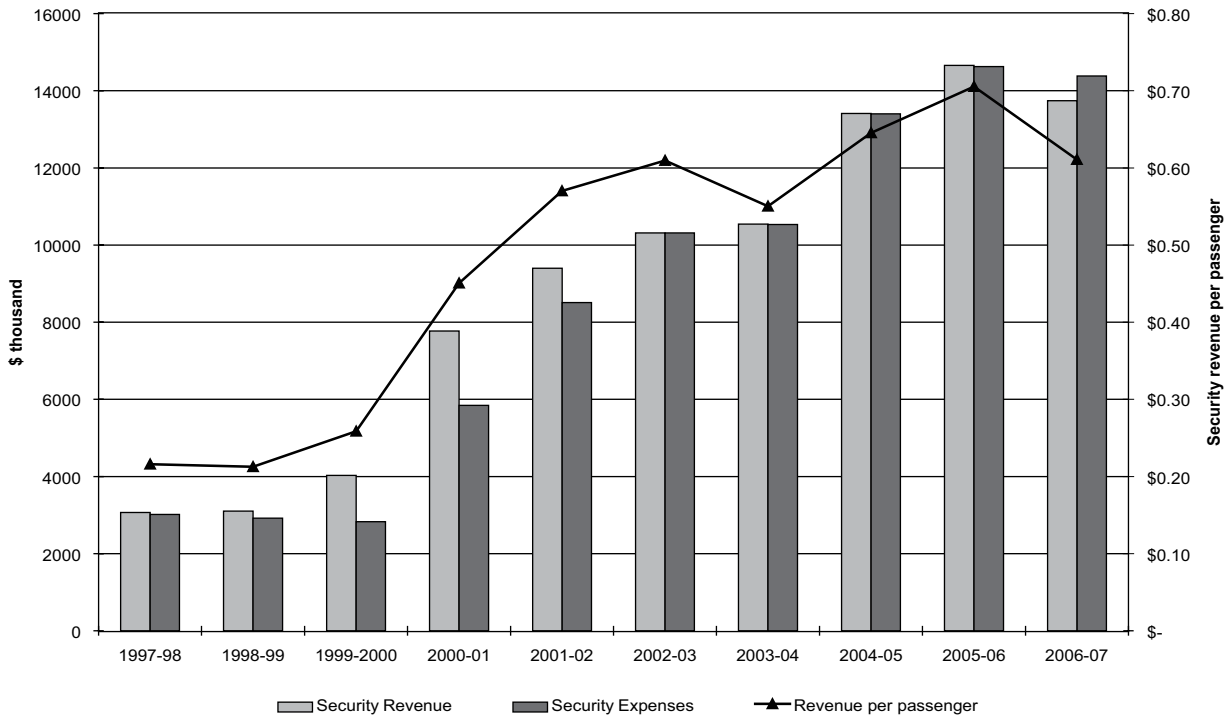
As noted in section 1.2.2, airport security expenses have increased significantly since 2000–01 because of increased government-mandated security services. In 2004–05 further requirements were implemented, contributing to the increase in revenues and costs during 2004–05 onwards.

In the Australia Pacific Airports Corporation 2007 annual report, Melbourne airport notes that the major upgrade of the checked-bag screening system at Terminal 3 was completed in 2007.<sup>100</sup> In addition, security replacement projects for terminals 2 and 3 were completed. Melbourne airport also notes that studies were conducted into future staff screening points and an alternative main airside access gate (gate 35).

Security revenue per passenger has increased as a percentage of total aeronautical revenue over the reported period, increasing from 5.8 per cent in 1997–98 to reach a high of 14 per cent in 2001–02. It decreased to remain relatively stable at approximately 10 per cent over the four years to 2005–06, but decreased to 8.6 per cent in 2006–07. Security expenses as a proportion of aeronautical expenses have increased from approximately 7 per cent in 1997–98 to approximately 19 per cent in 2005–06 and, as with security revenue, this decreased to 17 per cent in 2006–07.

Chart 7.4 shows security revenues, expenses and revenue per passenger at Melbourne from 1997–98 to 2006–07.

**Chart 7.4: Security revenue and expenses**



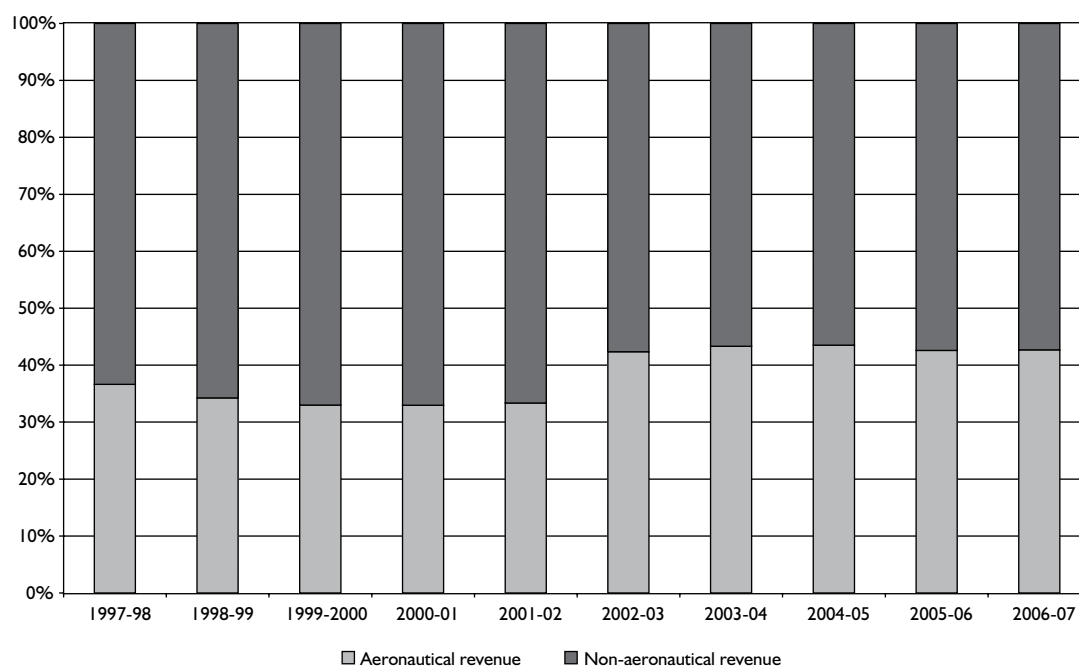
Security revenue, costs and revenue per passenger all decreased in 2006–07. Security revenue has a solid upward trend over the reporting period to 2005–06, before a decrease of 6.2 per cent in 2006–07. In 2006–07 security revenue per passenger was \$0.61, decreasing by 13 per cent from \$0.71 in 2005–06.

This year also saw a decrease in security expenses of 1.7 per cent, from approximately \$14.6 million in 2005–06 to \$14.4 million in 2006–07. The removal of the cost of CTRF-AFP expenses contributed to this overall decrease during 2006–07.

## Revenue shares

Chart 7.5 shows the total revenue shares between aeronautical and non-aeronautical services for Melbourne from 1997–98 to 2006–07.

**Chart 7.5: Total revenue shares—aeronautical and non-aeronautical revenue**

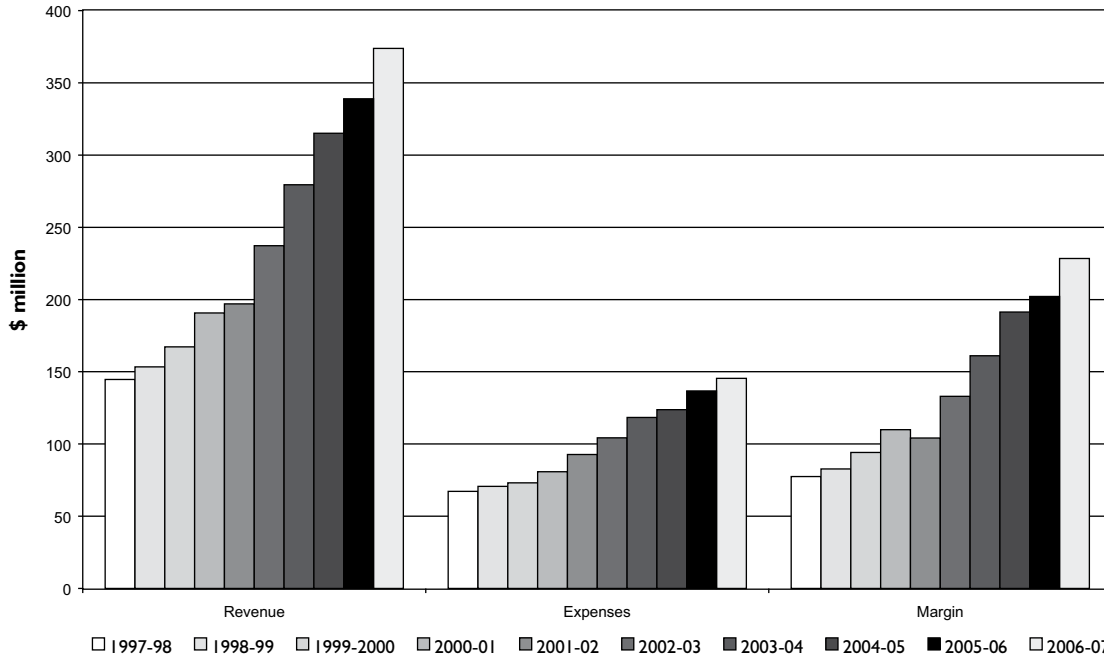


Aeronautical revenue as a proportion of total revenue remained stable in 2006–07, but increased over the reporting period. From 1998–99 aeronautical revenue accounted for approximately one-third of total revenue and remained relatively stable at this level until 2002–03 when aeronautical revenue increased to 42 per cent of total revenue. This increase in aeronautical revenue share is likely to be the result of the increase in the price of aeronautical services after price cap regulation was removed on 1 July 2002 and the inclusion of revenue from the former Ansett terminal for the first time. Aeronautical revenue continued to remain relatively stable at this level, accounting for 43 per cent of total revenue in 2006–07.

### Total airport services

Chart 7.6 shows the total airport revenue, operating expenses and operating margin for Melbourne from 1997–98 to 2006–07.

**Chart 7.6: Total airport revenue, operating expenses and operating margin**



Note: The measures of operating expenses and therefore operating margin do not include an allowance for return on capital.

Total airport revenue, total airport operating expenses and total airport operating margin increased in 2006–07, continuing the upward trend over the reporting period.

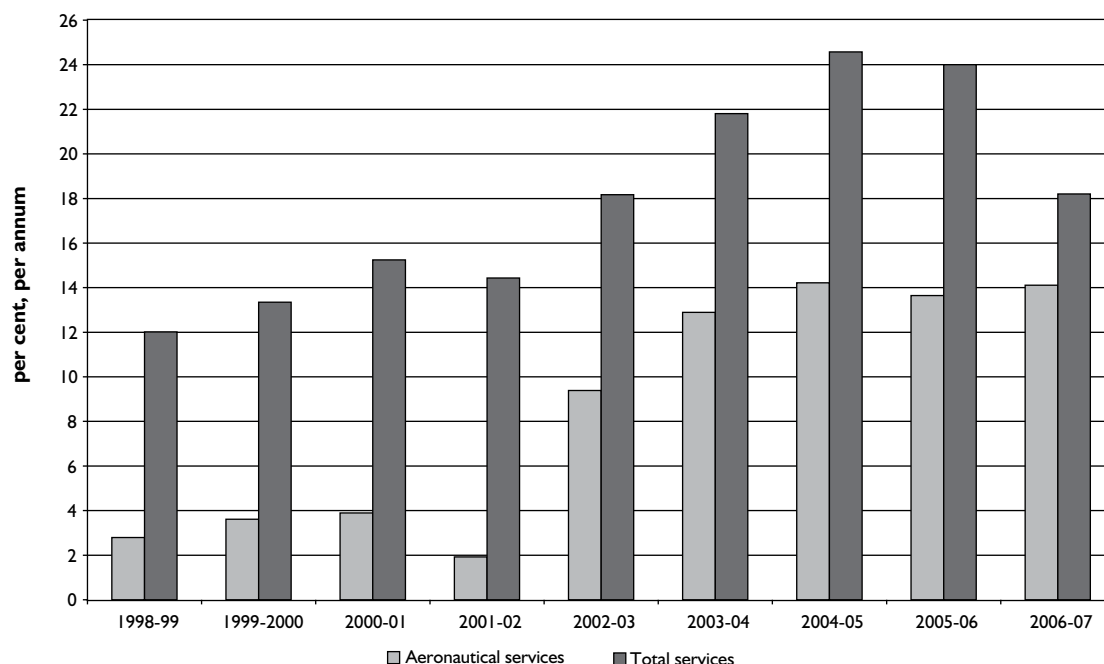
In 2006–07 total airport revenue increased by 10 per cent to \$373.8 million from \$338.9 million in 2005–06. This followed an increase of 7.6 per cent in 2005–06 from \$315.1 million in 2004–05 and an increase of 13 per cent in 2003–04.

Total airport operating expenditure has increased at a lower rate than airport revenue over the reporting period. In 2006–07 total airport operating expenses increased by 6.3 per cent to \$145.4 million following an increase of 10 per cent in 2005–06. This resulted in the total airport operating margin increasing by 13 per cent in 2006–07 to \$228.4 million from \$202.2 million in 2005–06.

## Rates of return on average tangible non-current assets

Chart 7.7 shows the return on average tangible non-current assets for both aeronautical services and total airport services from 1998–99 to 2006–07.

**Chart 7.7: EBITA on average tangible non-current assets**



EBITA on average tangible non-current assets for aeronautical services increased while for total airport services it decreased in 2006–07.

EBITA on average tangible non-current assets for aeronautical services increased significantly in 2002–03 after remaining relatively stable from 1998–99 to 2001–02. The return on aeronautical services increased over the two years to 2004–05 and then remained stable at around 14 per cent over the period 2004–05 to 2006–07.

For total airport services, EBITA on average tangible non-current assets has shown a general trend upward over the reporting period, with the exception of 2001–02 when the return on these assets declined. In 2005–06 EBITA on average tangible non-current assets for total airport services decreased slightly to 24 per cent from 25 per cent in 2004–05. However, in 2006–07 the measure dropped to 18 per cent as a result of an increase in the value of total airport assets, which followed Melbourne airport’s decision to classify property assets held to earn rentals and/or for capital appreciation separately as investment property. Melbourne airport previously recorded this asset at cost, but in 2006–07 recorded the asset at fair value, leading to a revaluation of this asset up to \$856.8 million.

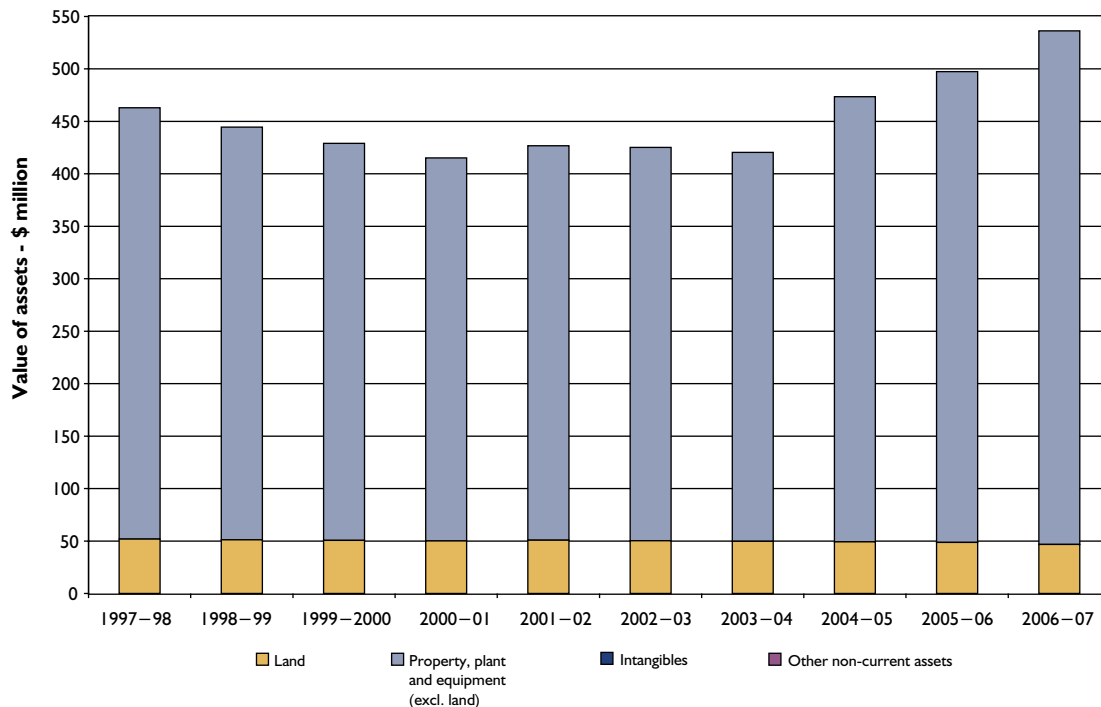
As explained in section 1.4.1.4, the return on assets measures is influenced by the airport operator’s valuation of its assets recorded in its financial accounts. The following section gives details of asset values and changes in asset values over time.



## Asset values

Chart 7.8 shows the total value of aeronautical non-current assets at Melbourne from 1997–98 to 2006–07.

**Chart 7.8: Aeronautical non-current assets**



After remaining relatively stable over the reporting period, the value of aeronautical assets increased in the last three years. The value of land used for aeronautical services has remained stable over the reporting period, varying by approximately \$3.2 million, from a high of \$51.8 million in 1997–98 to a low of \$46.8 million in 2006–07.

Melbourne notes in its annual report for 2007 that in November 2006 it completed its apron, runway and terminal project, which focused on accommodating the new Airbus A-380. Melbourne further notes that planning has commenced on a series of major projects, including the addition of five new aircraft gates, a new international baggage processing system and a new outbound passenger and retail precinct to Terminal 2 as part of its international terminal expansion.<sup>101</sup>

Melbourne airport also notes that major projects initiated, in works in progress or completed in 2006–07, include: Northern outbound baggage carousel, western apron works, Terminal 4 terminal development, category 111a weather taxiway equipment works, Terminal 3 check-in counters, Melrose drive widening, APAC drive and Taxiway Victor works.

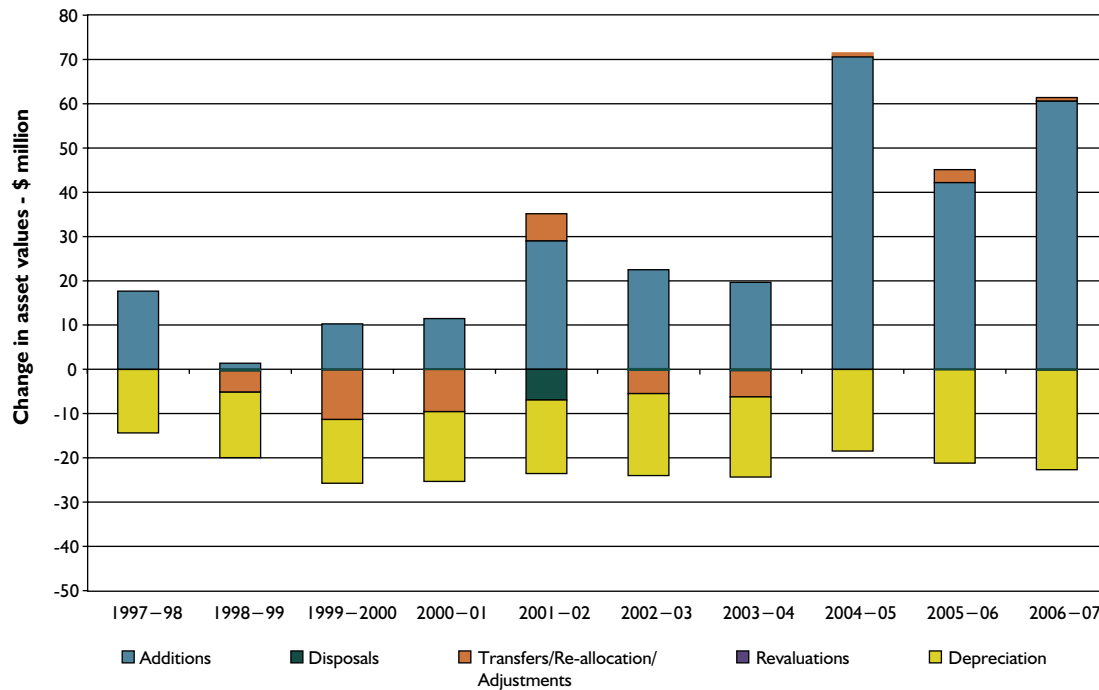
Property, plant and equipment attributable to aeronautical services have generally shown a slight downward trend over the reporting period up to 2003–04. A new trend has formed over the past three periods, with the value of property, plant and equipment increasing by 14 per cent in 2004–05, by 5.8 per cent in 2005–06 and a further 9.1 per cent in 2006–07 (from \$448.8 million to \$489.5 million).<sup>102</sup>

<sup>101</sup> *Australia Pacific Airports Corporation Annual Report 2007*, p. 6.

<sup>102</sup> In 2005–06 the impact of the adoption of AIFRS for Melbourne airport did not include any adjustment to the value of its aeronautical asset base (which does not include intangibles). The impact of AIFRS was restricted to the allowance for doubtful debt, intangibles, income tax, borrowing costs and derivative financial instruments.

Chart 7.9 further illustrates the change in value of tangible non-current aeronautical assets.

**Chart 7.9: Change in tangible non-current assets—aeronautical services**



In 2006–07 investments of \$60.6 million were added to the value of aeronautical assets. Buildings to the value of \$22.3 million, additions in plant and machinery valued at \$19.4 million and land improvements to the value of \$21.1 million contributed to this increase. This follows a \$71.5 million increase in investments during 2004–05. Before 2004–05 the value of assets remained relatively stable due to new investment generally offsetting depreciation.

The depreciation of aeronautical assets in 2006–07 was \$22.5 million while disposals and transfers, reallocations and adjustments of aeronautical assets attributed less than \$1 million. Transfers of aeronautical assets mainly represent a reallocation of assets from aeronautical to non-aeronautical as a result of changes in floor area use. For the purposes of its regulatory accounts, Melbourne airport does not record revaluations of its aeronautical assets.

Chart 7.10 shows the value of total non-current assets for Melbourne over the period 1997–98 to 2006–07.

**Chart 7.10: Total airport non-current assets**

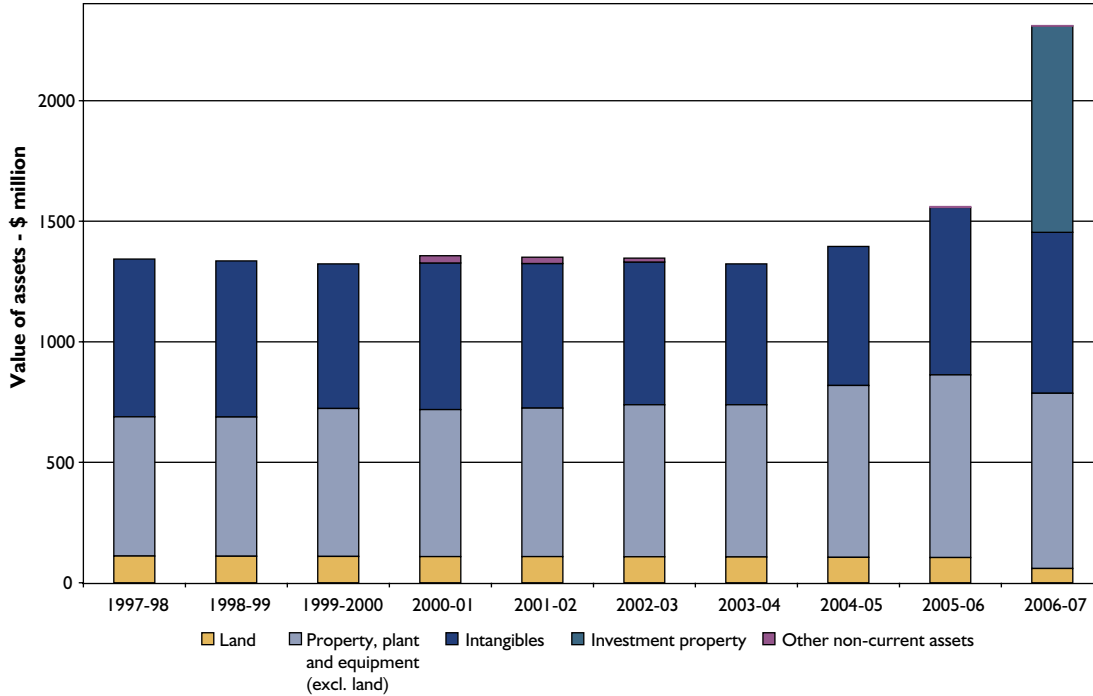
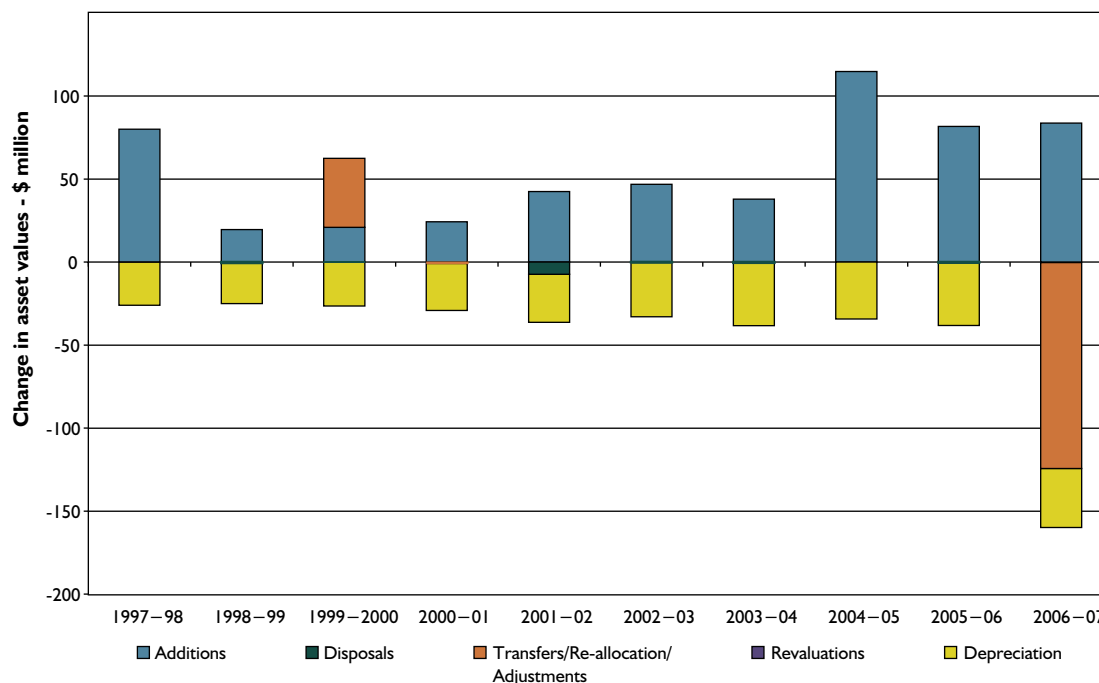


Chart 7.10 shows that the value of non-current assets has remained relatively stable over the reporting period. In 2006–07 land assets decreased in value by \$46.5 million and buildings decreased in value by \$87.8 million. This is a result of Melbourne airport’s decision to classify property assets held to earn rentals and/or for capital appreciation separately as investment property.

Melbourne airport initially recorded this asset at cost and then subsequently recorded the value at fair value, leading to a revaluation of this asset up to \$856.8 million. This is now included as a separate item in the chart. In 2006–07 the values of intangibles decreased by 4.0 per cent to \$667.7 million from \$698.9 million, following a 21 per cent increase in 2005–06. This increase was a result of the transition to AIFRS, under which the lease premium was reclassified by Melbourne airport as ‘goodwill’ and ‘contract premium’. The value of property, plant and equipment decreased by 4.0 per cent to \$727.2 million from \$757.8 million in 2005–06, following an increase of 6.3 per cent in 2004–05.

Chart 7.11 shows changes to the value of tangible non-current assets at Melbourne from 1997–98 to 2006–07.

**Chart 7.11: Change in tangible non-current assets—total airport**



The change in total assets in 2004–05 and 2005–06 was influenced by significant new investment in total non-current assets coupled with a reduced level of depreciation. Similarly, in 2006–07 there was a large level of new investment to the value of \$83.8 million. In 2006–07 there was also \$124.1 million in transfers to investment property. As reflected in chart 7.10, there was a large increase in the value of investment property. Chart 7.11 does not show the change in the value of investment property as a total airport non-current asset; however, Melbourne airport recorded the value of investment property as \$856.8 million. Given the airport initially recorded this value at cost and subsequently recorded it at fair value, Melbourne airport revalued investment property by \$732.8 million, or 591 per cent, in 2006–07.

### Rates of return on equity

Melbourne’s post-tax return on equity is influenced by its capital structure.

The airport’s return on average equity was positive in 2006–07 for the fourth consecutive year at 48 per cent. The return on average equity in 2005–06 was 138 per cent, down from 142 per cent in 2004–05. This follows a 238 per cent return in 2003–04 and a 100 per cent return in 2002–03, following negative returns between 1998–99 and 2001–02. However, as discussed in section 1.4.1.4, this measure is currently of limited value.

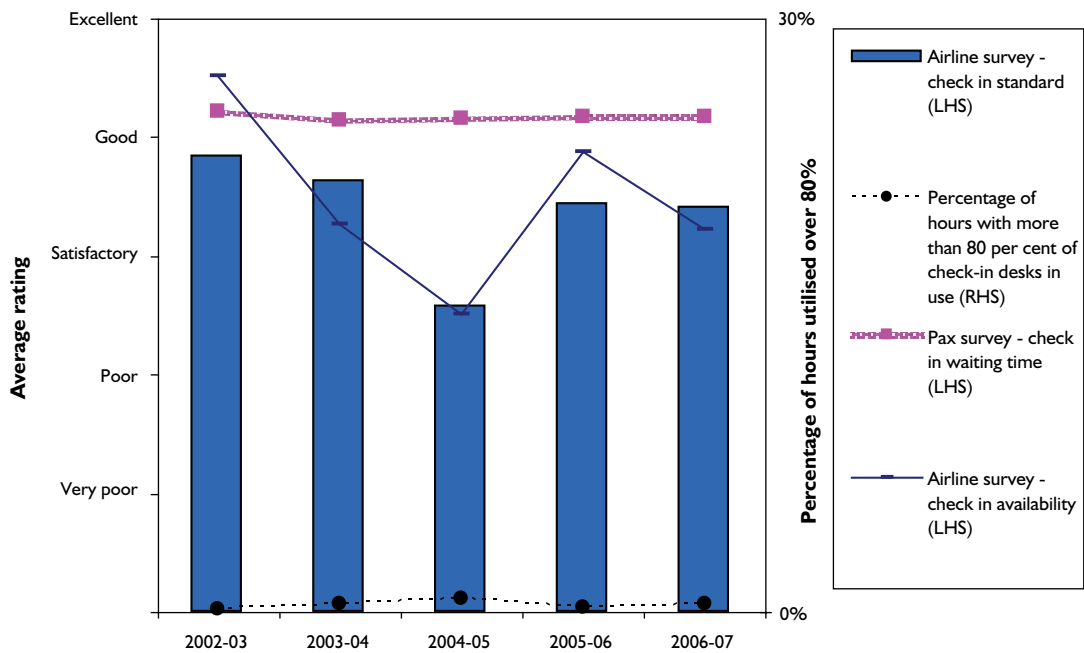
Melbourne’s regulatory accounts are attached at appendix 1.1.

## 7.2. Melbourne airport quality of service results

### 7.2.1. International services

#### Check-in facilities

**Chart 7.12: Melbourne—international check-in**



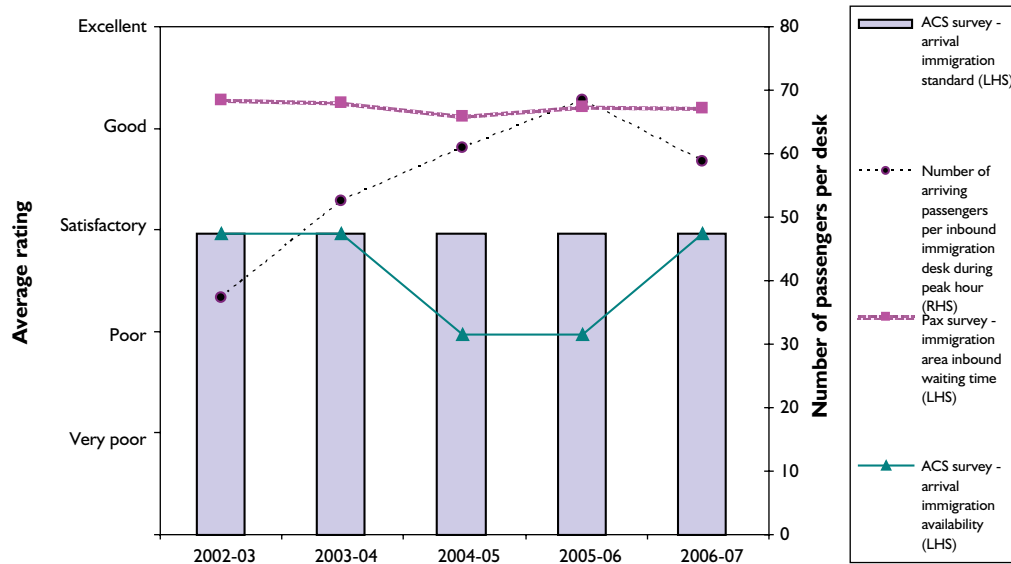
The percentage of hours with more than 80 per cent of check-in counters in use has remained stable over the reporting period at less than 1 per cent. However, in 2004–05 there was an increase from 0.3 per cent to 0.6 per cent of operating hours. This corresponded with a decrease in the rating by airlines of the **availability** of check-in facilities, from between satisfactory and good in 2003–04 to between poor and satisfactory in 2004–05.

Airline ratings recovered in 2005–06 to just below good, coinciding with a drop in the quantitative utilisation measure to 0.2 per cent. The airlines rated the **standard** of check-in facilities as between satisfactory and good over most of the reporting period, with the exception of 2004–05 when ratings decreased to between poor and satisfactory. In 2006–07 some airlines noted that check-in counters in the international terminal have recently been refurbished.

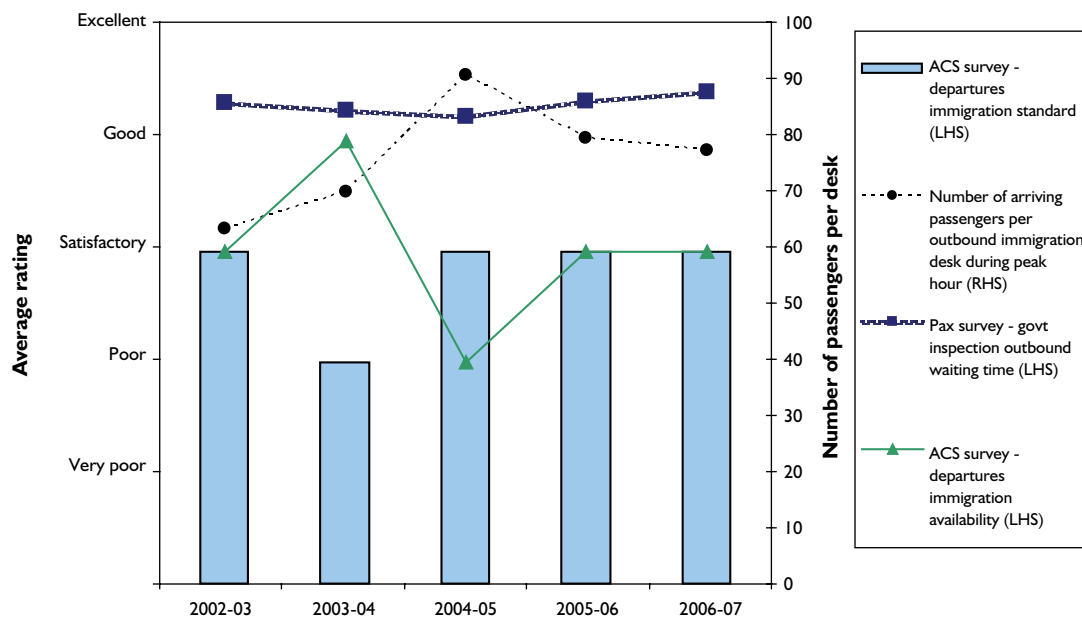
Despite variations over the reporting period in airline ratings, passenger ratings have remained relatively stable at just above good.

Government inspection facilities

**Chart 7.13: Melbourne—international inbound government inspection**



**Chart 7.14: Melbourne—international outbound government inspection**



The number of passengers per inbound immigration desk increased over the reporting period, from 38 passengers in 2002–03 to 69 in 2005–06 with a decrease to 59 occurring in 2006–07. The increases from 2003–04 to 2005–06 coincided with a decrease in the ACS ratings of the **availability** of these facilities from satisfactory in 2003–04 to poor over 2004–05 and 2005–06. The decrease in the quantitative measure of utilisation appears to have influenced a increase in the ACS ratings to satisfactory in 2006–07. Despite these fluctuations in ratings by the ACS, passenger ratings for inbound immigration facilities have remained relatively stable at just above good over the reporting period.

The ACS has rated the **standard** of inbound immigration facilities as satisfactory over the entire reporting period.

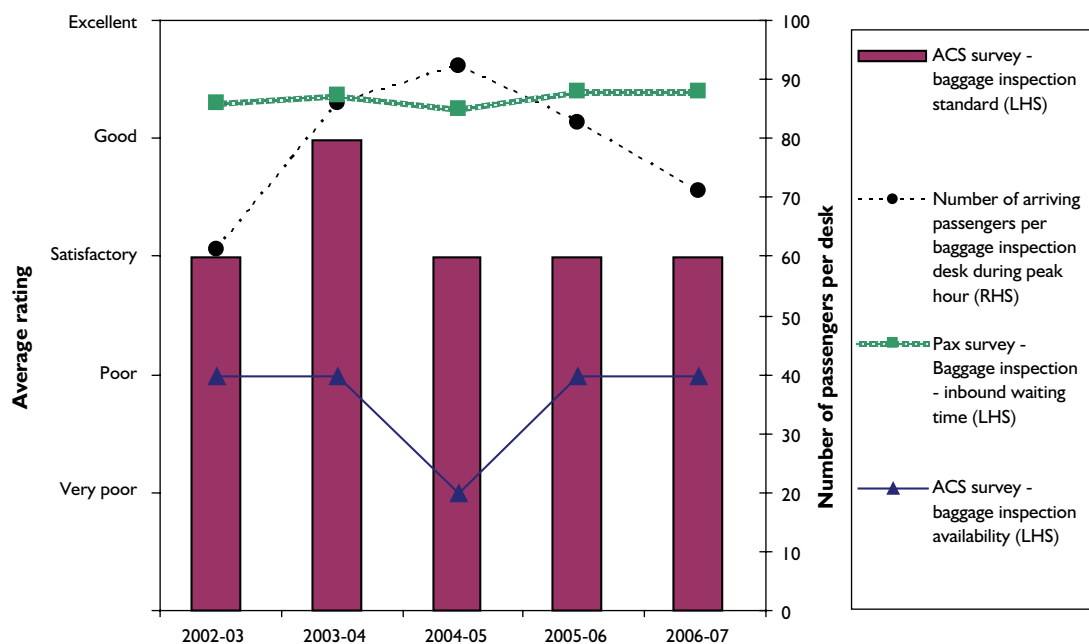
The number of passengers per outbound immigration desk increased from 64 passengers in 2002–03 to a peak of 92 passengers in 2004–05 before decreasing to 81 and 78 passengers in 2005–06 and 2006–07, respectively. The number of outbound immigration desks did not vary over the reporting period and

remained at 18 desks. At the peak of the quantitative measure of utilisation in 2004–05, the ACS's ratings of the **availability** of outbound immigration facilities were at their lowest at poor after decreasing from good in 2003–04. These ratings recovered to satisfactory in 2005–06 and stayed at that rating for 2006–07. Passenger ratings of these facilities remained relatively stable at good, with a dip in 2004–05 and then a recovery period in the following two years to between good and excellent.

Aside from a decrease in 2003–04 to poor, the ACS rated the **standard** of outbound immigration facilities as satisfactory over the reporting period.

## Baggage inspection facilities

**Chart 7.15: Melbourne—international baggage inspection**



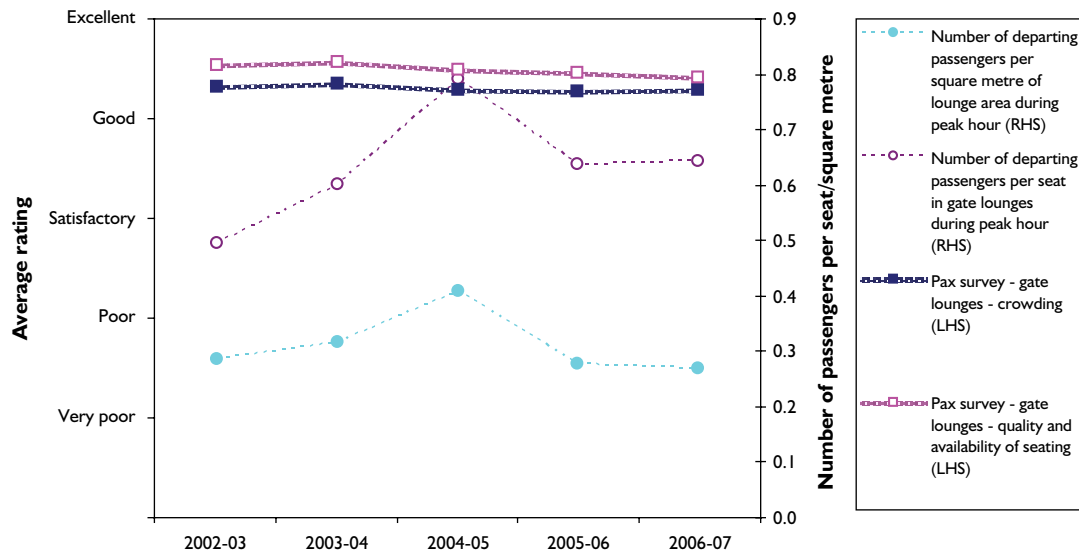
The number of passengers per baggage inspection desk increased from a low of 62 passengers in 2002–03 to a peak of 93 passengers in 2004–05. This measure then decreased to 83 passengers in 2005–06 and 71 passengers in 2006–07. The decrease in the later part of the reporting period is a result of the combination of a decrease in the number of arriving passengers per peak hour and an increase in the number of available desks, from 16 before 2004–05 to 20 from 2005–06 onwards. The high level of usage in 2004–05 corresponded with a decrease in the ACS rating of the **availability** of these facilities from poor in 2003–04 to very poor in 2004–05. The recovery of the quantitative measure of utilisation through the introduction of more desks appears to have influenced an increase in the ACS's ratings increasing to poor in 2005–06.

Despite the low ACS ratings of **availability** of baggage inspection facilities over the reporting period, passengers have rated the inbound waiting time for this service at between good and excellent. The ACS noted in 2006–07 that there are currently insufficient baggage inspection desks to meet demand during peak times. The ACS reported that ACS officers are working two to a bench in some instances during peak times, which can compromise evidence-gathering.

The ACS has rated the **standard** of baggage inspection facilities as satisfactory for most of the reporting period, with a peak rating of good in 2003–04.

Gate lounge facilities

**Chart 7.16: Melbourne—international gate lounge**

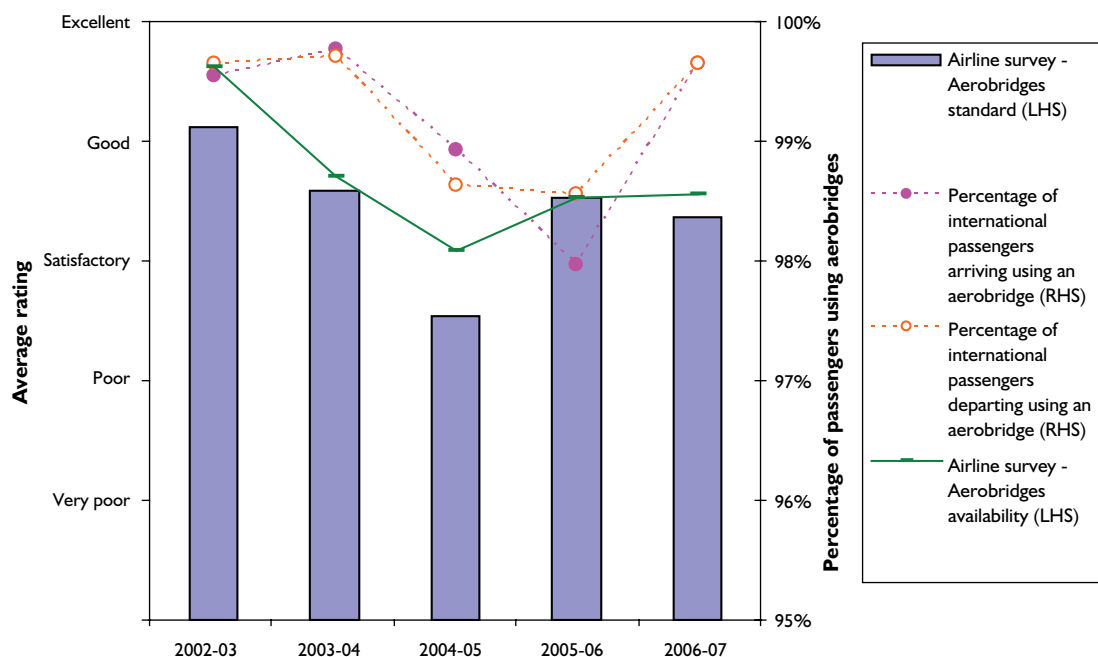


The number of passengers per gate lounge seat increased from 0.5 passengers in 2002–03 to a peak of 0.8 passengers in 2004–05. This measure decreased to 0.6 passengers in 2005–06 and continued at this level in 2006–07. Similarly, passengers per square metre of lounge area increased to a high of 0.4 passengers in 2004–05 but were stable at 0.3 passengers for the remainder of the reporting period. While available terminal space area remained unchanged over the reporting period, Melbourne airport did vary the level of available seats from 2323 in 2002–03 to a low of 2079 in 2004–05. Seat numbers decreased again from 2263 in 2005–06 to 2180 in 2006–07.

Despite these variances in the quantitative measures of utilisation, passengers have rated both the **availability** and quality of seating and crowding at airport gate lounges as between good and excellent over the reporting period. Seating has been rated slightly higher than crowding over the same period.

Aerobridges facilities

**Chart 7.17: Melbourne—international aerobridges**



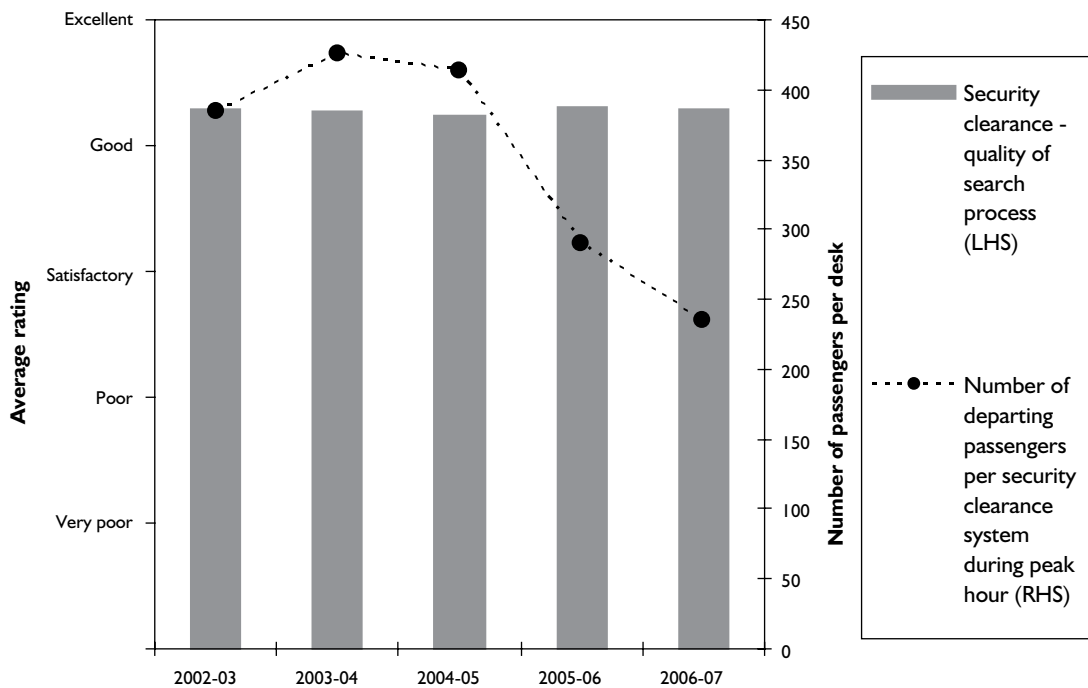


The number of passengers arriving and departing using an aerobridge varied slightly over the reporting period, from around 100 per cent in 2002–03 and 2003–04 and then decreasing to around 98 per cent in 2005–06 before increasing to approximately 100 per cent in 2006–07. The decrease in 2004–05 coincided with a decrease in airline ratings of the **availability** of aerobridge facilities from a high of between good and excellent in 2002–03 down to just above satisfactory in 2004–05. However, the subsequent decrease in the measure of utilisation in 2005–06 occurred during the same period that the airlines increased their **availability** rating of these facilities to between satisfactory and good.

Airlines rated the **standard** of aerobridge facilities as between satisfactory and good over most of the reporting period, with the exception of a rating of between poor and satisfactory in 2004–05.

Security facilities

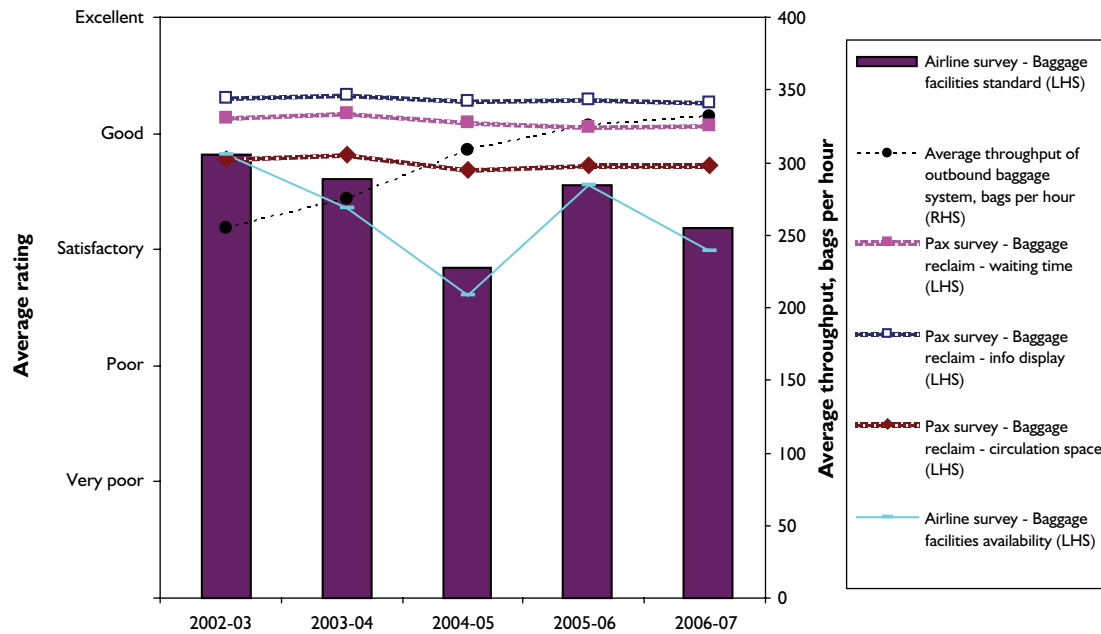
**Chart 7.18: Melbourne—international security**



The number of departing passengers per security clearance system decreased from 414 passengers in 2004–05 to 290 passengers in 2005–06 after an additional security clearance system was introduced by Melbourne airport. In 2006–07 a further security clearance system was introduced, taking the total number of systems to 6 and decreasing the measure of utilisation to 235 passengers per system. Notwithstanding these increases in available facilities, passengers consistently rated the quality of security search processes as between good and excellent over the reporting period.

Baggage facilities

**Chart 7.19: Melbourne—international baggage**



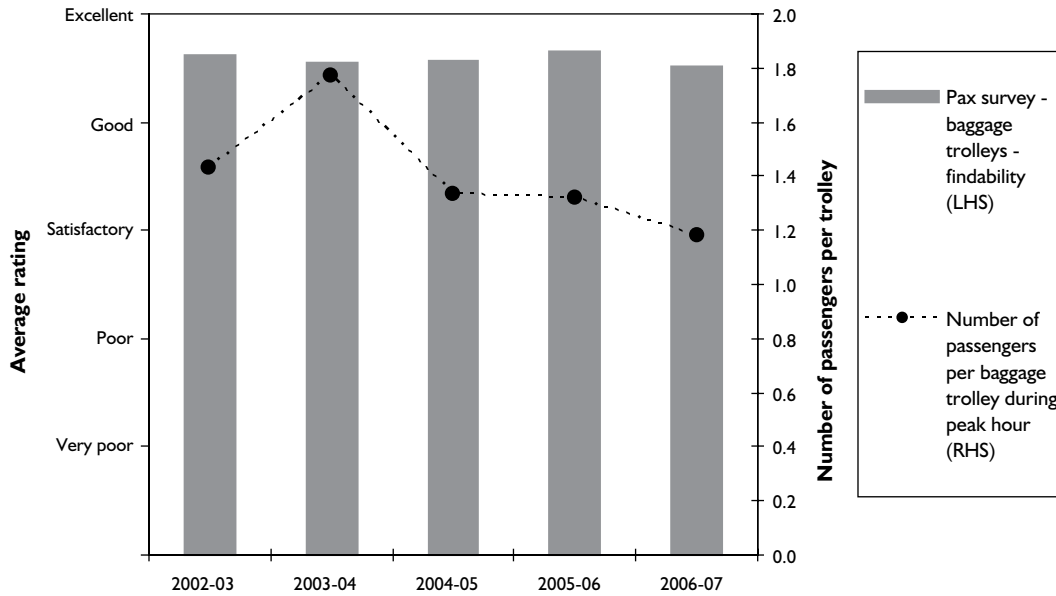
The average throughput of the outbound baggage system increased over the reporting period from 256 bags per hour in 2002–03 to 334 bags per hour in 2006–07.

Over the reporting period, passengers rated the waiting time of baggage reclaim at good; the baggage reclaim information display as between good and excellent; and the baggage reclaim circulation space as below good.

While passenger ratings remained relatively constant, airline ratings varied over the reporting period. Airlines rated the **availability** of baggage facilities from just below good in 2002–03 to a low of between poor and satisfactory in 2004–05. This rating increased to between satisfactory and good in 2005–06, but decreased to satisfactory in 2006–07. Airline ratings of the **standard** of these facilities followed a similar trend, varying from just below good in 2002–03 down to just below satisfactory in 2004–05, back up to between satisfactory and good in 2005–06 followed by a decrease to satisfactory in 2006–07. In 2006–07 some airlines noted difficulties with the baggage processing facilities and, in particular, delays and service failures of the outbound system. However, airlines also noted Melbourne airport had commenced a program to address airline concerns.

Baggage trolleys

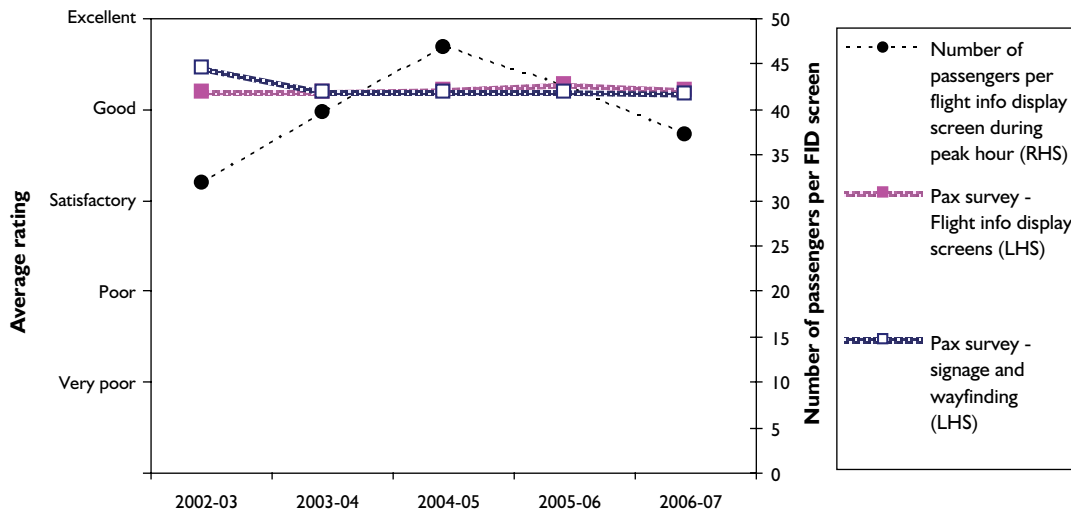
**Chart 7.20: Melbourne—international trolleys**



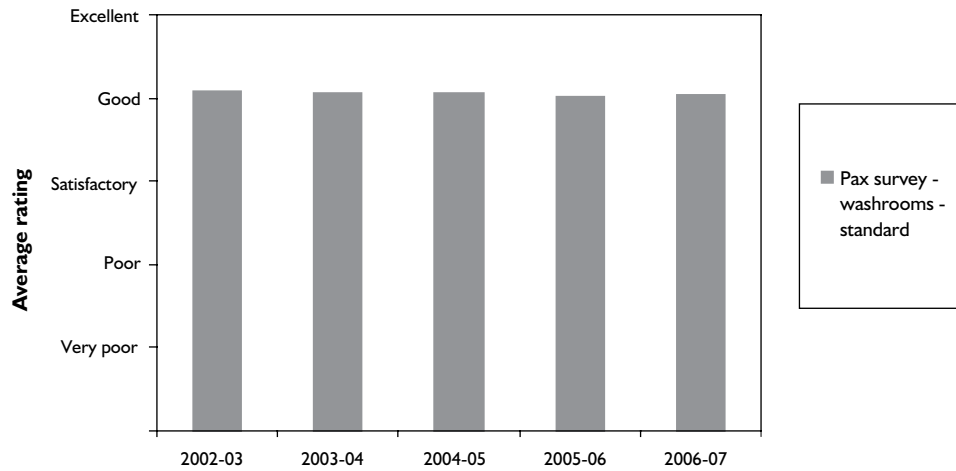
The number of passengers per baggage trolley increased from 1.4 passengers in 2002–03 to 1.8 passengers in 2003–04. This number decreased to 1.3 passengers in 2004–05 following the introduction of 850 additional baggage trolleys, taking the total number to 2350 trolleys. Further trolleys were introduced over the last two years taking the total number to 2400 trolleys in 2006–07. Passengers have rated the findability of baggage trolleys between good and excellent over the reporting period.

Flight information displays and washrooms

**Chart 7.21: Melbourne—international flight information and displays**



**Chart 7.22: Melbourne—international washrooms**

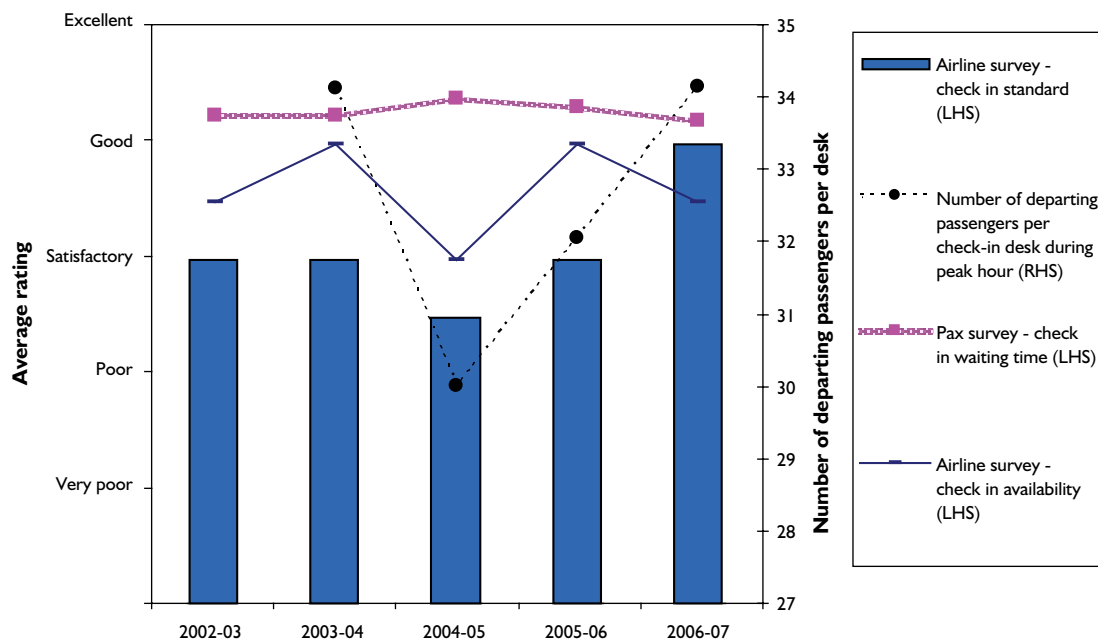


In 2004–05 the number of passengers per FID screen peaked at 47, up from a low of 32 passengers in 2002–03. In 2006–07 this measure was 37 passengers per FID screen, following an increase in the number of FID screens from 67 screens before 2005–06 to 76 screens in 2006–07. The number of information points within the airport remained at 1 throughout the reporting period. Passengers rated FID screens and signage and wayfinding at around good over the same period. Similarly, passengers rated the **standard** of washrooms in the international terminal as good over the reporting period.

### 7.2.2. Domestic services

#### Check-in facilities

**Chart 7.23: Melbourne—domestic check-in**

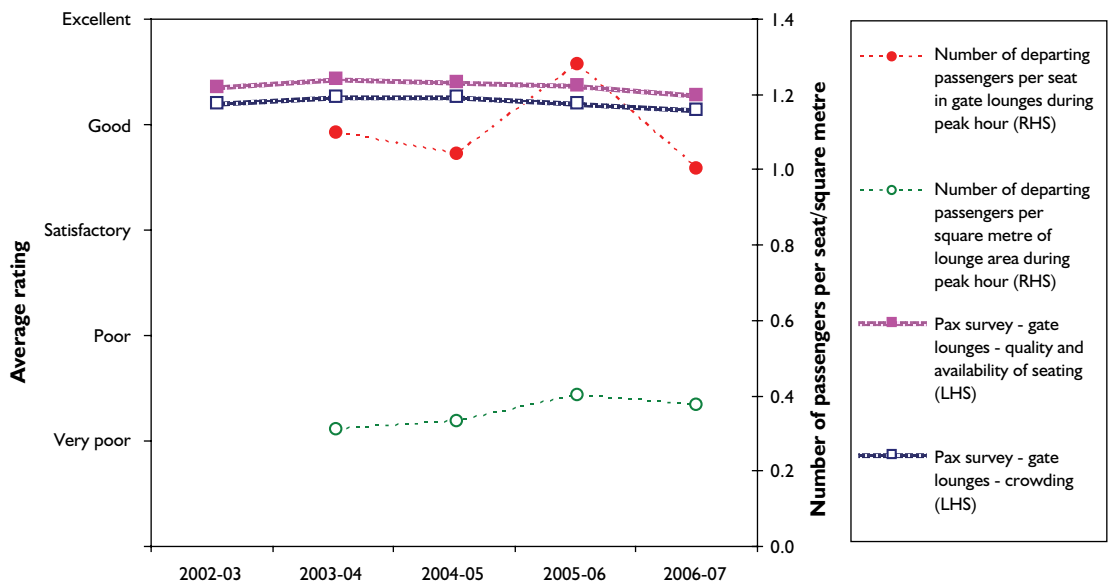


In 2003–04 there were 34 departing passengers per check-in desk during peak hour. This measure decreased to 30 in 2004–05, but increased over the following two years to 34 passengers in 2006–07.<sup>103</sup> Despite the decrease in passengers per desk in 2004–05, airline ratings of the **availability** of check-in facilities dropped from good in 2003–04 to satisfactory in 2004–05. Airline ratings recovered the following year, increasing to good before decreasing to between satisfactory and good in 2006–07. Passengers rated the waiting time associated with the facilities at between good and excellent for the majority of the reporting period with a slight downward trend toward good in the past three years.

Airline ratings of the **standard** of check-in facilities remained at around satisfactory until 2005–06 before increasing to good in 2006–07.

Gate lounge facilities

**Chart 7.24: Melbourne—domestic gate lounge**



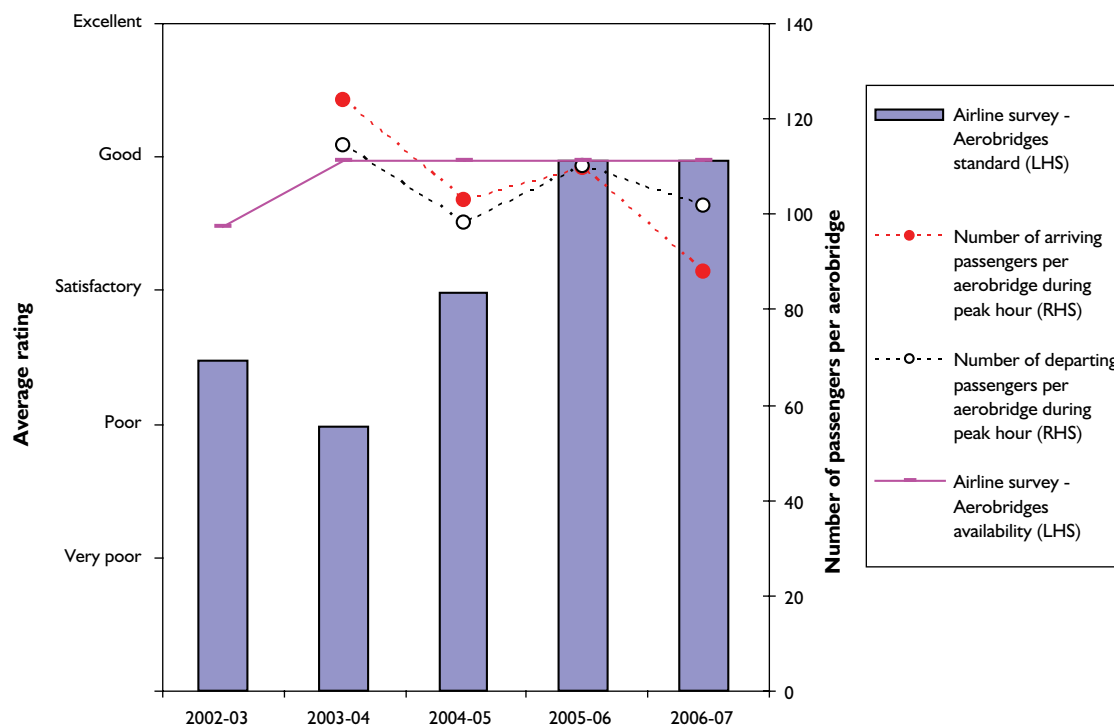
The number of passengers per seat in domestic gate lounges varied from between 1.0 passenger in 2004–05 and 1.3 passengers in 2005–06. In 2006–07 the measure was 1.0 passenger during peak hour per seat. The variance over the reporting period is a result both of changes in the number of departing passengers during peak hour and several increases in the number of seats made available by the airport. In 2003–04 total seats numbered 851. This was increased to 963 in 2004–05 and further increased to 1142 seats in 2006–07. The lounge area did not change in size and as a result any change over the reporting period is influenced by changes in the number of departing passengers during peak hour.

Passenger ratings for the **availability** and quality of seating and the crowding of gate lounges remained relatively stable over the reporting period at between good and excellent for seating and above good for crowding.

103 The ACCC's *Guidelines for quality of service monitoring at airports* and the Airports Act require the provision of information concerning both the number of hours of operation with more than 80 per cent of domestic check-in desks staffed and the total number of hours any domestic check-in desks are open. However, Melbourne airport has not provided this information because the airport does not record it. For comparison purposes the ACCC has derived a quantitative measure of utilisation wherever possible to assist with analysis. As such, the quantitative measure of number of passengers per check-in counter has been used.

Aerobridge facilities

**Chart 7.25: Melbourne—domestic aerobridges**



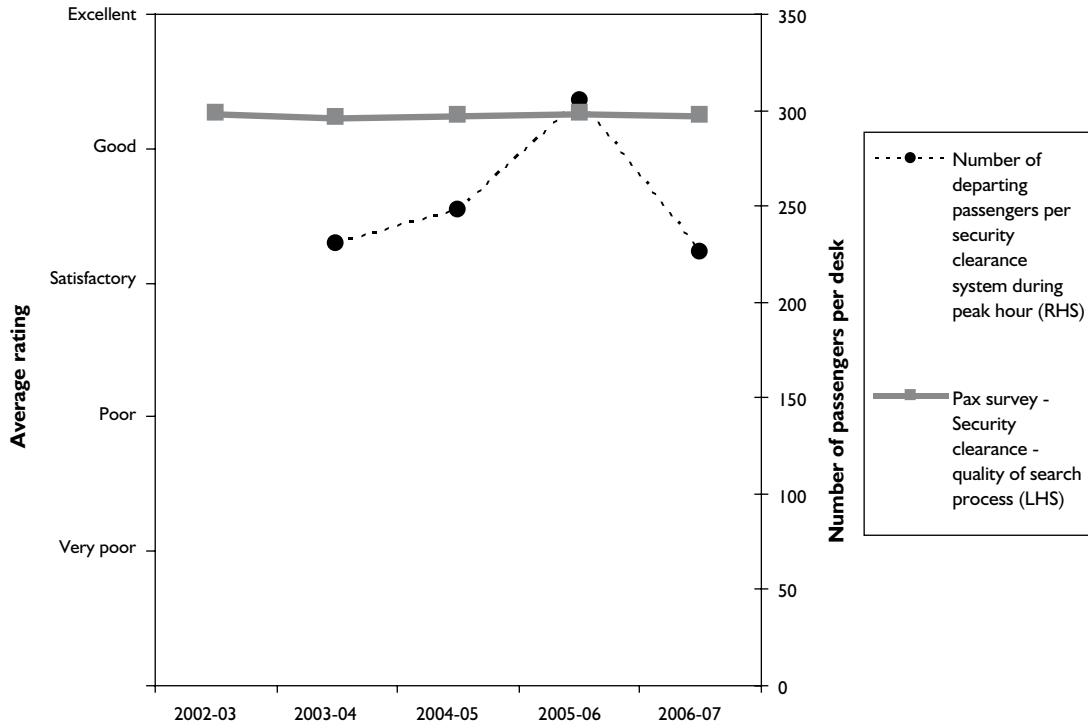
In 2003–04 the numbers of arriving and departing passengers per aerobridge were at their peak, with 125 arriving passengers and 115 departing passengers per aerobridge during peak hour. This measure decreased to a low of 99 departing passengers in 2004–05 and 89 arriving passengers in 2006–07. Fluctuations over the reporting period were influenced both by changes in the number of passengers during peak hour and an increase in the number of aerobridges at Melbourne airport, from 8 in 2002–03 to 10 in 2004–05 and 11 aerobridges in 2005–06.<sup>104</sup>

The introduction of additional aerobridge facilities coincided with airlines rating the **availability** of these facilities as good for the majority of the reporting period. Conversely, airlines rated the **standard** of aerobridges as poor in 2003–04, increasing to good from 2005–06 to 2006–07.

104 The ACCC’s *Guidelines for quality of service monitoring at airports* and the Airports Act do not currently require the provision of information concerning the number of domestic passengers arriving via an aerobridge as is the case for arriving international passengers. However, for comparison purposes the ACCC has derived a quantitative measure of utilisation wherever possible to assist with analysis. As such, the quantitative measure of number of passengers per aerobridge has been used.

Security facilities

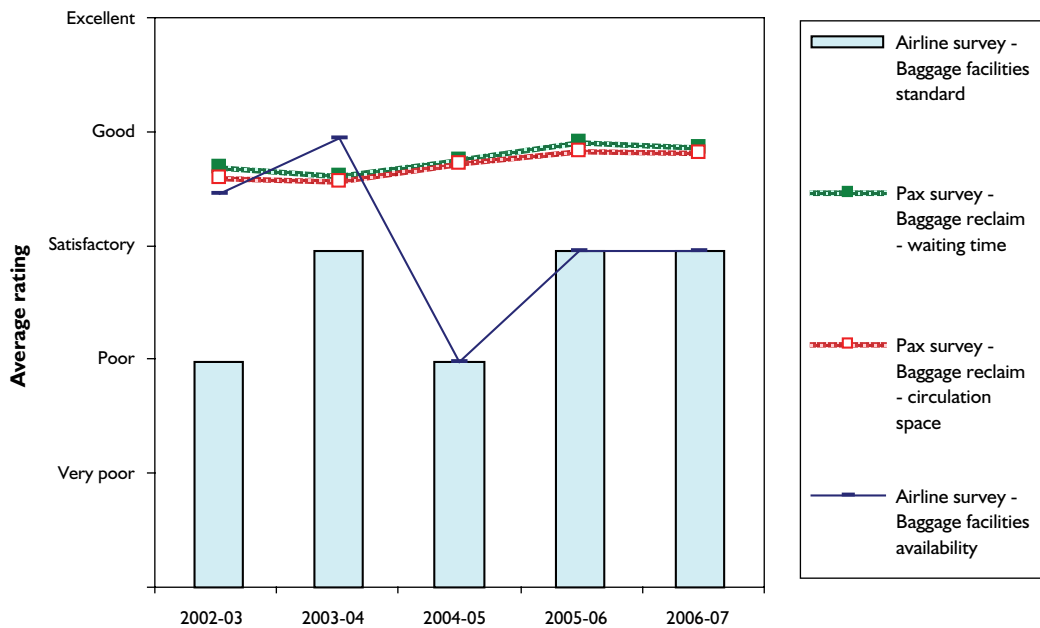
**Chart 7.26: Melbourne—domestic security**



The number of departing passengers per security clearance system increased from 248 to a peak of 305 passengers in 2005–06. In 2006–07 Melbourne airport introduced an additional security clearance system, taking the total to 5 systems. This impacted on the measure of use, lowering the number of passengers per system to 226 passengers during peak hour. Throughout the reporting period, passengers rated the quality of the search process as just above good.

Baggage facilities

**Chart 7.27: Melbourne—domestic baggage**

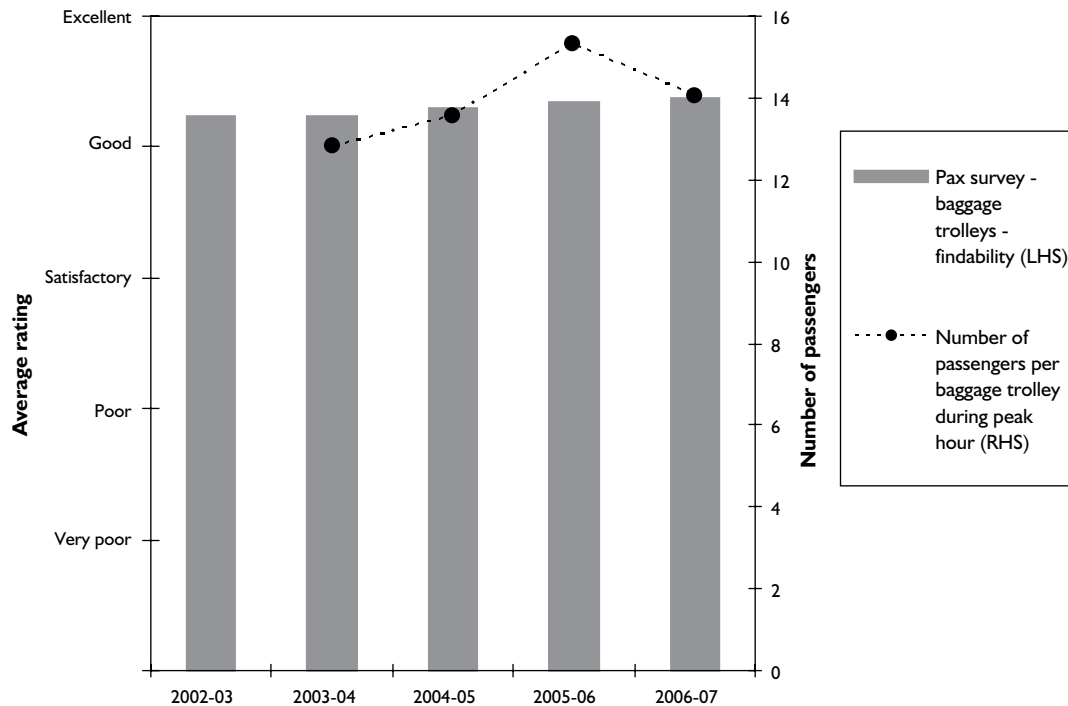


Passengers rated the baggage reclaim waiting time and circulation space between satisfactory and good, with a slight upward trend towards good over the past three years. Conversely, airlines rated the **availability** of these facilities as good in 2003–04 but decreased this rating to poor in 2004–05, followed by an increase to satisfactory over 2005–06 and 2006–07. Airlines also rated the **standard** of baggage facilities as satisfactory over the past two years: however, before this the **standard** was rated as poor in both 2002–03 and 2004–05.

No quantitative information is available about the average throughput of inbound or outbound baggage.

Baggage trolleys

**Chart 7.28: Melbourne—domestic trolleys**

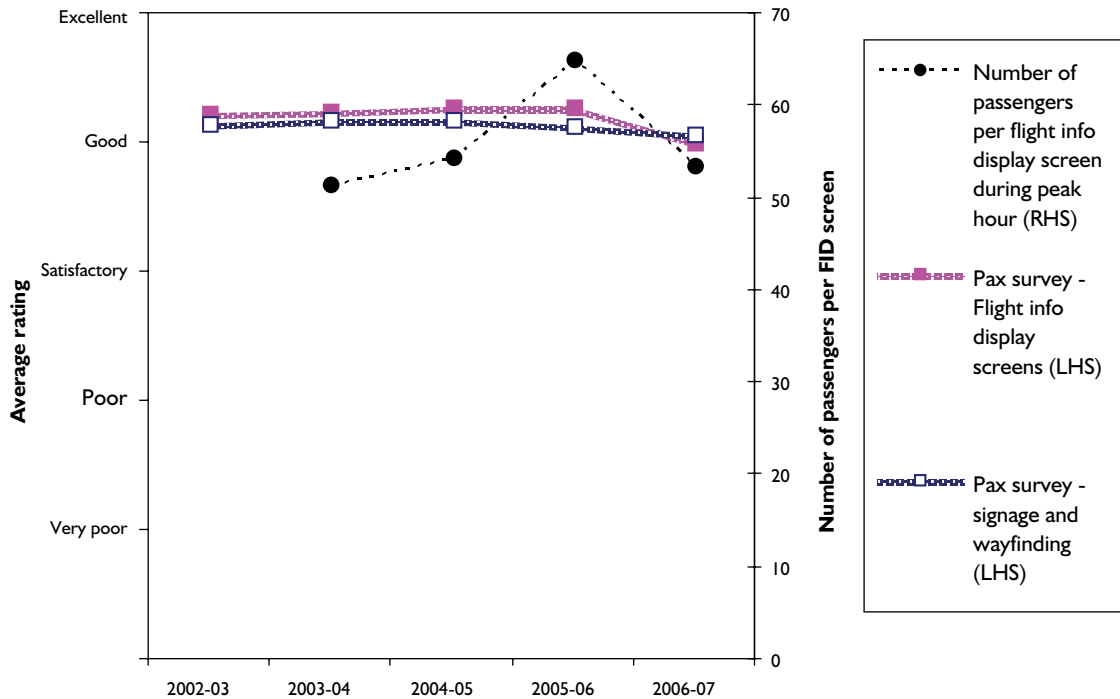


In 2003–04 there were 13 passengers per baggage trolley, which increased to a peak of 15 passengers in 2005–06. This increase followed the introduction of nine baggage trolleys in the domestic terminal, taking the total to 159. This number dropped back to 150 in 2006–07, as did the quantitative measure of use to 14 passengers per baggage trolley. Passengers rated the findability of trolleys as above good over the reporting period.

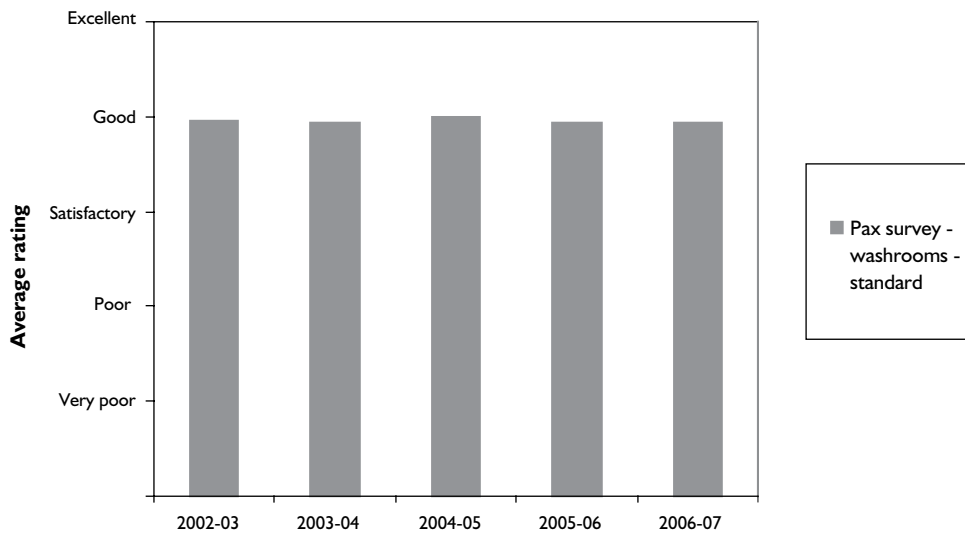


Flight information display screens and washrooms

**Chat 7.29: Melbourne—domestic flight information and displays**



**Chart 7.30: Melbourne—domestic washrooms**



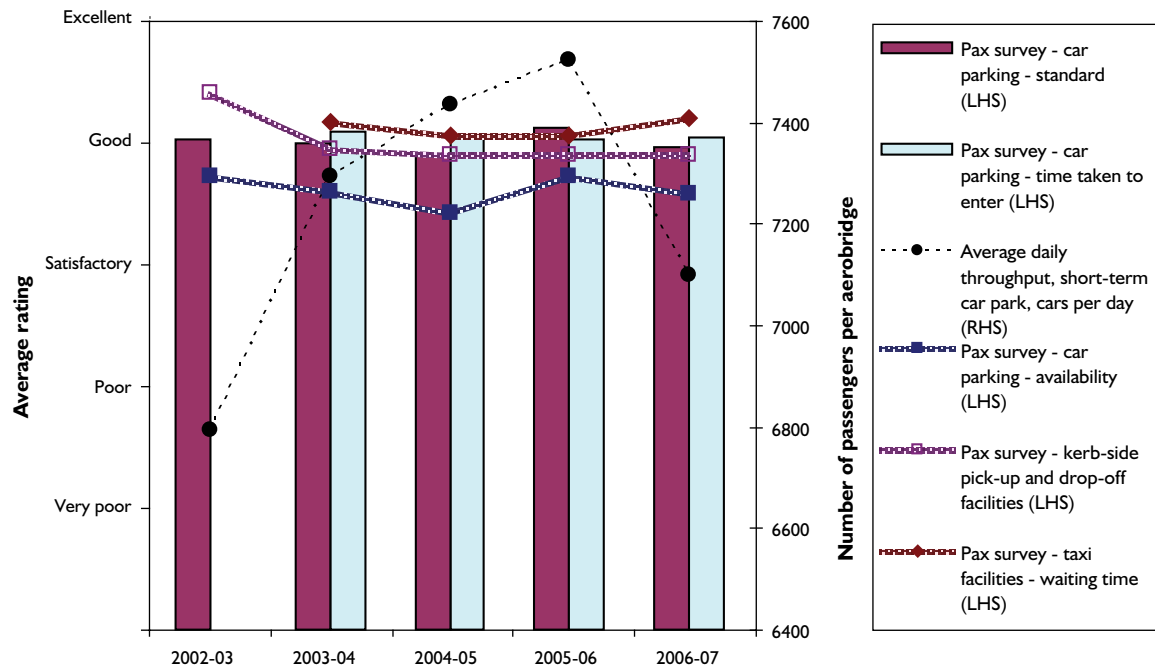
The number of passengers per FID screen increased from 51 passengers in 2002–03 to a peak of 64 passengers in 2005–06, followed by a drop to 53 passengers in 2006–07. The decrease in 2006–07 resulted both from a drop in the number of passengers during peak hour and an increase in the number of FID screens, from 38 in 2005–06 to 40 in 2006–07. Melbourne airport reports that it does not operate any information points within the airport.

Over the reporting period, passengers have rated FID screens and signage and wayfinding at approximately good, with ratings of FID screens dropping to slightly below good in 2006–07. Passenger ratings of the **standard** of domestic terminal washrooms were good over the reporting period.

### 7.2.3. Airport services

#### Car-parking facilities

**Chart 7.31: Melbourne—car park**



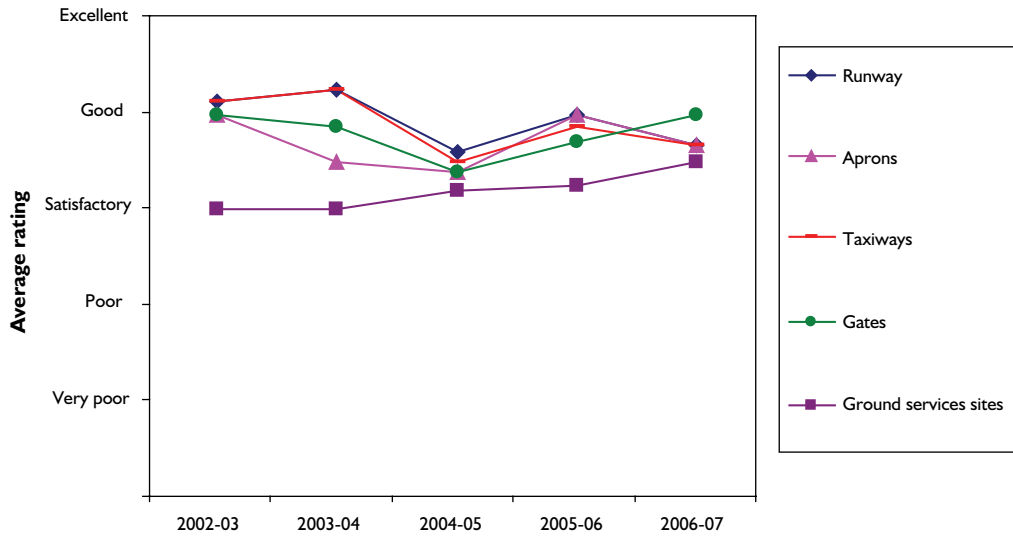
Melbourne airport operates a single short-term car park for use by both international and domestic passengers. However, passenger survey information represented in the chart is the result of separate car park and taxi surveys conducted by Melbourne airport.

The average throughput of the car park increased from 6798 cars per day in 2002–03 to a peak of 7540 cars in 2005–06, followed by a decrease to 7107 cars in 2006–07. In 2005–06 the number of short-term car-parking spaces provided increased from 3553 in 2004–05 to 3744. However, in 2006–07 Melbourne airport reported that 429 short-term spaces were transferred to the multi-level long-term car park because of increased patronage, reducing the total number of short term spaces to 3315.

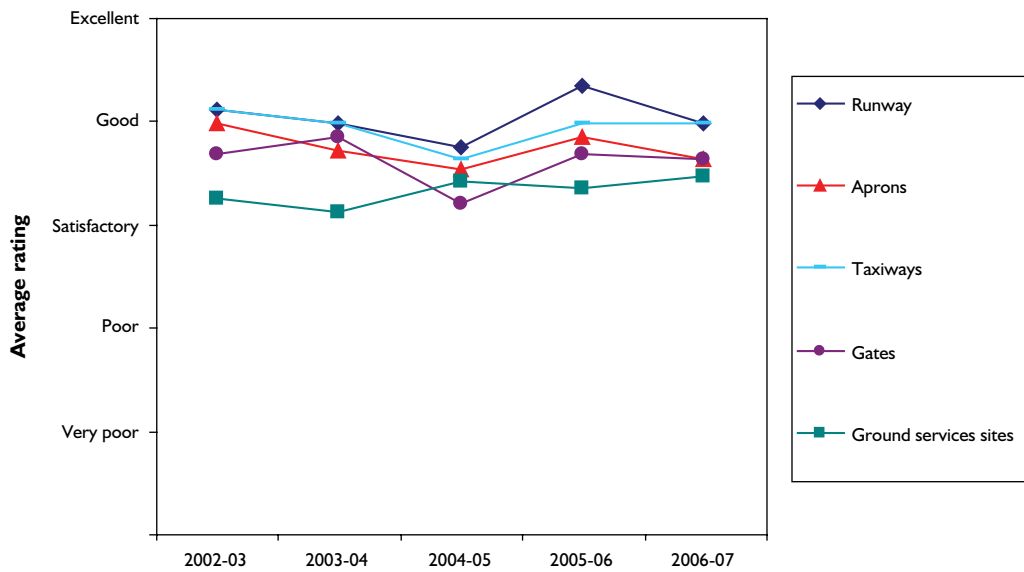
The increase in the number of spaces in 2005–06 coincided with an increase in passenger ratings of the **availability** of car-parking facilities to just below good. There was also a corresponding drop in the 2006–07 rating to between satisfactory and good following the transfer of car-parking spaces to long-term car-parking. Passengers rated the waiting time for taxi facilities as above good over most of the reporting period. Similarly, passengers rated the standard of car park facilities and the time taken to enter the car park as good over the reporting period.

Airside services and facilities

**Chart 7.32: Melbourne—availability of airport airside services**



**Chart 7.33: Melbourne—standard of airport airside services**

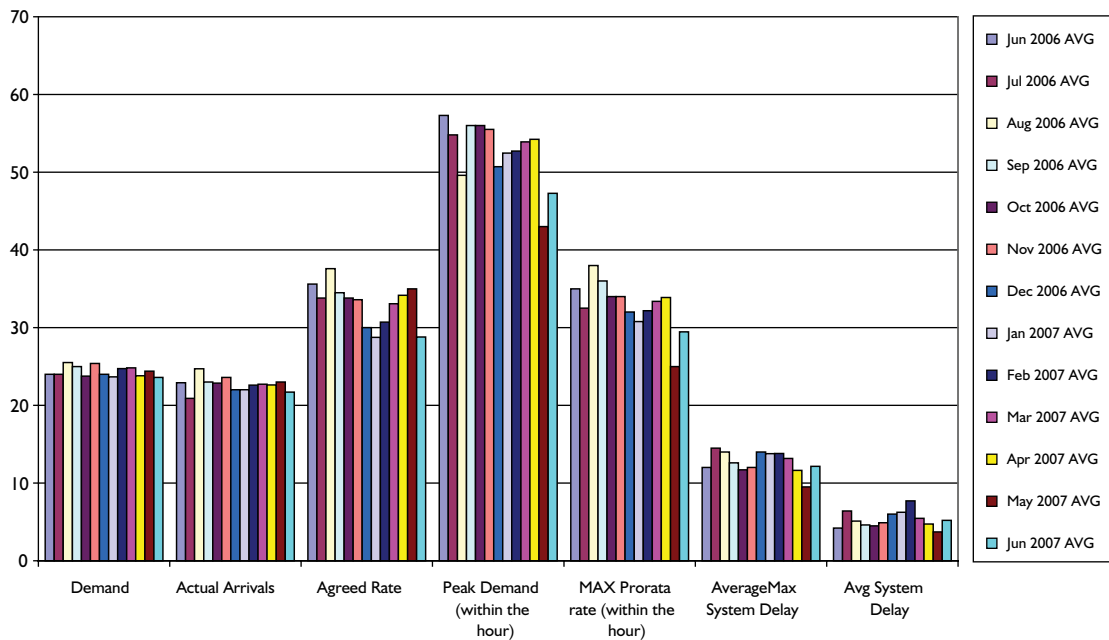


Airline ratings of the **availability** of most airport airside services decreased from around good in 2005–06 to between satisfactory and good in 2006–07. The exceptions were the **availability** of gate facilities, which rated above satisfactory in 2004–05 but increased to good in 2006–07, and ground services sites facilities, which increased from a low of satisfactory in 2002–03 to between satisfactory and good in 2006–07.

The **standard** of taxiways (good) and gate facilities (between satisfactory and good) as rated by airlines remained stable in 2006–07. The **standard** of runway facilities increased from a low of below good in 2004–05 to a high of between good and excellent in 2005–06, before falling to good in 2006–07.

Runway traffic – demand and delays

**Chart 7.34: Melbourne—average peak hour arrival performance, June 2006–June 2007—by category**



Source: Airservices Australia

Note: Rate means agreed arrival rate or operational capacity.

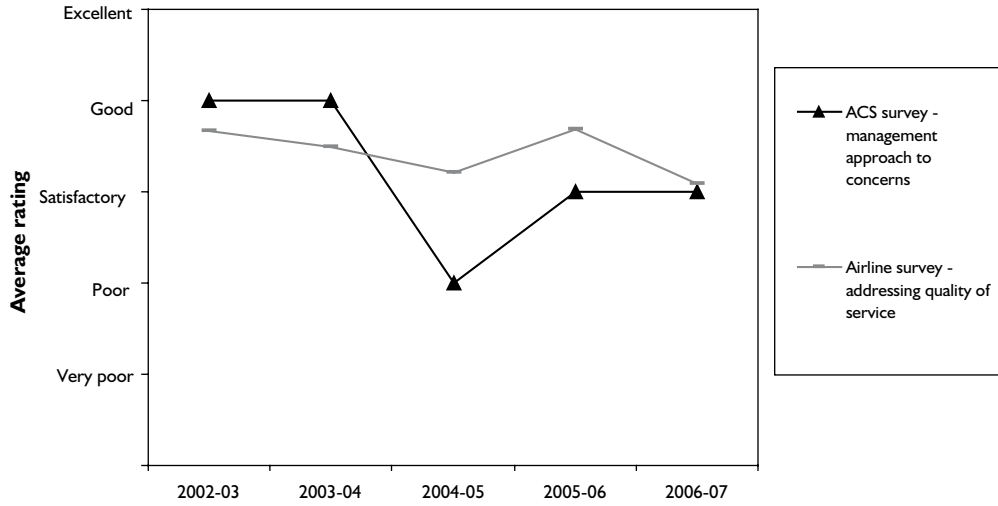
Demand, arrivals and agreed rate are measures of aircraft per hour. Delays are in minutes.

Measures are further explained earlier in section 2.

Runway demand was within the operational agreed capacity in all months over 2006–07, although the average increased slightly to 74 per cent up from 73 per cent in 2005–06. Peak-hour demand increased over 2006–07, with peak demand exceeding the pro rata arrival rate by an average of 38 per cent, up from 36 per cent in 2005–06. Delay times also increased from 5.1 minutes in 2005–06 to 5.3 minutes in 2006–07. However, the average maximum system delay time remained stable at 13 minutes in 2006–07.

Airport management responsiveness

**Chart 7.35: Melbourne—airport management responsiveness**



Ratings by airlines of airport management’s approach to addressing quality of service issues were between satisfactory and good in 2004–05 and increased to just below good in 2005–06. Over the same period, the ACS ratings of management’s approach to concerns were poor in 2004–05 and increased to satisfactory the following year. In 2006–07 the ACS and airlines reported the same rating of satisfactory for this measure.

## 8. Perth airport

### Summary

Higher levels of activity at Perth during 2006–07 have driven higher profitability results but a lower rating of overall quality of service.

In 2006–07 passenger numbers, aircraft movements and tonnes landed all increased. Aeronautical and aeronautical-related prices remained generally unchanged compared to 2005–06. On a per passenger basis aeronautical revenue increased in 2006–07, while expenses decreased, leading to an increase in the margin. Total airport revenue increased much faster than expenditure, resulting in a large increase in the margin.

Returns on assets increased for both aeronautical and total airport services. Net investment led to increased aeronautical assets, generally in the property, plant and equipment category. Total airport assets also increased, predominantly through the revaluation of investment property.

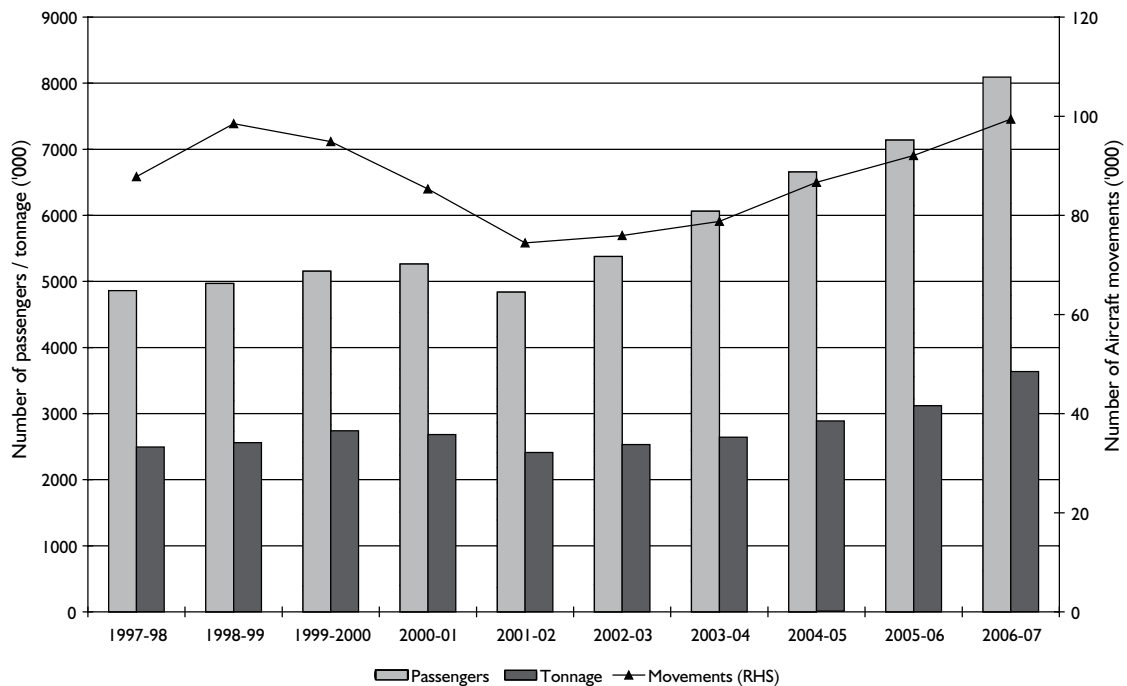
In 2006–07 passengers per inbound and outbound immigration desk increased while the ACS ratings for immigration desk **standard** and **availability** remained stable. Airline ratings of the **availability** of international and domestic check-in counter facilities decreased to good and to between satisfactory and good, respectively. Passenger ratings of quality and **availability** of seating and crowding at international and domestic gate lounges increased during 2006–07. Airline ratings of aerobridge and airside facilities generally decreased in 2006–07. The ACS and airlines both decreased their rating of the airport’s approach to resolving quality of service issues in 2006–07.

### 8.1. Perth airport price monitoring results

#### 8.1.1. Activity

Chart 8.1 shows traffic volumes at Perth measured by passenger numbers, tonnage and aircraft movements from 1997–98 to 2006–07.

**Chart 8.1: Volume of passengers, tonnage and aircraft movements**



In 2006–07 passenger numbers, tonnage and movements all increased.

Over the reporting period, passenger numbers continued to show a general upward trend since 2002–03 after falling because of the SARS outbreak, the September 2001 terrorist attacks in the USA and the collapse of Ansett. Before 2001, passenger numbers were showing positive growth. They have recovered in the last five years, increasing in 2006–07 by 13 per cent to reach 8 091 326 passengers, representing the highest recorded in the reporting period.

In 2006–07 aircraft movements increased by 8.0 per cent, reaching a new record high of 99 404 after an increase of 6.3 per cent in 2005–06. Tonnage levels have also reached record levels in 2006–07, rising by 16 per cent to 3 635 782 tonnes following an increase of 8.5 per cent in 2005–06.

More detailed operational statistics for Perth are contained in appendix 1.2.

### 8.1.2. Prices

Table 8.1 shows the schedule of charges and the indexed change in list prices for both aeronautical and aeronautical-related services at Perth from 2002–03 to 2006–07, with 2002–03 taken as the base year.

**Table 8.1: Schedule of charges and indexed prices (2002–03 as base year)**

		Indexed list price					
	Basis of charge (e.g. MTOW)	Charge per unit \$ (incl. GST) from 01/07/06 to 31/06/07	Charge per unit \$ (incl. GST) from specified date	2003–04	2004–05	2005–06	2006–07
<b>Aeronautical services</b>							
<i>Aircraft movement facilities and activities</i>							
Basic landing charge							
International RPT	Passenger	4.136		102.8	104.4	104.4	104.4
Domestic and regional RPT	Passenger	4.136		102.8	104.4	104.4	104.4
Fixed wing (GA, freight and other)	Tonne MTOW	7.805		102.8	104.4	108.0	108.0
Rotary wing	Tonne MTOW	3.902		102.8	104.5	108.1	108.1
Minimum landing charge							
Fixed wing		35.638		102.8	104.4	108.0	108.0
Rotary wing		17.819		102.8	104.4	101.2	101.2
Basic aircraft parking charge (GA)	Aircraft per day	30.947		102.8	104.4	108.0	112.5
<i>Passenger processing facilities and activities</i>							
International terminal charge	Passenger	6.357		105.6	107.3	107.3	115.6
International baggage handling charge <sup>(a)</sup>	Departing passenger	2.257				100.0	100.0
Domestic terminal charge <sup>(b)</sup>	Passenger	3.960		101.2	102.8	106.3	110.8
Domestic aerobridge charge	Passenger using an aerobridge	0.619		102.7	104.4	108.0	112.5
Counter Terrorism First Response <sup>*(c)</sup>							
RPT services	Passenger	0.000	0.724 and 0.662	65.8	58.7	65.1	32.1
Freight and other Passenger screening*	Tonne MTOW <sup>(c)</sup>	0.000	0.701 and 0.605	94.0	94.0	86.2	33.5
International	Departing passenger	2.401	2.541 <sup>(g)</sup>	111.8	120.7	139.3	139.3
Domestic <sup>(d)</sup>	Departing passenger Terminal 3	2.416	2.430 <sup>(g)</sup>	167.1	170.7	187.7	215.7
Checked bag screening*							
International	Departing passenger	2.781	3.104	62.8 <sup>(g)</sup>	123.9	295.2	338.2
Domestic	Departing passenger	1.137	0.606	N/A	100.0 <sup>(h)</sup>	110.1	92.2
<b>Aeronautical-related services</b>							
Landside vehicle access to terminals	Special purpose vehicles <sup>(f)</sup>	2.20		100.0	100.0	100.0	100.0



<b>Indexed list price</b>							
	<b>Basis of charge</b> (e.g. MTOW)	<b>Charge per unit \$</b> (incl. GST) from 01/07/06 to 31/06/07	<b>Charge per unit \$</b> (incl. GST) from specified date	<b>2003–04</b>	<b>2004–05</b>	<b>2005–06</b>	<b>2006–07</b>
			See tariffs in appendix				
Public car-parking	Hour/day	1.3		N/A	N/A	N/A	N/A
Staff car-parking	N/A	N/A		N/A	N/A	N/A	N/A
Taxi holding and feeder services	Taxi pick ups	2.00		120.4	181.8	181.8	181.8
Check-in counters and related facilities	Departing passenger	1.10		N/A	N/A	100.0 <sup>(i)</sup>	100.0
Aircraft light and emergency maintenance sites and buildings	\$/m <sup>2</sup>	N/A		N/A	N/A	N/A	N/A

Notes: N/A—not available from the information provided by the airport.

\*Perth amends its security charges once a year, effective 1 January. This change takes into account any over and under recovery from previous years.

- (a) New charge introduced on 1 July 2005.
- (b) Domestic terminal charge is a step charge reducing based on airline volume through the terminal.
- (c) This charge encompasses both services provided by the Australian Federal Police Protective Services (AFPPS) that are billed to the airport, but also other services that the airport provides through contract security firms. These services include control of vehicles into and from the terminals, patrols of the apron and additional security required in the terminal buildings to manage access to restricted areas. The AFPPS notified Perth airport in May 2006 that it would no longer invoice the airport for its services, with effect from 1 January 2006. Accordingly, from 1 June 2006, Perth reduced this charge to zero until a new charge could be calculated based on the costs of the remaining services and the fact that charges from January to May 2006 had included an allowance for the AFPPS charges. A new reduced charge was reinstated with effect from 1 September 2006 following consultation with the airlines and calculation of these services borne by Perth airport. A new charge was applied for these services on 1 January 2007.
- (d) During 2002–03 passenger screening in T3 operated for approximately six months only. During the start-up phase, costs were relatively low because of the small number of flights and were underestimated, resulting in an under-recovery.
- (e) Aircraft >20 tonne only.
- (f) For example, buses, limousines, etc.
- (g) Average charge over the financial year.
- (h) Base year is 2004–05 (when charge was introduced).
- (i) Effective 1 May 2005 all counters became common use and the charge was revised to be based on departing passengers using the counters. Perth airport also provides check-in counters in the Terminal 3 (domestic), but there is no separate charge for these counters, so the revenue is included as aeronautical in this report.

In 2006–07 Perth airport has kept aeronautical airside service prices the same as those reported in 2005–06 and 2004–05, with the exception of general aviation aircraft parking charges, which increased by 4.2 per cent in 2006–07. Domestic passenger terminal and aerobridge charges increased by 4.2 per cent in 2006–07, while the international terminal charge increased by 4.1 per cent over the same period. Security costs varied in 2006–07 following the AFP's decision to no longer invoice Perth airport for its services. Accordingly, counter-terrorism charges for passengers and freight have both decreased to zero and a new charge was introduced following consultation with airlines. In 2006–07 prices for domestic passenger screening services increased by 15 per cent, while domestic and international baggage screening decreased by 16 per cent and increased by 15 per cent respectively.

Aeronautical-related services, like aeronautical services, have remained stable in 2006–07. From 2002–03 to 2006–07 the charge for taxi-holding and feeder services increased by 82 per cent.

## Aeronautical revenue (adjusted)<sup>105</sup> per passenger

Aeronautical revenue (adjusted) per passenger increased by 0.9 per cent in 2006–07, following an increase of 5.7 per cent in 2005–06, 3.7 per cent in 2004–05, 0.2 per cent in 2003–04 and 58 per cent in 2002–03 after the removal of price caps. Over the last five years, aeronautical revenue (adjusted) per passenger has increased by 75 per cent.

## Aeronautical revenue (adjusted) per passenger excluding security

In 2006–07 aeronautical revenue (adjusted) per passenger **excluding** security has increased by 1.1 per cent to \$6.07 from \$6.00 in 2005–06. Since price monitoring began, per passenger adjusted revenue **excluding** security has increased by 81 per cent. In 2006–07 security revenue per passenger increased by less than \$0.01 while aeronautical revenue (adjusted) per passenger increased by \$0.07. Since price monitoring began, security revenue per passenger has increased by \$0.47, while the overall increase in aeronautical revenue (adjusted) per passenger is \$3.19.

More detailed information on security services is provided later in this section of the report.

### 8.1.3. Revenues, costs and profits<sup>106</sup>

Table 8.2 lists the revenues, costs and margins relating to aeronautical services and aeronautical-related services under direction 27 definitions at Perth from 2002–03 to 2006–07.

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105 Perth's aeronautical revenue has been adjusted to exclude new revenue earned from the provision of the terminal formerly operated by Ansett. Relying on clause 3 in direction 27, reported aeronautical revenue for Perth excludes revenue from fuel throughput services and is therefore understated.

106 Perth airport transitioned to AIFRS in 2004–05. A restatement of the airport's regulatory accounts for 2004–05 was not available. Although the airport provided comparative information demonstrating the impact of the adoption of AIFRS, this report is based on the regulatory account statements which split information between aeronautical, aeronautical-related and non-aeronautical according to the Airports Act and direction 27 (as described in section 1.1) and therefore all 2004–05 figures remain stated under AGAAP.

Table 8.2: Revenues, costs and margins

	Revenues (\$'000)						Costs (\$'000)						Margins (\$'000)					
	2002-03	2003-04	2004-05	2005-06	2006-07		2002-03	2003-04	2004-05	2005-06	2006-07		2002-03	2003-04	2004-05	2005-06	2006-07	
<b>Aeronautical services</b>																		
Aircraft movements and facilities	23 787	26 714	29 645	32 371	36 150		10 396	11 528	15 157	17 812	19 013		13 391	15 186	14 488	14 559	17 137	
Passenger processing facilities and activities	13 518	16 841	19 949	24 049	28 556		9 985	11 827	15 331	16 809	19 951		3 533	5 014	4 618	7 240	8 605	
<i>Total aeronautical services</i>	<i>37 305</i>	<i>43 555</i>	<i>49 594</i>	<i>56 420</i>	<i>64 704</i>		<i>20 381</i>	<i>23 355</i>	<i>30 488</i>	<i>34 621</i>	<i>38 965</i>		<i>16 924</i>	<i>20 200</i>	<i>19 106</i>	<i>21 799</i>	<i>25 741</i>	
<b>Aeronautical-related services</b>																		
Landside vehicle access to terminals	14	14	16	16	16		643	632	1 156	1 405	1 494		(629)	(618)	(1 140)	(1 389)	(1 477)	
Public and staff car-parking	9 249	10 686	12 932	15 902	18 227		2 526	2 983	3 811	4 826	7 568		6 723	7 703	9 121	11 076	10 659	
Check-in counters and related facilities	806	1 235	1 352	983	1 083		471	512	771	792	1 018		335	723	581	191	65	
Aircraft light and emergency maintenance sites and buildings	1 789	1 626	1 488	1 569	2 097		893	824	861	900	1 246		896	802	627	669	852	
Taxi holding and feeder services	458	563	1 000	1 116	1 270		271	428	545	457	462		187	135	455	659	808	
<i>Total aeronautical-related services</i>	<i>12 316</i>	<i>14 124</i>	<i>16 788</i>	<i>19 586</i>	<i>22 694</i>		<i>4 804</i>	<i>5 379</i>	<i>7 144</i>	<i>8 380</i>	<i>11 787</i>		<i>7 512</i>	<i>8 745</i>	<i>9 644</i>	<i>11 206</i>	<i>10 907</i>	

Note: Relying on clause 3 in direction 27, reported aeronautical revenue for Perth excludes revenue from fuel throughput services and is therefore understated.

Revenues and costs for both aeronautical and aeronautical-related services increased in 2006–07. The margin for aeronautical services increased while it decreased for aeronautical-related services.

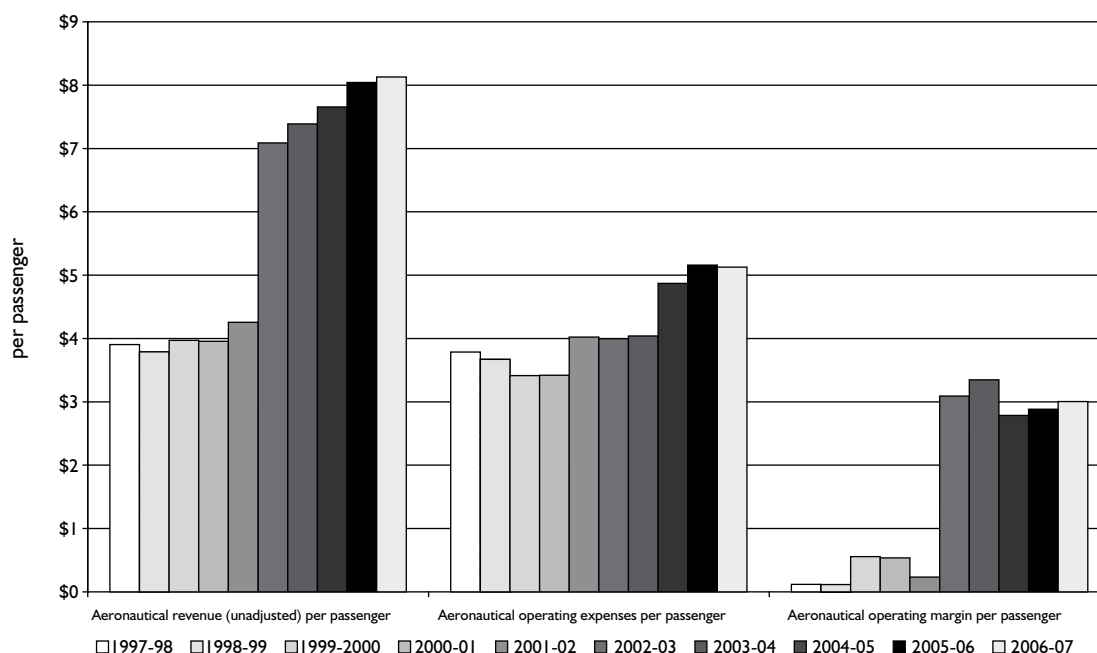
In 2006–07, revenue from aeronautical services increased by 15 per cent while aeronautical costs increased by 13 per cent, resulting in an 18 per cent gain in the margin. From 2002–03 to 2006–07, aeronautical revenue and costs have increased by 73 per cent and 91 per cent respectively, leading to a 52 per cent increase in the margin.

Aeronautical-related revenue increased by 16 per cent in 2006–07 while costs grew by 41 per cent, resulting in a 2.7 per cent drop in the margin. Over the period 2002–03 to 2006–07, revenue and costs have increased by 84 and 145 per cent respectively, leading to a 45 per cent increase in the margin.

## Aeronautical services

Chart 8.2 shows aeronautical revenue, aeronautical operating expenses and aeronautical operating margin per passenger for aeronautical services at Perth airport from 1997–98 to 2006–07.

**Chart 8.2: Aeronautical revenue, operating expenses and operating margin per passenger**



Note: The measures of aeronautical operating expenses per passenger and therefore operating margin per passenger do not include an allowance for return on capital. Relying on clause 3 in direction 27 reported aeronautical revenue for Perth excludes revenue from fuel throughput services and is therefore understated.

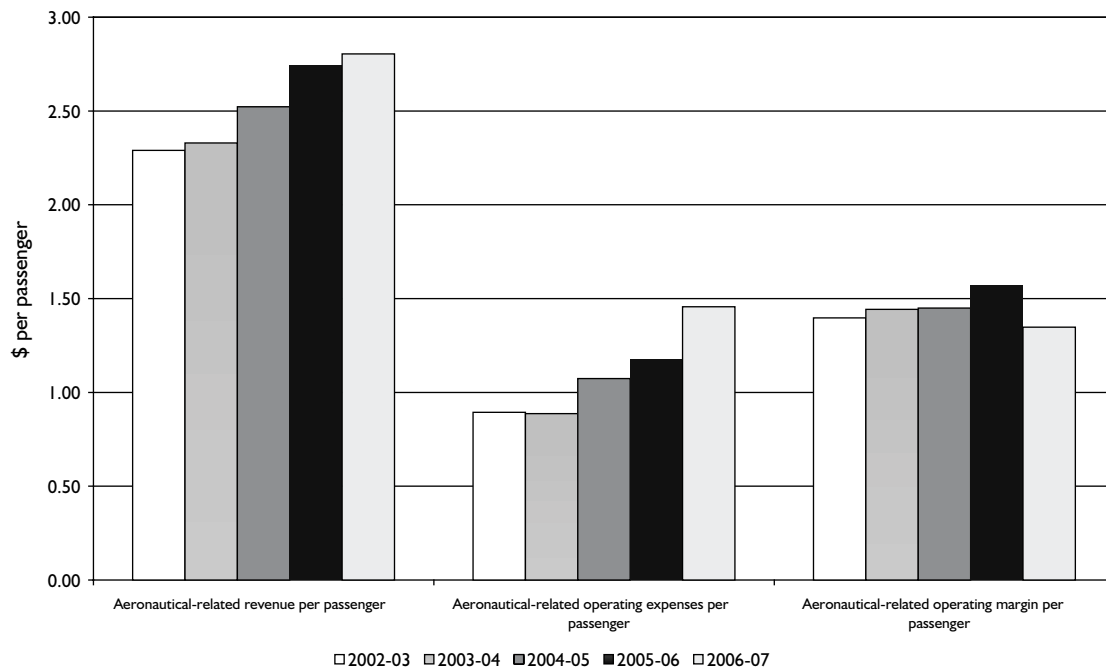
In 2006–07 on a per passenger basis, aeronautical revenue increased while aeronautical operating expenses decreased. As a consequence, operating margins increased in 2006–07.

Aeronautical revenue per passenger was relatively constant between 1997–98 and 2000–01, but increased by 7.6 per cent in 2001–02 and by 67 per cent in 2002–03. In part, this increase reflected the inclusion, for the first time, of revenue from the former Ansett terminal. Under the previous arrangements with Ansett, lease revenue was classified as non-aeronautical. In 2006–07 aeronautical revenue per passenger continued to increase, rising by 1.1 per cent to \$8.13 from \$8.04 in 2005–06.

Aeronautical operating expenses per passenger remained relatively stable over the three years to 2004–05, which saw an increase of 21 per cent to \$4.87 from \$4.04 in 2003–04. Expenses per passenger declined over the first four years, before increasing by 18 per cent in 2001–02. In 2005–06 operating costs continued to increase to \$5.16 per passenger, up 5.9 per cent. In 2006–07 expenses decreased for the first time since 1999–2000 by less than 1 per cent to \$5.13 from \$5.16 in 2005–06.

Aeronautical operating margin per passenger increased by 4.2 per cent in 2006–07 to \$3.00 from \$2.88 in 2005–06. Since price cap regulation was removed in 2001–02, on a per passenger basis aeronautical revenue has increased by 91 per cent, while operating expenses have increased by 27 per cent. The operating margin per passenger has increased from \$0.23 in 2001–02 to \$3.00 in 2006–07.

**Chart 8.3: Aeronautical-related revenue, operating expenses and operating margin per passenger**



In 2006–07 per passenger aeronautical-related revenue grew by 2.2 per cent, while expenses grew by 24 per cent. Due to the relatively larger increase in expenses, the margin fell by 14 per cent. From 2002–03 to 2006–07, revenue increased by 22 per cent while expenses increased by 63 per cent, leading to a 3.5 per cent decrease in the margin per passenger from \$1.40 in 2002–03 to \$1.35 in 2006–07.

## Security services

As noted in section 1.2.2, airport security expenses have increased significantly since 2000–01 because of increased government-mandated security services. In 2004–05 further requirements were implemented, contributing to the increase in revenues and costs from 2004–05 onwards.

In its 2006–07 annual report, Perth airport advised that capital works began in 2006–07 on the construction of a 100 per cent CBS system in Terminal 3 (domestic terminal). The expenditure on this system in 2006–07 amounted to \$1.3 million.

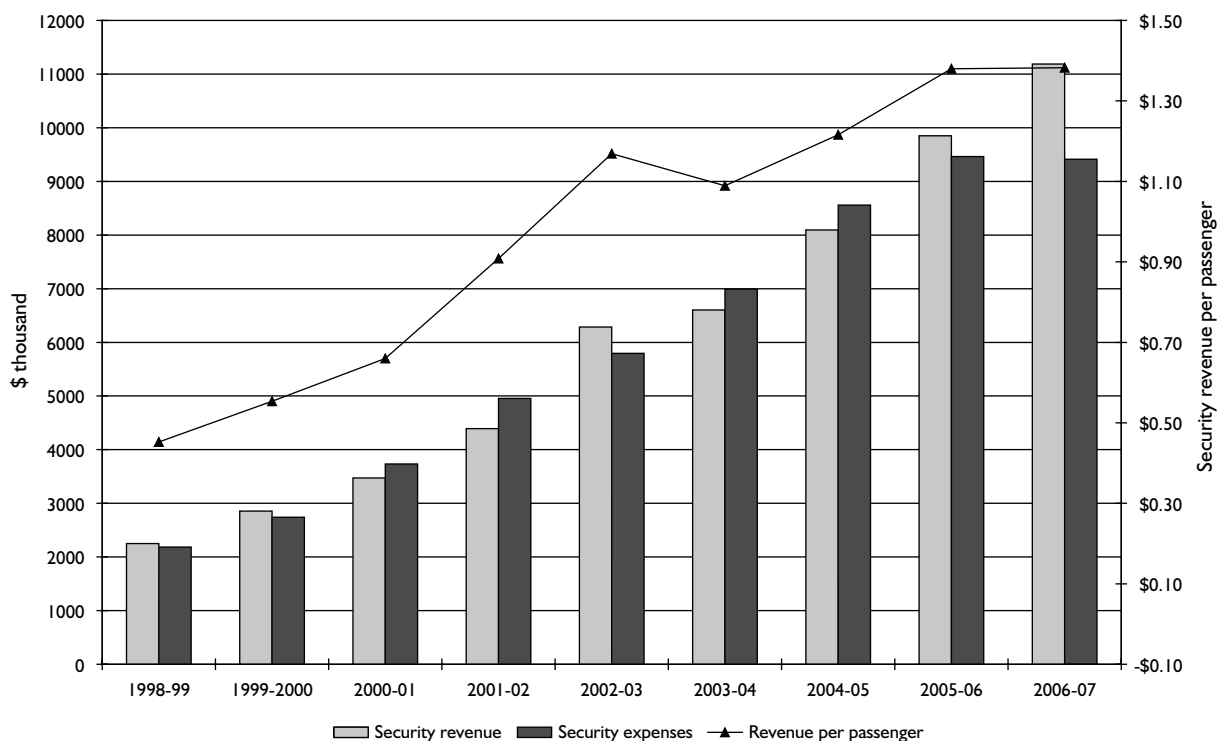
There was also expenditure on a number of smaller projects, such as an online security training induction package that contributes to the overall security around the airport. These projects are generally treated as aeronautical and are included in the landing or terminal charges already in place.

Security revenue as a percentage of total aeronautical revenue increased over the reported period, rising from 12 per cent in 1998–99 to a record high of 21 per cent in 2001–02. It has remained relatively stable at 15 per cent to 17 per cent over the five years to 2006–07.

Over the reported period, security expenses as a proportion of total aeronautical expenses increased from 12 per cent in 1998–99 to a peak of 29 per cent in 2003–04, decreasing to 23 per cent in 2006–07.

Chart 8.4 shows security revenues, expenses and revenue per passenger at Perth from 1998–99 to 2006–07.

**Chart 8.4: Security revenue and expenses**



Security revenue and revenue per passenger increased in 2006–07 while security expenses decreased.

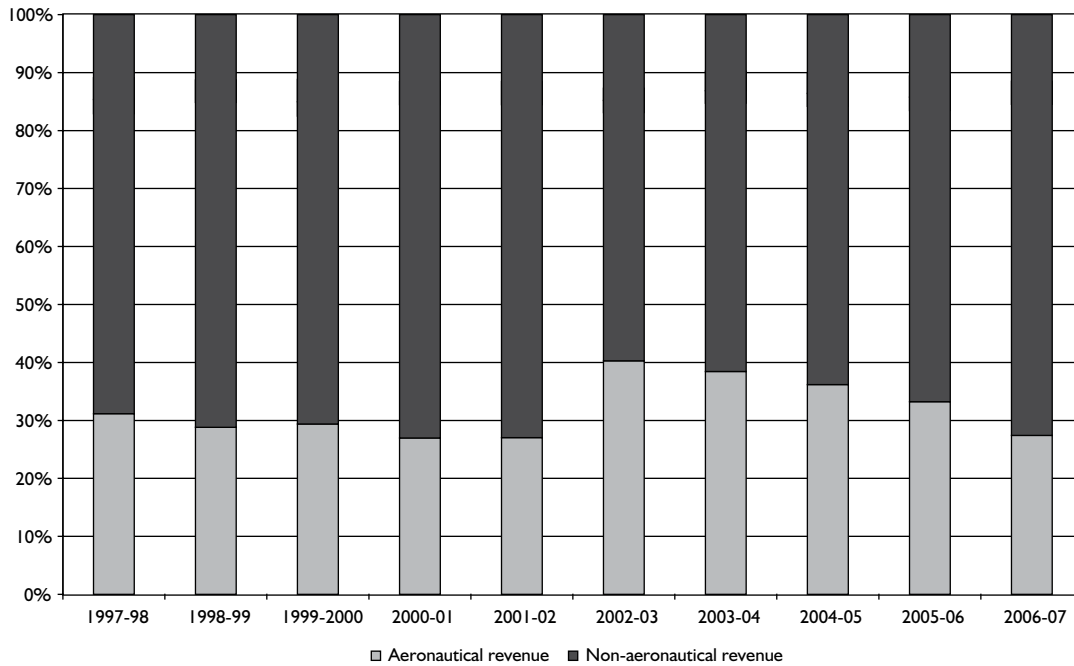
Security revenue and expenses showed a strong upward trend over the reporting period up to 2006–07 while security expenses dropped by 0.5 per cent and revenue per passenger remained stable. In 2006–07 security revenue increased by 14 per cent to \$11.2 million from \$9.8 million in 2005–06. Over the same period, security expenses decreased from \$9.5 million in 2005–06 to \$9.4 million. Changes in security revenue were influenced by a 48 per cent increase in revenue accrued from passenger screening charges, while a 27 per cent increase in expenses associated with checked baggage screening was offset by a 31 per cent decrease in costs associated with APS charges.

In 2006–07 security revenue per passenger remained stable at \$1.38. This follows a 13 per cent increase in 2005–06, a 12 per cent increase in 2004–05, a 6.8 per cent decrease in 2003–04 and a 29 per cent increase in 2002–03.

## Revenue shares

Chart 8.5 shows the total revenue shares between aeronautical and non-aeronautical services for Perth from 1997–98 to 2006–07.

**Chart 8.5: Total revenue shares—aeronautical and non-aeronautical revenue**



Note: Relying on clause 3 in direction 27, Perth airport reports aeronautical revenue that excludes revenue from fuel throughput services and is therefore understated.

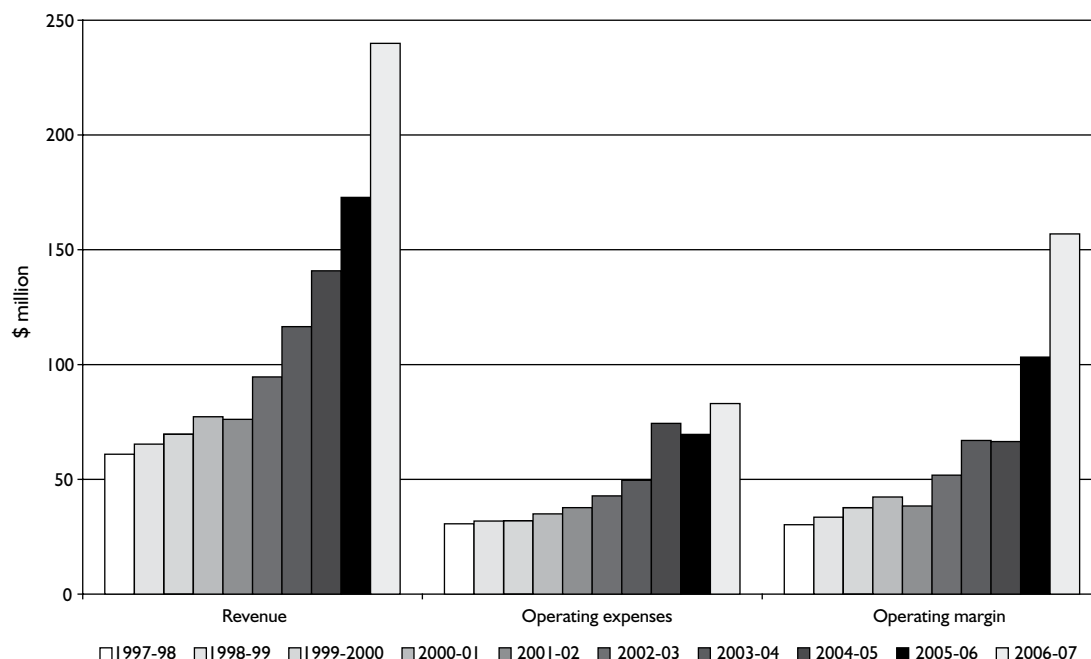
Aeronautical revenue decreased as a proportion of total revenue in 2006–07. From 1997–98 to 2001–02 it remained relatively stable, accounting for approximately 30 per cent of total revenue. In 2002–03 aeronautical revenue rose to 40 per cent of total revenue and then in 2003–04 decreased to 38 per cent of total revenue, followed in 2004–05 by a fall to 36 per cent and a further decrease in 2005–06 to 33 per cent. This year the trend continued with the proportion dropping to 27 per cent.

The increase in aeronautical share in 2002–03 was most like caused by an increase in the price of aeronautical services, which occurred after price cap regulation was removed, and from the inclusion of revenue from the former Ansett terminal for the first time.

## Total airport services

Chart 8.6 shows the total airport revenue, operating expenses and operating margin for Perth from 1997–98 to 2006–07.

**Chart 8.6: Total airport revenue, operating expenses and operating margin**



Note: The measures of operating expenses and therefore operating margin do not include an allowance for return on capital.

In 2006–07 total airport operating revenue, operating expenses and margin have all increased. Over the reporting period these three categories have generally trended upward.

After a slight fall in 2001–02, total airport revenue increased at a greater rate than during 1997–98 to 2000–01. It increased by 24 per cent in 2002–03 and by a further 23 per cent and 21 per cent in both 2003–04 and 2004–05. In 2006–07 total airport revenue increased by 39 per cent after a 23 per cent increase in 2005–06. Most of the 2006–07 increase in revenue resulted from a 52 per cent increase in non-aeronautical revenue. Total airport revenue reached \$239.9 million in 2006–07.

In 2006–07 total airport operating expenses increased by 19 per cent to \$83.0 million from \$69.6 million in 2005–06. This follows a 6.5 per cent decrease in 2005–06 and a 50 per cent increase in 2004–05.

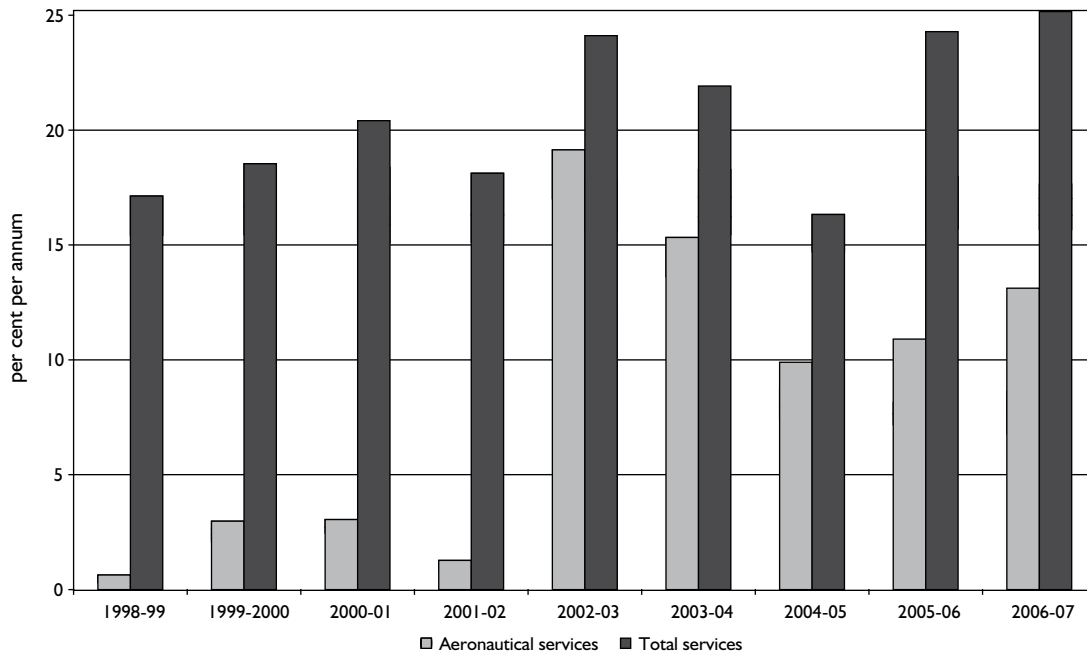
The large increase in total airport revenue combined with the relatively small increase in operating costs led to a 52 per cent increase in the margin in 2006–07. The operating margin increased from \$103.3 million in 2005–06 to \$156.9 million.



### Rates of return on average tangible non-current assets

Chart 8.7 shows the return on average tangible non-current assets for both aeronautical services and total airport services from 1998–99 to 2006–07.

**Chart 8.7: EBITA on average tangible non-current assets**



Note: Relying on clause 3 in direction 27, Perth airport reported aeronautical revenue excluding revenue from fuel throughput services and is therefore understated.

In 2006–07 EBITA on average tangible non-current assets for both aeronautical services and total airport services have increased.

In 2002–03 EBITA on average tangible non-current assets for aeronautical services increased significantly from 1.3 per cent in 2001–02 to 19 per cent. However, it declined in the following two reporting periods, down to 15 per cent in 2003–04 and 9.9 per cent in 2004–05. In 2006–07 EBITA on average tangible non-current assets for aeronautical services increased to 13 per cent from 11 per cent in 2005–06.

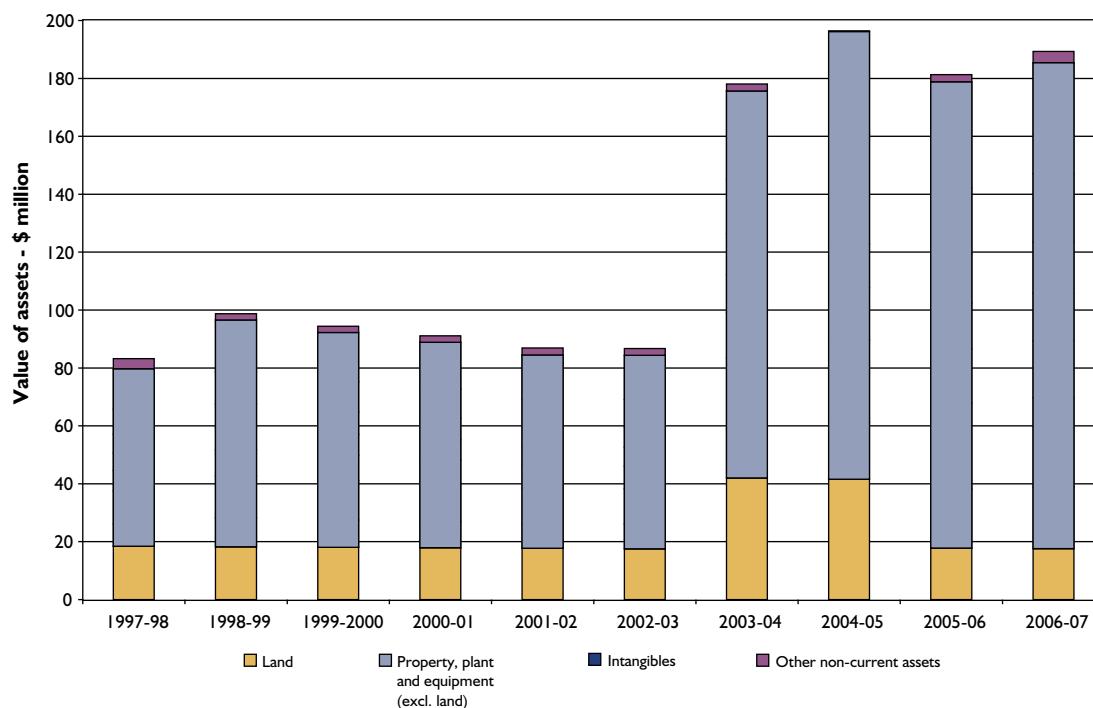
In relation to total airport services, EBITA increased to 24 per cent in 2002–03, followed by a decline to 22 per cent in 2003–04 and a further decrease in 2004–05 to its lowest level of the reporting period at 16 per cent. In 2006–07 EBITA on average tangible non-current assets for total airport services increased from 24 per cent in 2005–06 to 32 per cent.

The introduction of AIFRS for the 2005–06 year resulted in a reduction in aeronautical airport asset base of \$24.4 million and in the total asset base of \$32.1 million, affecting the comparability of this ratio to previous years. Perth airport advised in 2005–06 that total airport EBITA also includes a positive fair value adjustment to investment property of \$27 million. In 2006–07 the fair value adjustment of investment property for 2006–07 was a positive \$71.8 million.

## Asset values

Chart 8.8 shows the total value of aeronautical non-current assets at Perth from 1997–98 to 2006–07.

**Chart 8.8: Aeronautical non-current assets**



The value of aeronautical assets increased in 2006–07 following a decrease in 2005–06 and a significant increase in 2003–04, after remaining relatively stable over the remainder of the reporting period.

In 2006–07 the value of aeronautical non-current assets increased by 4.4 per cent to \$189.3 million from \$181.3 million in 2005–06. Increases of \$6.8 million to the value of property, plant and equipment and \$1.4 million to the value of other non-current assets contributed to this overall increase.

In 2005–06 the value attributed to the aeronautical land asset was reduced by 57 per cent as a result of an adjustment made in accordance with the airport’s application of AIFRS.<sup>107</sup> Although Perth airport now regards this asset as prepaid rent, it is reflected (net of revaluations) in the graph as land for comparison purposes.

In Perth airport’s 2005–06 annual report, it advised that the \$25 million T1 facelift had been completed in 2005–06, with the addition of 2500 square metres of floor space, 14 more check-in counters, the replacement of existing check-in counters and the installation of an inline, checked baggage security screening and automated baggage-handling system.<sup>108</sup>

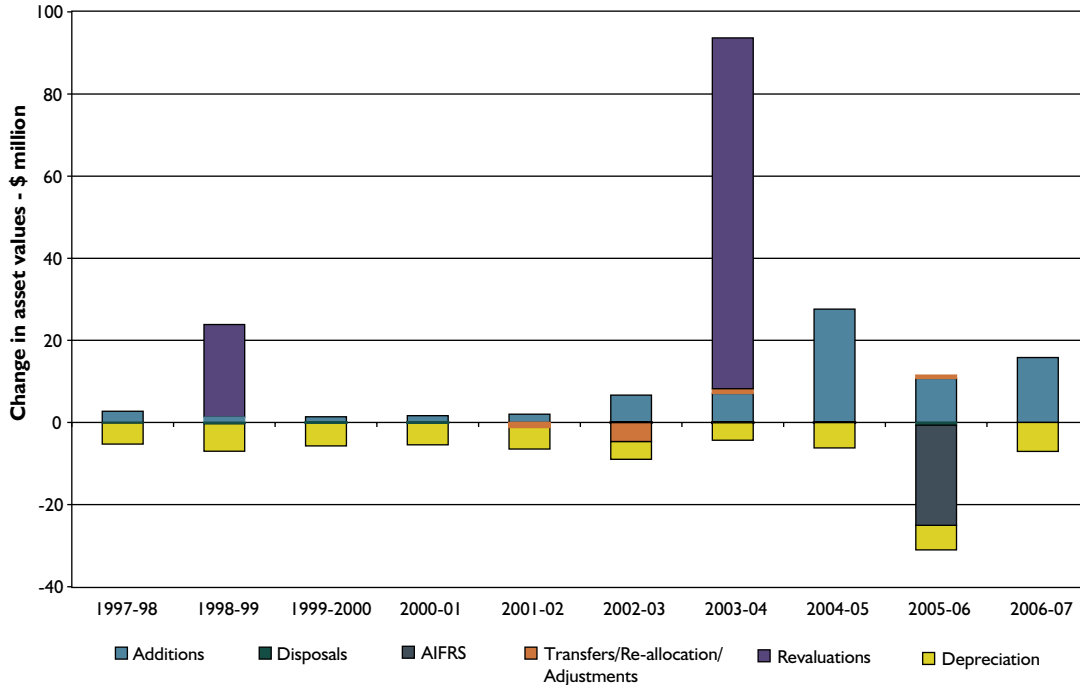
In 2003–04 the value of aeronautical non-current assets increased by 105 per cent to \$178 million from \$86.7 million in 2002–03, with aeronautical land increasing 140 per cent from \$17.5 million in 2002–03 to \$42 million in 2003–04.

<sup>107</sup> Perth airport advised that with the transition to AIFRS, operating land has been reallocated to prepaid rent. Under AIFRS, prepaid rent cannot be revalued. In effect this means that the upwards revaluation previously adopted for land under AGAAP has been reversed under AIFRS. At 30 June 2007 Perth airport obtained an independent valuation of all land and investment buildings. These valuations were booked for investment properties, but not for operating land and buildings, which includes aeronautical assets. The airport last obtained valuations for terminal buildings, runways, taxiways and aprons and other infrastructure at 30 June 2005.

<sup>108</sup> Perth airport annual report 2005–06, p. 29.

Chart 8.9 further illustrates the change in value for tangible aeronautical non-current assets from 1997–98 to 2006–07.

**Chart 8.9: Change in tangible non-current assets—aironautical services**

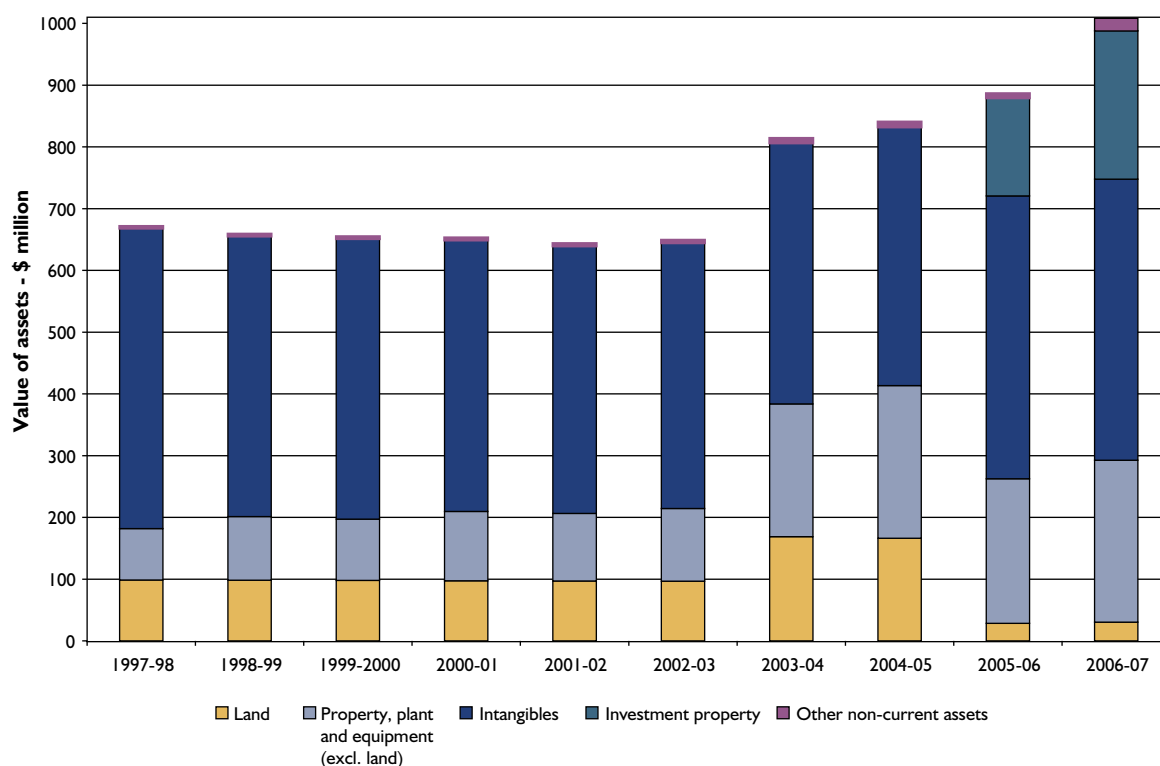


In 2006–07 net investment in aeronautical assets totalled \$15.8 million, of which \$12.0 million was reported within the assets under construction category. This was somewhat offset by depreciation to the value of \$7.1 million.

In 2005–06 Perth airport reallocated operating land to prepaid rent as a result of the airport’s application of AIFRS, resulting in a decrease of \$24.4 million in the value of aeronautical assets. Transfers from assets under construction represent the reallocation of completed assets to buildings, fixed plant and equipment, other infrastructure and other assets. This is the net of additions to this category and transfers from it during the year. Transfers in other categories represent reclassification between aeronautical and non-aeronautical where review of the activities associated with the asset warrants a change in a previous year classification. This is part of an ongoing review associated with the activity-based costing system. Transfers also move assets between infrastructure, plant and equipment and investment properties where the use of the asset has changed.

Chart 8.10 shows the value of total non-current assets for Perth from 1997–98 to 2006–07.

**Chart 8.10: Total airport non-current assets**

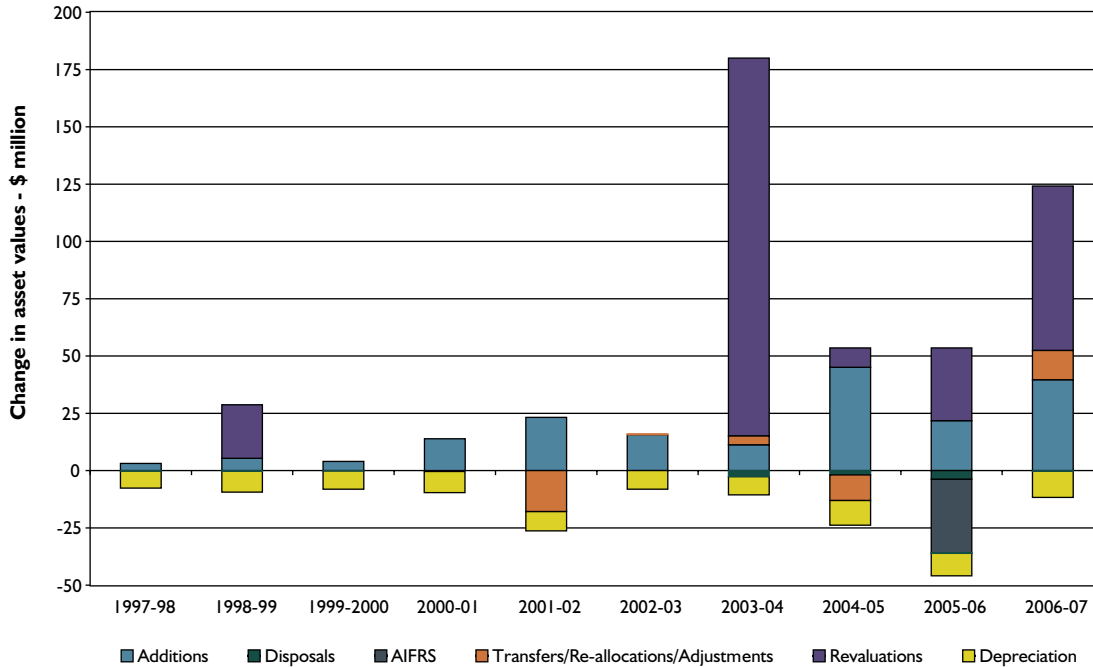


The value of non-current assets increased by 15 per cent to \$1.02 billion in 2006–07 from \$886.5 million in 2005–06. This follows a 5.5 per cent increase in 2005–06, a 3.2 per cent increase in 2004–05 and a 25 per cent increase from \$649.0 million in 2002–03 after remaining relatively stable throughout 1997–98 to 2002–03.

In 2006–07 investment properties increased by \$82.3 million while intangibles decreased by \$3.3 million. Land and property, plant and equipment rose by \$1.7 million and \$28.5 million respectively. Other non-current assets, representing receivables and other financial assets, increased by \$20.7 million.

Chart 8.11 shows changes to the value of tangible non-current assets at Perth from 1997–98 to 2006–07.

**Chart 8.11: Change in tangible non-current assets—total airport**



In 2006–07 net investment to the value of \$39.6 million and positive revaluations to non-aeronautical investment property assets of \$71.8 million positively influenced the change in asset values. An increase of \$12.8 million in the value of transfers also contributed to the overall increase in total airport tangible non-current assets. Depreciation to the value of \$11.5 million and \$0.2 million-worth of disposals offset this increase.

The change in total assets in 2003–04 resulted from a significant upward revaluation of both aeronautical and non-aeronautical assets.

### Rates of return to shareholders

Perth’s post-tax return on equity is influenced by its capital structure. In its 2006–07 annual report, Perth identified that the purchase of the Perth airport lease was partly funded by way of shareholder-sponsored subordinate debt. Subordinate shareholder loans are classified in the airport’s financial accounts as non-current interest bearing liabilities. Similarly, interest payments to subordinate debt holders are classified as a borrowing cost expense payable before income tax.

The existence of these shareholder loans means that reported equity does not reflect the total amounts invested in the airport by shareholders. For the fourth consecutive period, Perth reported a positive post-tax return on average equity; 18 per cent in 2006–07, 9.3 per cent in 2005–06, 0.2 per cent in 2004–05; and 2.0 per cent in 2003–04. However, as discussed in section 1.4.1.4, this measure is currently of limited value. In 2005–06 Perth airport advised that in addition, the 2005–06 results were affected by AIFRS adjustments.

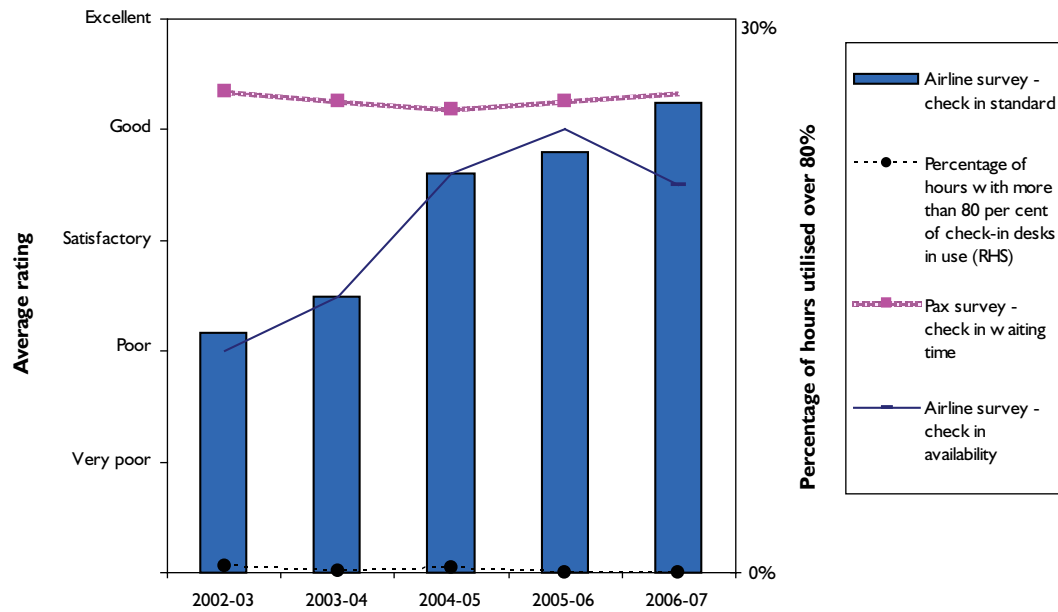
Perth’s regulatory accounts are attached at appendix 1.1.

## 8.2. Perth airport quality of service results

### 8.2.1. International services

#### Check-in facilities

**Chart 8.12: Perth—international check-in**

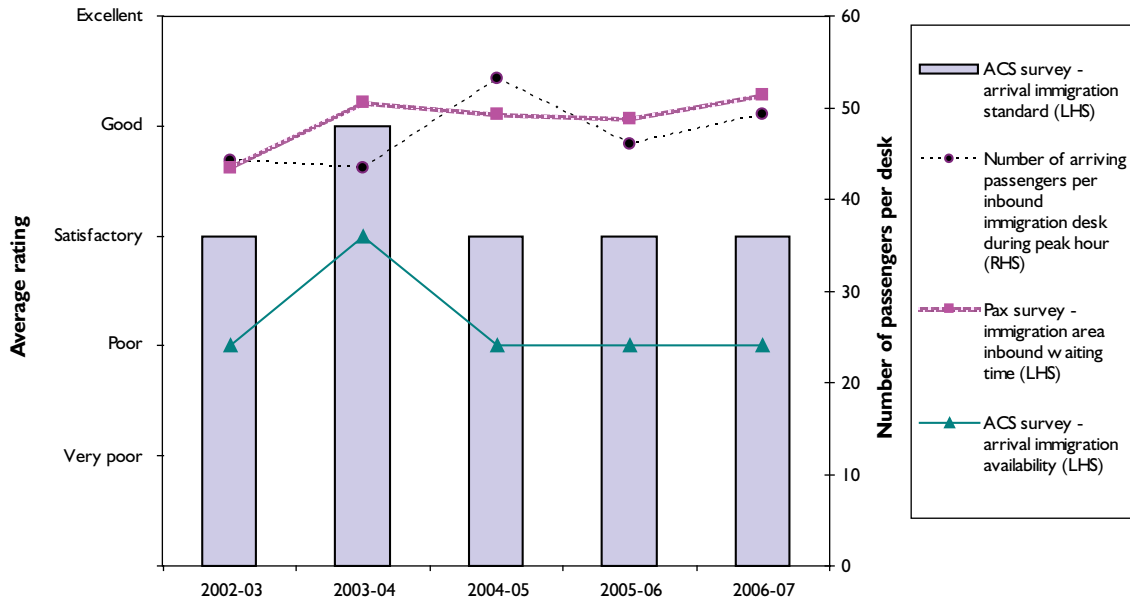


The percentage of hours with more than 80 per cent of check-in desks in use was less than 0.5 per cent over the reporting period. However, this measure is influenced by the fact Perth airport reports on the total number of hours each check-in counter is open and not the total number of hours any check-in counters are open. Therefore, comparison of this measure with other airports is not advised. Perth airport advised in 2006–07 that it is currently unable to report the check-in counter data in the format required. Perth stated there may be additional costs involved in rewriting the program used to generate the information, but that it will endeavour to investigate the possibility of collecting the information for future reporting periods.

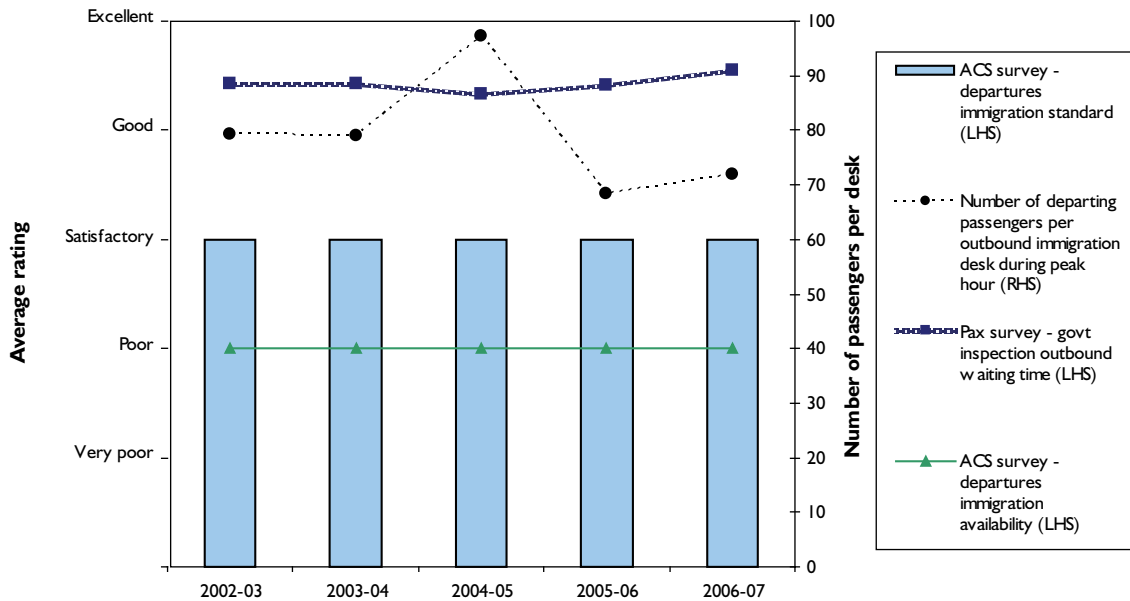
Airlines increased their rating of the **availability** and **standard** of check-in facilities over most of the reporting period from poor in 2002–03 to approximately good in 2005–06. While ratings of **availability** decreased to between good and satisfactory in 2006–07, ratings of the **standard** of facilities continued to increase to just above good. Airlines noted in 2006–07 that the international check-in area was extended and refurbished in late 2004 to include new, well-designed check-in counters. Perth airport advised that an upgrade of the check-in area in late 2005 provided a further 10 check-in counters, 2500m<sup>2</sup> of extra space and new check-in counters.

Government inspection facilities

**Chart 8.13: Perth—international inbound government inspection**



**Chart 8.14: Perth—international outbound government inspection**

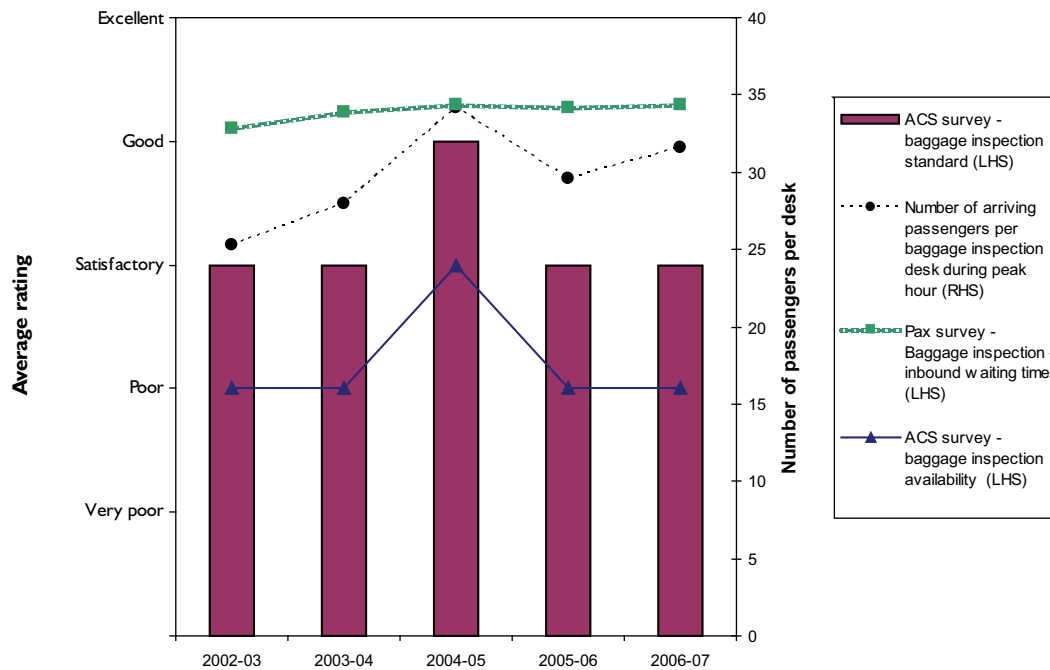


The number of passengers per inbound immigration desk rose from a low of 43 passengers in 2003–04 to 53 passengers in 2004–05. This was followed by a decrease to 46 passengers in 2005–06 and an increase to 49 passengers in 2006–07. Similarly, the number of passengers per outbound immigration desk increased from 79 passengers in 2003–04 to a high of 97 passengers in 2004–05. In 2005–06 the measure of utilisation decreased to 68 passengers followed by an increase to 72 passengers in 2006–07. The number of inbound and outbound desks did not change from 2003–04 onwards and, as such, changes in the quantitative measure of utilisation is a result of fluctuations in the number of passengers during peak hour. In 2006–07 the ACS noted frequent overcrowding of the arrival immigration area during peak periods.

Over the reporting period passengers have rated the outbound immigration facilities slightly higher (at between good and excellent) than inbound immigration facilities (at around good). However, airlines have rated both the **availability** of these facilities as poor for the majority of the reporting period, with the exception of 2003–04 when airlines rated the **availability** of inbound immigration facilities as satisfactory. Similarly, airlines rated the **standard** of these facilities as satisfactory during most of the reporting period, with the exception of 2003–04 when the **standard** of inbound facilities was rated as good. Perth airport also notes that not all counters were manned during these periods, which contributed to congestion.

Baggage inspection facilities

**Chart 8.15: Perth—international baggage inspection**



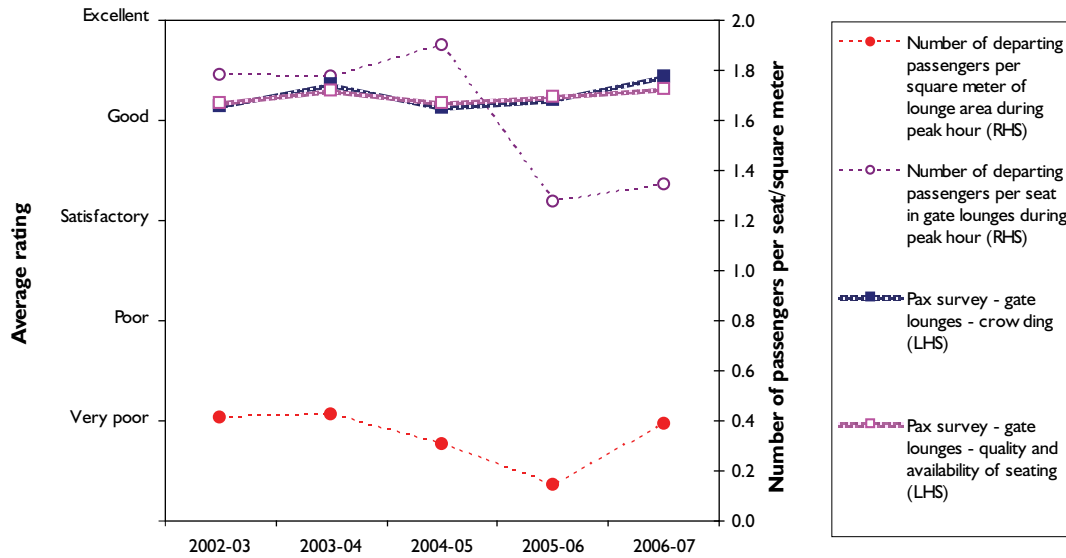
In 2004–05 the number of passengers per baggage inspection desk was at its highest, at 34 passengers. This dropped to 30 passengers in 2005–06, followed by a slight increase to 32 passengers in 2006–07. The number of baggage inspection desks has not varied over the reporting period. Despite the peak in 2004–05 of this measure, the ACS ratings of the **availability** and **standard** of these facilities were also at their highest, at satisfactory and good respectively.

For the remainder of the reporting period **standard** was rated at satisfactory and **availability** at poor. Despite this low rating from airlines, passengers rated the waiting time for inbound baggage inspection as around good with a slight increase over the past three years to slightly above good. In 2006–07 the ACS noted that increases in aircraft passenger loadings and congestion during peak times meant that the size and dimensions of the baggage inspection area were inadequate. Perth airport notes that the airport has been working closely with the ACS and AQIS to improve passenger facilitation and to ensure appropriate resourcing.



Gate lounge facilities

**Chart 8.16: Perth—international gate lounge**

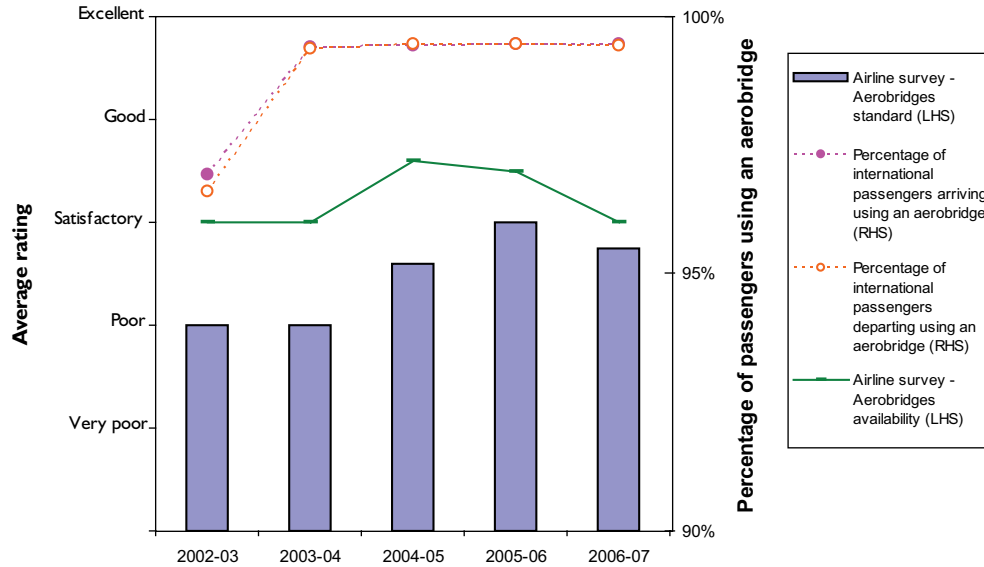


The number of passengers per seat in the international terminal gate lounge was at its highest during 2004–05, at 1.9 passengers per seat. Perth airport increased the number of seats in the gate lounges from 512 in 2004–05 to 536 in 2005–06. Combined with a decrease in the number of departing passengers in 2005–06, the quantitative measure of seating dropped to 1.3 passengers per seat and continued at this level in 2006–07.

In 2006–07 Perth airport advised that in the past the airport had incorrectly included the airline lounge and retail area within the measure of gate lounge space in previous reporting periods. This has been addressed in 2006–07 and there was a corresponding increase in the quantitative measure of passengers per square metre of lounge area from 0.1 passengers in 2005–06 to 0.4 passengers. Passengers rated both the quality and **availability** of seating and crowding at the gate lounges as between good and excellent in 2006–07, up from good in 2004–05. Perth airport noted in 2006–07 that all seats within the international gate lounge have been replaced.

Aerobridges facilities

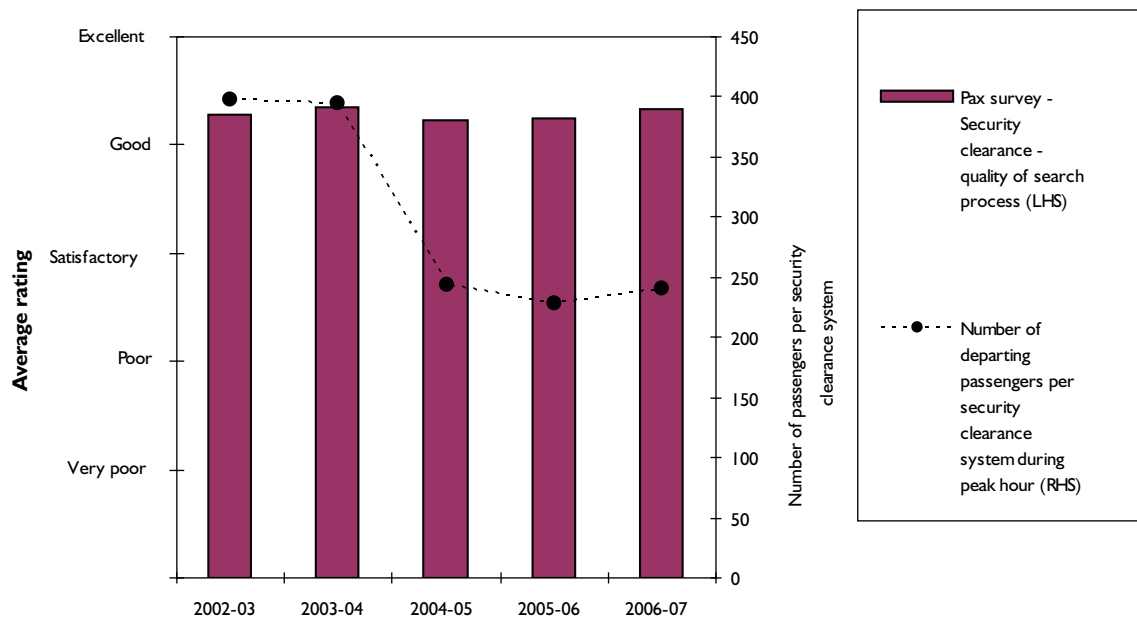
**Chart 8.17: Perth—international aerobridges**



While the percentage of passengers arriving and departing using aerobridges has remained at around 99 per cent for the last three years, airlines ratings of the **availability** of the aerobridge facility has decreased from between satisfactory and good in 2004–05 to satisfactory in 2006–07. However, airline ratings of the **standard** of these facilities increased from poor in 2003–04 to a high of satisfactory in 2005–06, followed by a decrease to between poor and satisfactory in 2006–07. In 2006–07 international airlines noted five aerobridges were inadequate at peak times. Perth airport notes that in some instances aircraft types are incompatible with aerobridge facilities at the airport.

Security facilities

**Chart 8.18: Perth international security**

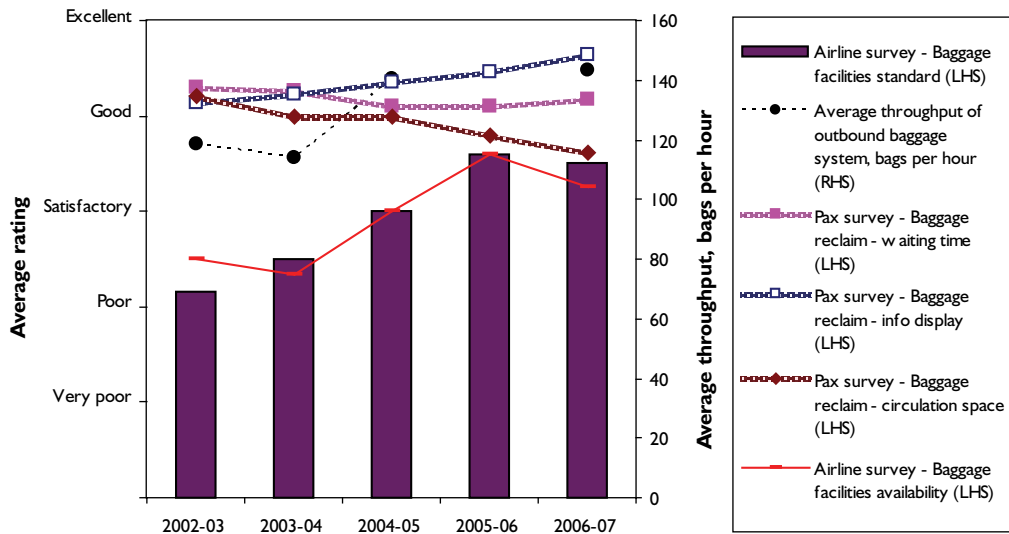


In 2004–05 there was a large drop in the number of departing passengers per security clearance system. This is a result of Perth airport increasing the number of reported security systems from two in 2003–04 to four in 2004–05; however, this number was reduced to 3 in 2005–06 and 2006–07. Perth airport advised that it had upgraded and refurbished the security screening point in late 2005.

Over the reporting period passengers have consistently rated the quality of the search process as between good and excellent.

Baggage facilities

Chart 8.19: Perth—international baggage

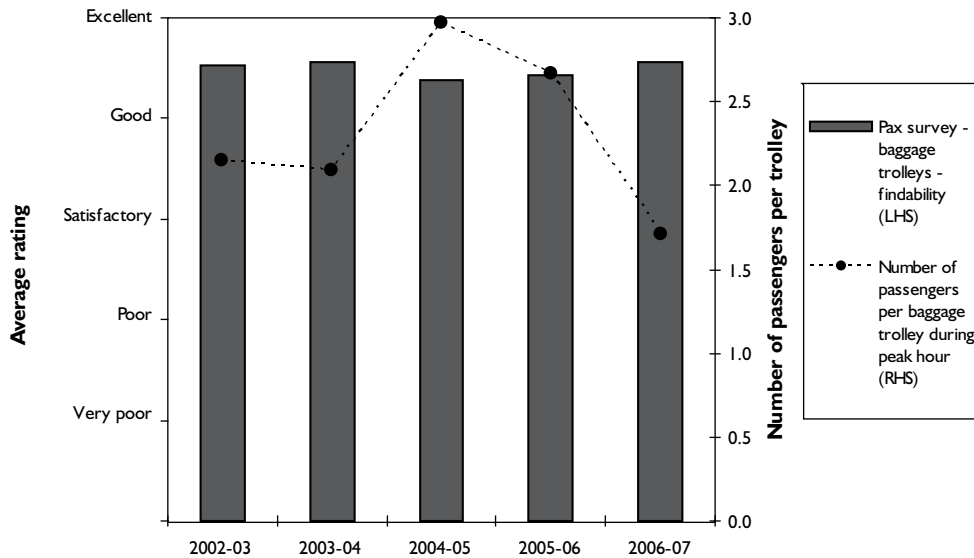


Passenger ratings of the waiting time for these facilities remained relatively stable over the reporting period at around good, while ratings for circulation space decreased to between satisfactory and good, and for information displays increased to between good and excellent in 2006–07.

The average number of outbound bags handled has increased over the reporting period from 114 bags per hour in 2003–04 to 143 bags per hour in 2006–07. This resulted from a combination of an increase of approximately 42 000 extra outbound bags handled and a decrease in the number of hours the outbound baggage system is in use (from 8828 hours per year in 2003–04 to 7300 hours in 2006–07). Despite this decrease in hours of operation, airlines increased their rating of the **availability** and **standard** of the facilities from between poor and satisfactory in 2003–04 to between satisfactory and good in 2006–07. Perth airport noted that the decrease in the time of operation of the baggage system resulted from the installation of a more efficient baggage system in late 2005.

Baggage trolleys

**Chart 8.20: Perth—international trolleys**

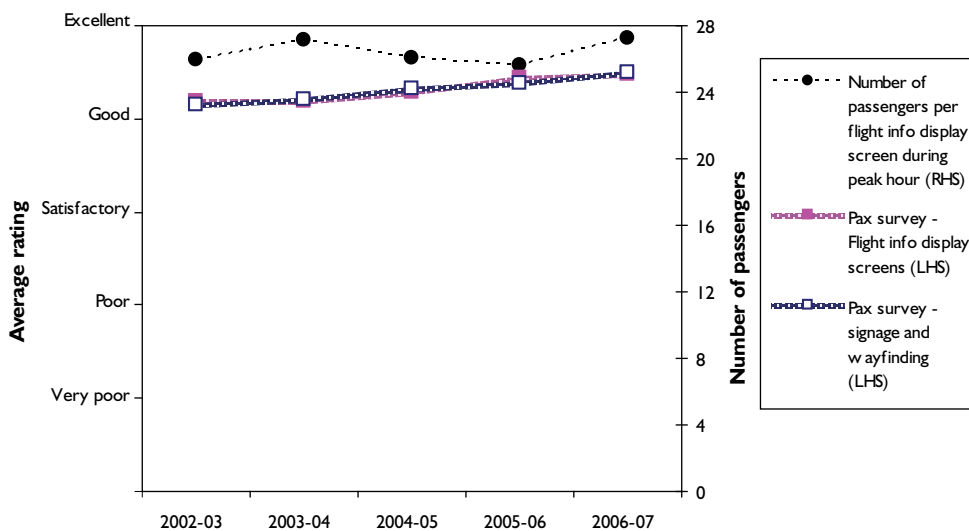


In 2004–05 the number of passengers per baggage trolley peaked at three passengers following an increase in the number of passengers during peak hour and a decrease in the number of working accessible trolleys from 750 trolleys in 2003–04 to 650 trolleys in 2004–05.

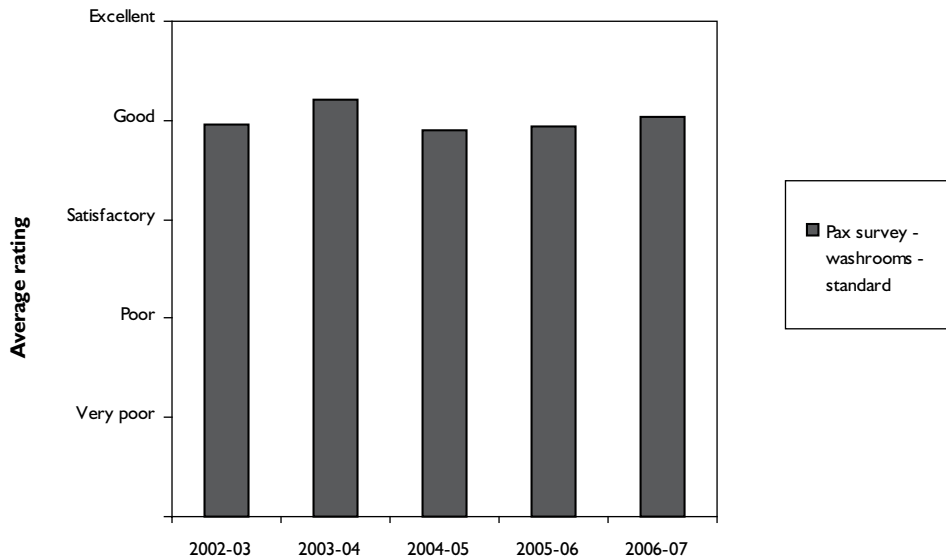
This corresponded with a slight dip in the passenger ratings of the findability of baggage trolleys from between good and excellent to above good. In 2005–06 there was a further drop in the number of available trolleys to 568 trolleys; however, when combined with a decrease in the number of passengers during peak hour, the quantitative measure of utilisation dropped to 2.7 passengers per trolley. Perth airport increased the number of trolleys to 940 in 2006–07, which contributed to a further drop in the quantitative measure of utilisation to 1.7 passengers per trolley with passenger ratings of findability increasing to between good and excellent.

Flight information displays and washrooms

**Chart 8.21: Perth—international flight information and displays**



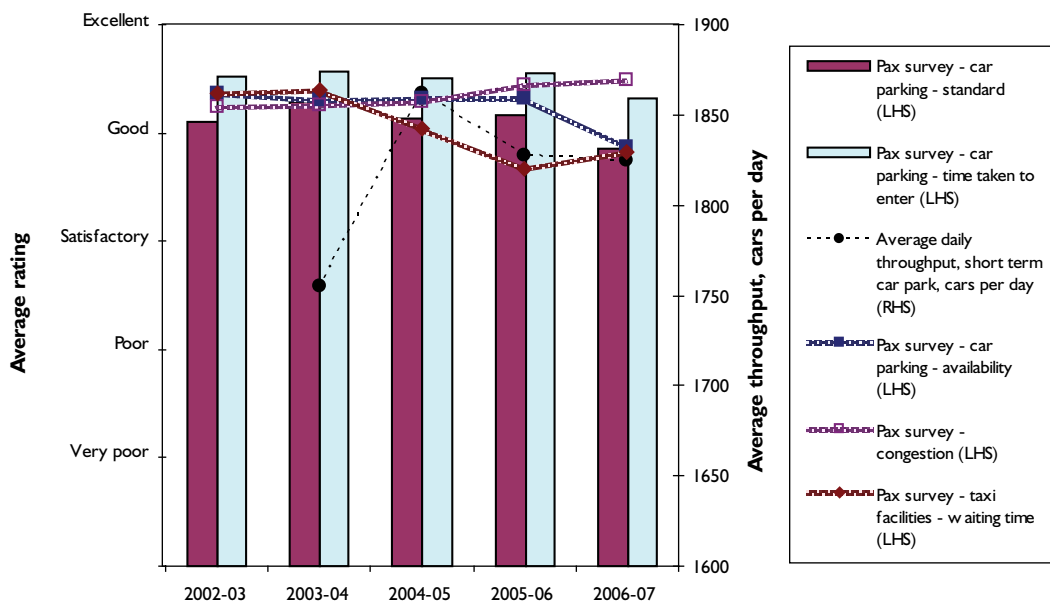
**Chart 8.22: Perth—international washrooms**



For most of the reporting period the number of passengers per FID screen was around 26 passengers, with Perth airport reporting a total of 59 screens in 2006–07. Passenger ratings of FID screens and signage and wayfinding increased from around good in 2004–05 to between good and excellent in 2006–07. Passengers rated international terminal washroom facilities as around good consistently over the reporting period. Perth airport advised that new FID screens were installed and that washroom facilities have been progressively upgraded and refurbished since 2005.

Car-parking facilities

**Chart 8.23: Perth—international car-parking**



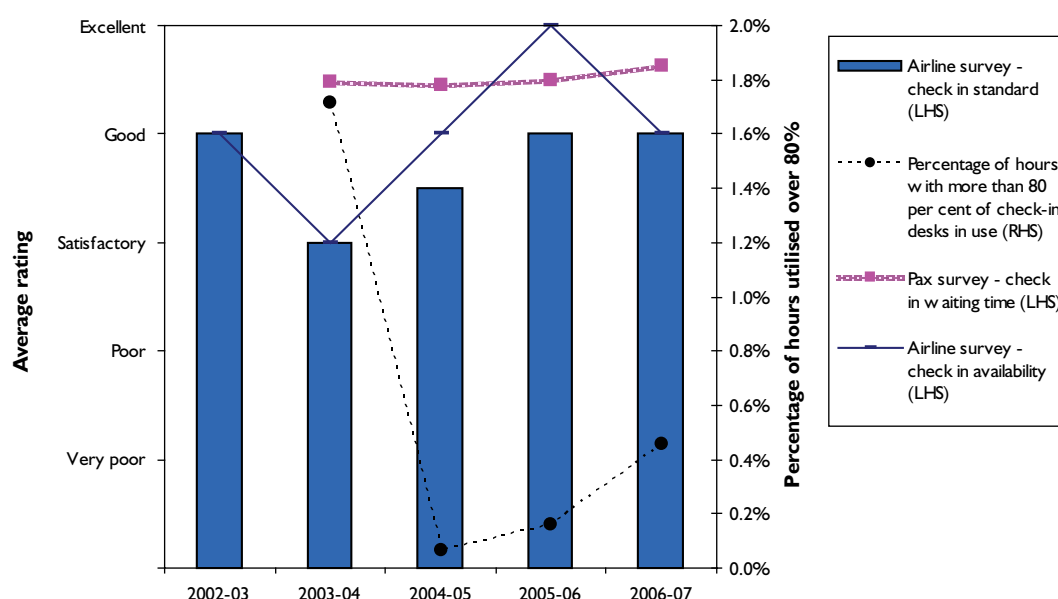
The average throughput of cars in the short-term car park ranged from 1755 cars per day in 2003–04 to 1862 cars per day in 2004–05, with around 1825 cars per day reported in 2006–07.

Over the reporting period, passengers rated the **availability** of these facilities as between good and excellent, decreasing to good in 2006–07. Passengers also decreased their ratings of the **standard** of these facilities from between good and excellent in 2005–06 to above good in 2006–07. However, passenger ratings of car-parking congestion increased from just above good in 2002–03 to between good and excellent in 2006–07. Passenger ratings of taxi facilities' waiting times dropped to a low between satisfactory and good in 2005–06, but recovered slightly in 2006–07 to be just below good.

## 8.2.2. Domestic services<sup>109</sup>

### Check-in facilities

**Chart 8.24: Perth—domestic check-in**



Over the reporting period, airlines rated the **availability** of check-in facilities at between satisfactory in 2003–04, excellent in 2005–06, followed by a drop to good in 2006–07. Conversely, passengers maintained a stable rating of the waiting time associated with these facilities at between good and excellent, with a slight increase tending to excellent in 2006–07.

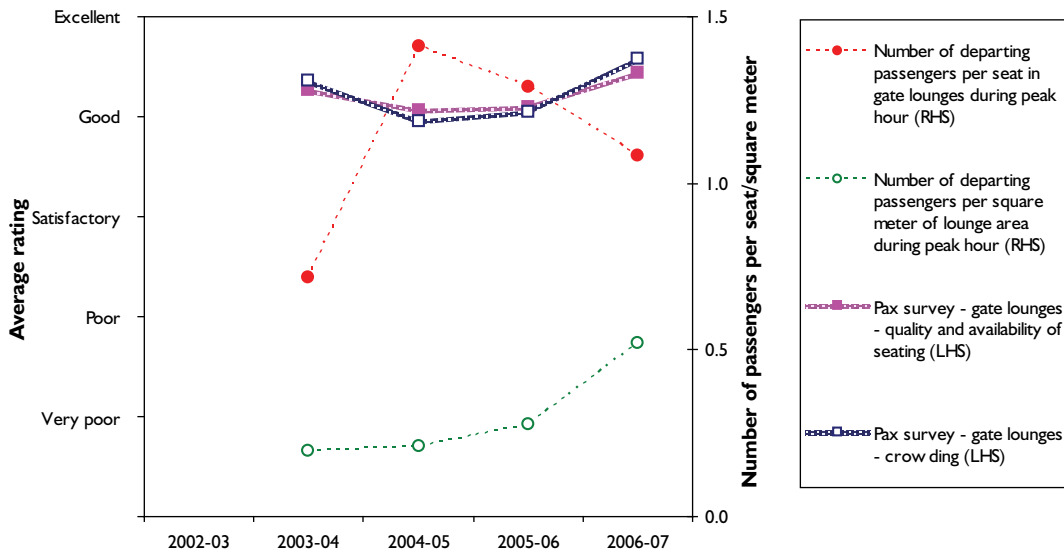
Airline ratings of the **standard** of check-in facilities were at satisfactory in 2003–04; however, over the two years from 2005–06 to 2006–07 this rating has remained at good.

The reported percentage of hours with more than 80 per cent of check-in desks in use ranged from a high of 1.7 per cent in 2003–04 to a low of 0.1 per cent in 2004–05. In 2006–07 this quantitative measure of utilisation was 0.5 per cent. As noted above, Perth airport reports the total number of hours each check-in counter is open rather than the total number of hours any check-in counters are open. Therefore, comparison of this measure with other airports is not advised. Perth airport advised in 2006–07 that it is currently unable to report the check-in counter data in the format required. Perth stated there may be additional costs involved in rewriting the program used to generate the information, but that it will endeavour to investigate the possibility of collecting the information for future reporting periods.

<sup>109</sup> Perth airport leases operating space and facilities to Qantas Airways and therefore the airline does not provide survey information for such facilities.

Gate lounge facilities

**Chart 8.25: Perth—domestic gate lounge**



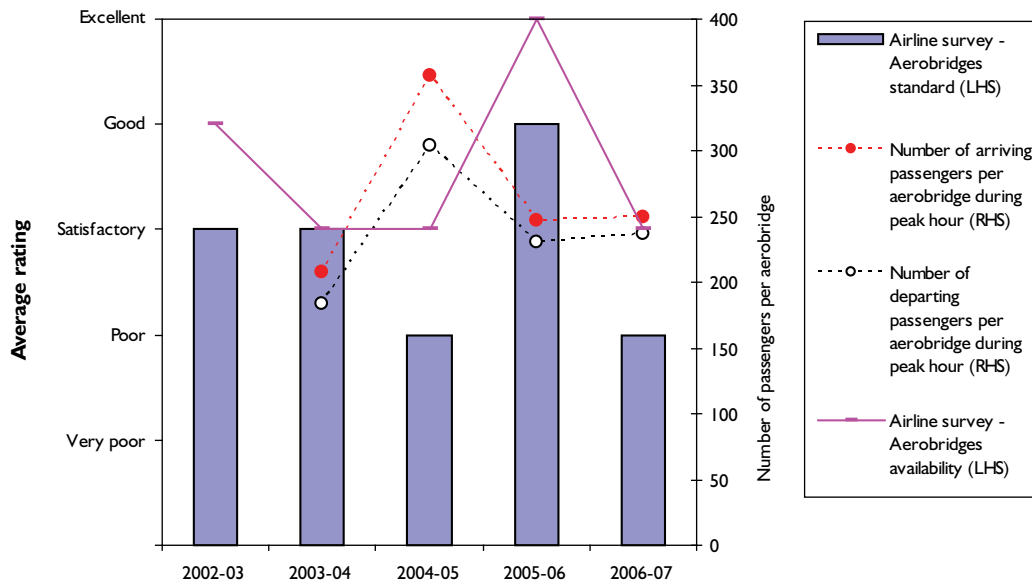
The number of passengers per seat in the domestic gate lounge area varied from 0.7 passengers in 2003–04 to a peak of 1.4 passengers in 2004–05. The increase in the quantitative measure of utilisation in 2004–05 resulted from both an increase in the number of passengers during peak hour and a decrease in the number of seats, from 510 in 2003–04 to 431 in 2004–05.

This corresponded with a decrease in passenger ratings of the quality and **availability** of seats in the gate lounge from between good and excellent in 2003–04 to good over the period 2004–05 to 2005–06. The number of available seats continued to fall—down to 357 seats in 2005–06 before increasing to 436 in 2006–07, leading to a drop in the measure to 1.1 passengers per seat. This coincided with an increase in passenger ratings to between good and excellent. Passenger ratings of crowding in the gate lounge were similar to those of seat quality and **availability**.

In 2006–07 Perth airport advised that in the past the airport had incorrectly included the airline lounge and the retail area within the measure of gate lounge space in previous reporting periods. This has been addressed in 2006–07, with a corresponding increase of the quantitative measure of passengers per square metre of lounge area, from 0.3 passengers in 2005–06 to 0.5 passengers.

Aerobridges facilities

**Chart 8.26: Perth—domestic aerobridges**



Given that the number of aerobridge facilities did not vary over the reporting period<sup>110</sup>, the number of arriving and departing passengers per aerobridge varied over the reporting period in accordance with changes in the number of passengers during peak hour.

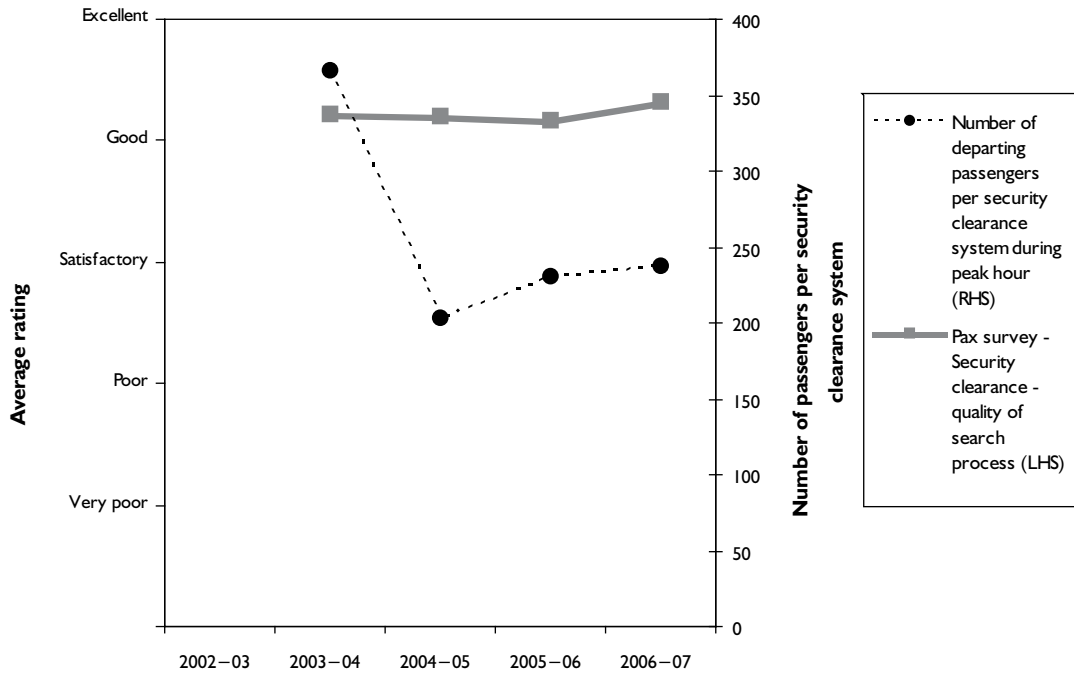
Airlines rated the **availability** of aerobridge facilities as satisfactory in 2003–04 and 2004–05, but increased their rating to excellent in 2005–06, followed by a decrease to satisfactory in 2006–07. Similarly, airlines increased their rating of the **standard** of these facilities from poor in 2004–05 to good in 2005–06 and back down to poor in 2006–07. In 2006–07 domestic airlines noted that two aerobridges are inadequate during peak times and are not always available when required.

110 The ACCC’s *Guidelines for Quality of Service monitoring at airports* and the Airports Act do not currently require the provision of information concerning the number of domestic passengers arriving via an aerobridge as is the case for arriving international passengers. However, for comparison purposes the ACCC has derived a quantitative measure of utilisation wherever possible to assist with analysis. As such, the quantitative measure of number of passengers per aerobridge has been used.



Security facilities

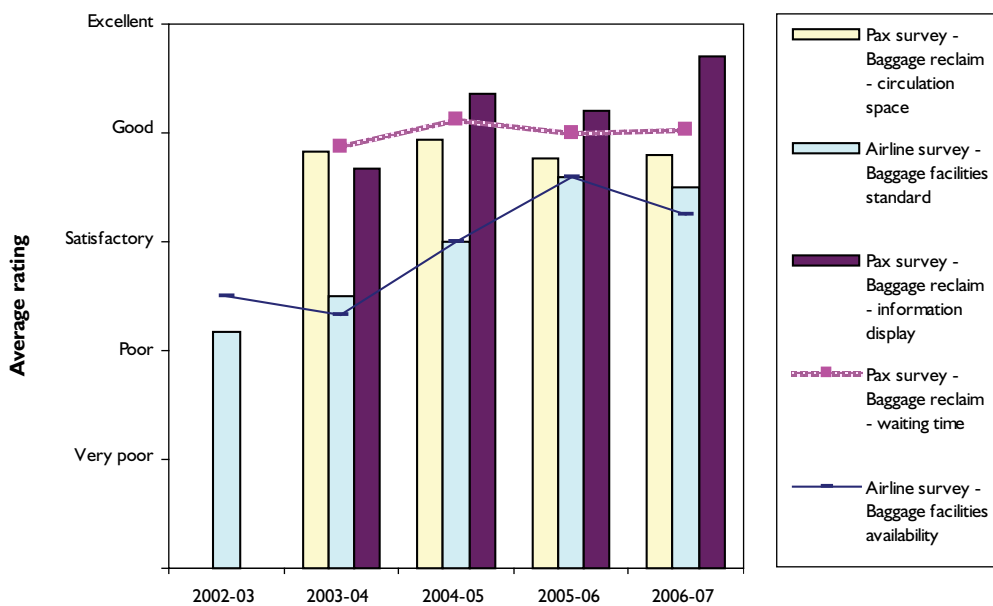
**Chart 8.27: Perth—domestic security**



The quantitative measure of utilisation decreased from 366 passengers in 2003–04 to 203 passengers in 2004–05, but increased to 230 passengers in 2005–06 and 237 passengers in 2006–07. Passengers consistently rated the quality of search processes as between good and excellent. Perth airport also installed a second X-ray machine in 2005.

Baggage facilities

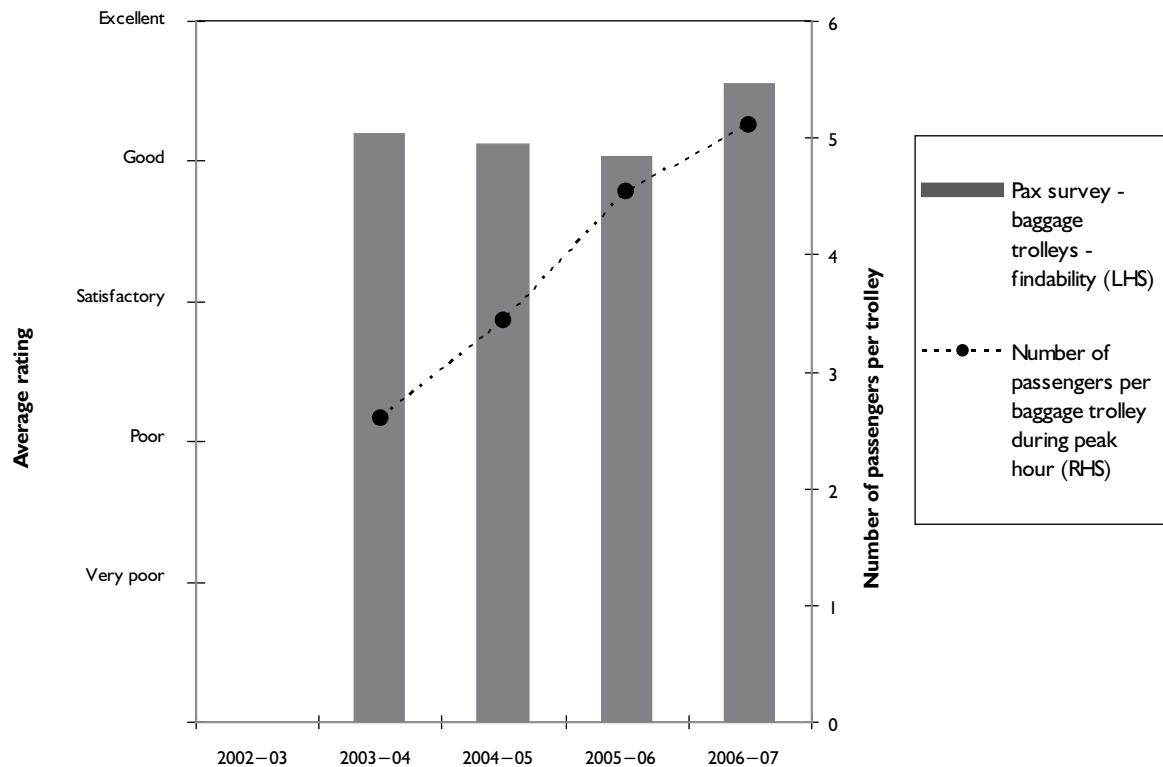
**Chart 8.28: Perth—domestic baggage**



Passenger ratings of the waiting time and circulation space of the baggage reclaim facilities remained relatively steady over the reporting period at around good while their ratings of baggage reclaim information display increased from between satisfactory and good in 2003–04 to below excellent in 2006–07. In contrast, airlines rated the **availability** and **standard** of baggage facilities as between poor and satisfactory in 2002–03, rising to a peak of between satisfactory and good in 2005–06 followed by a decrease in ratings to above satisfactory in 2006–07. Quantitative information for this facility is not available from the airport.

### Baggage trolleys

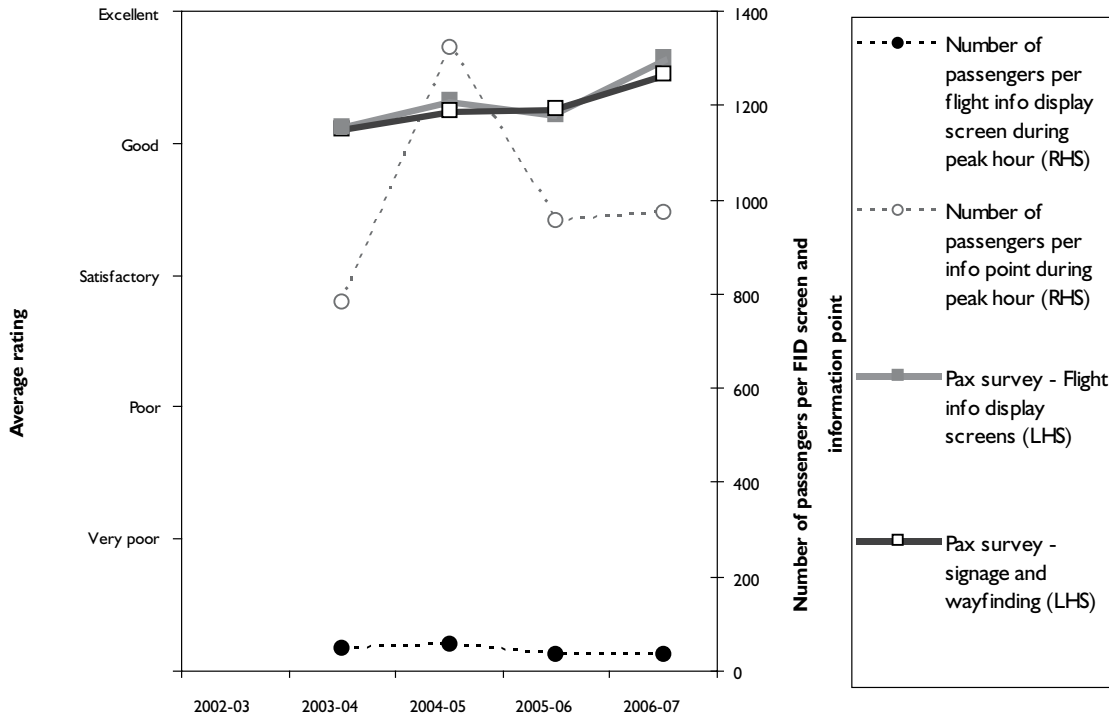
**Chart 8.29: Perth—domestic trolleys**



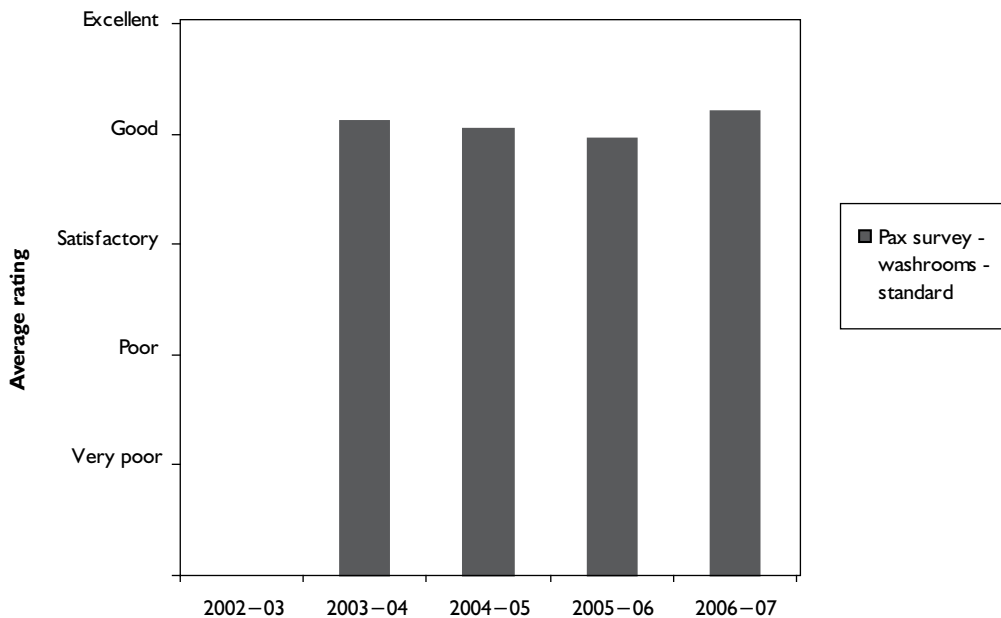
The measure of number of passengers per baggage trolley increased over the reporting period from a low of 2.6 passengers in 2003–04 to 5.1 passengers in 2006–07. The number of available baggage trolleys decreased over the reporting period from 385 trolleys in 2004–05 to 210 in 2005–06 and to 190 trolleys in 2006–07, despite an increase in the number of passengers during peak hour during 2006–07. Nevertheless, passenger ratings of the findability of trolleys remained at good until 2006–07, when they increased to between good and excellent.

Flight information display screens and washrooms

**Chart 8.30: Perth—domestic flight information and displays**



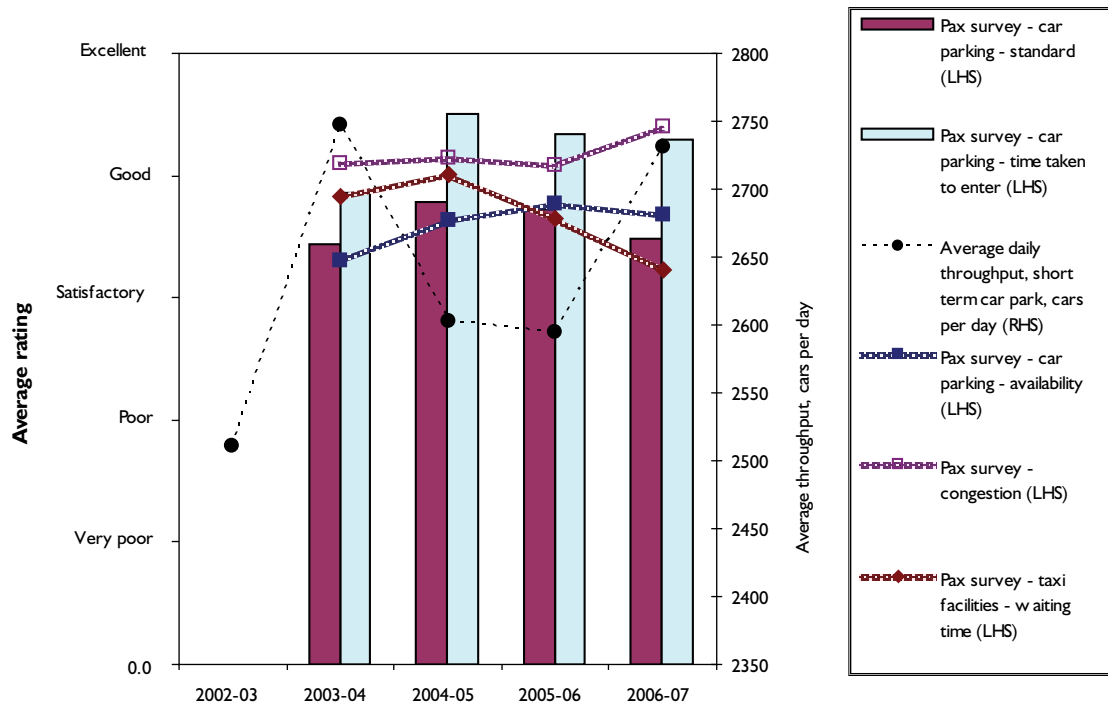
**Chart 8.31: Perth—domestic washrooms**



The number of passengers per FID screen during peak hour increased from 49 in 2003–04 to 120 in 2004–05. This decreased to 37 in 2005–06 following an increase in the number of FID screens in the domestic terminal from 11 in 2004–05 to 26 screens in 2005–06 and 28 screens in 2006–07. Passengers appeared receptive to this increase in the number of facilities, increasing their ratings of FID screens and signage and wayfinding from around good in 2004–05 to between good and excellent in 2006–07. The number of information points within the terminal did not vary over the reporting period and remained at 1. Similarly, passenger ratings of the domestic terminal washrooms remained relatively stable at around good.

Car-parking facilities

**Chart 8.32: Perth—domestic car-parking**

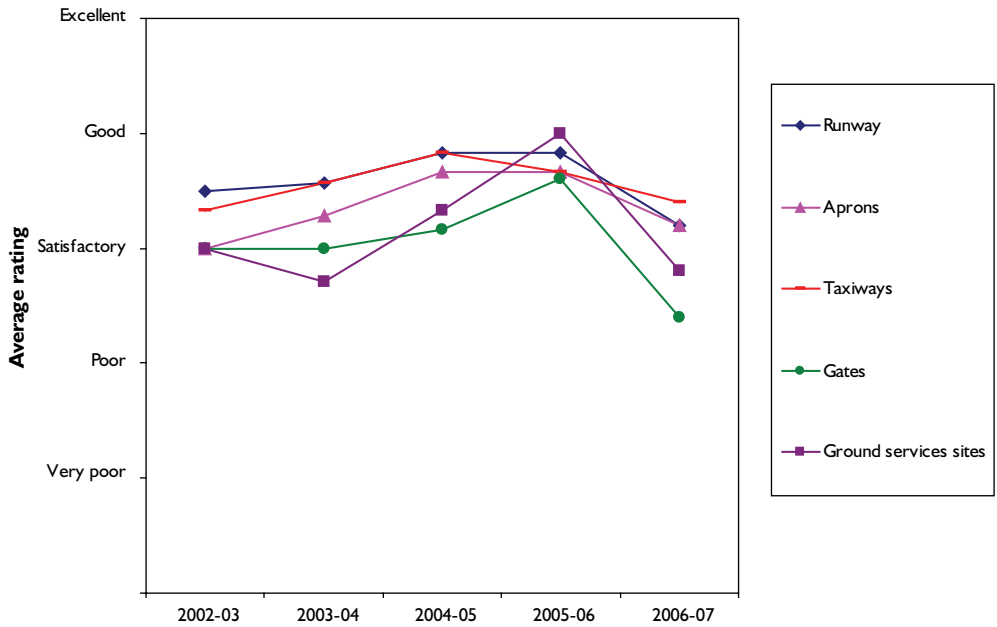


The average throughput of the domestic short-term car park increased from 2511 cars per day in 2002–03 to a peak of 2747 cars per day in 2003–04. This was followed by a drop to 2595 cars per day in 2005–06 before increasing again to 2731 cars per day in 2006–07. Despite these fluctuations, passengers generally increased their rating of the availability of car-parking facilities over the reporting period from around satisfactory to good. Passengers rated the congestion of car-parking facilities at just above good for most of the reporting period, increasing to between good and excellent in 2006–07. However, passengers rated the waiting time associated with taxi facilities as above satisfactory in 2006–07, decreasing from a peak of good in 2003–04. The **standard** of car-parking facilities was rated between satisfactory and good over most of the reporting period.

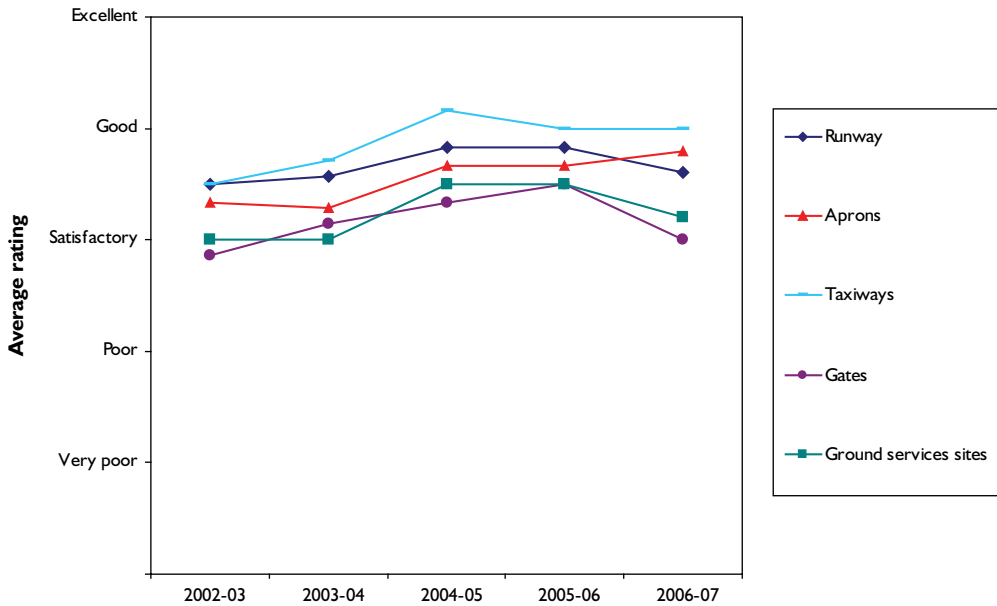
### 8.2.3. Airport services

Airside services and facilities

**Chart 8.33: Perth—availability of airport airside services**



**Chart 8.34: Perth—standard of airport airside services**

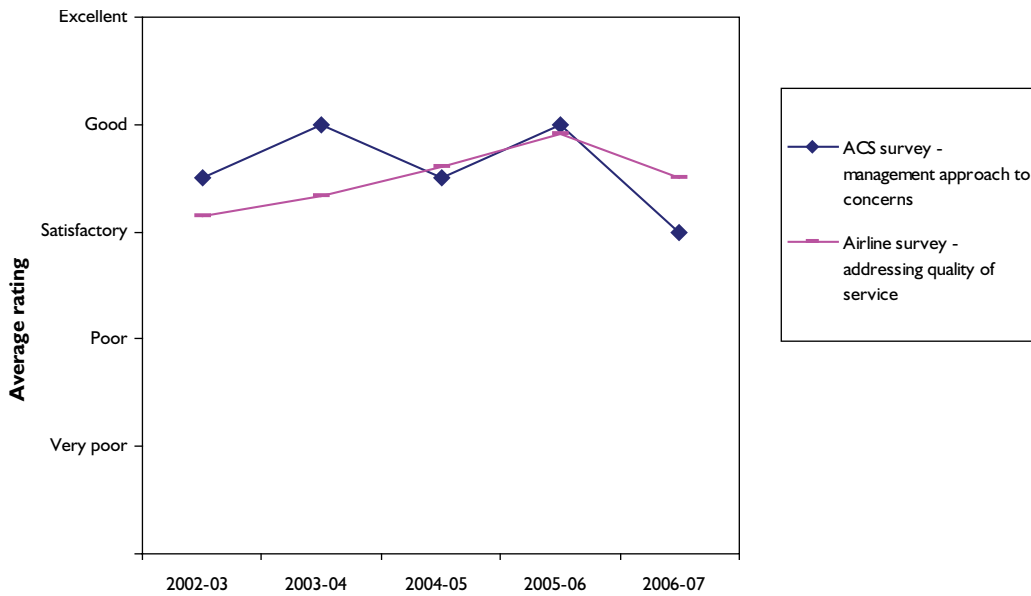


Airline ratings of the **availability** of all airport airside services decreased in 2006–07. Most notably, airline ratings of gate facilities decreased from between satisfactory and good to between poor and satisfactory, and ratings of ground services sites decreased from good to below satisfactory.

Airline ratings of the **standard** of most airside facilities decreased slightly in 2006–07, with the exception of ratings of apron facilities, which increased from between satisfactory and good in 2005–06 to just below good in 2006–07. Taxiway ratings remained stable (at good) over the same period.

Airport management responsiveness

**Chart 8.35: Perth—airport management responsiveness**



The ACS ratings of the airport management’s approach to resolving quality of service issues fluctuated between satisfactory and good over most of the reporting period before decreasing to satisfactory in 2006–07. Conversely, airline ratings of management’s approach increased over most of the reporting period from satisfactory in 2002–03 to good in 2005–06, followed by a decrease to between satisfactory and good in 2006–07.



# 9. Sydney airport

## Summary

In 2006–07 passenger numbers and tonnes landed increased, while aircraft movements decreased slightly. Generally, aeronautical and aeronautical-related prices remained stable. On a per-passenger basis, aeronautical revenue, expenses and margins increased in 2006–07. Security revenue and expenditure both increased although security revenue increased at a faster rate.

Returns on assets increased for aeronautical services, but decreased for total airport services. Aeronautical assets increased largely due to investment in property, plant and equipment. Total airport assets also increased due to investment in property, plant and equipment and revaluations of investment property.

Overall quality of service at Sydney was rated as between satisfactory and good in 2006–07. Passenger check-in times increased for international and domestic services. Passenger waiting times for inbound and outbound immigration services also increased.

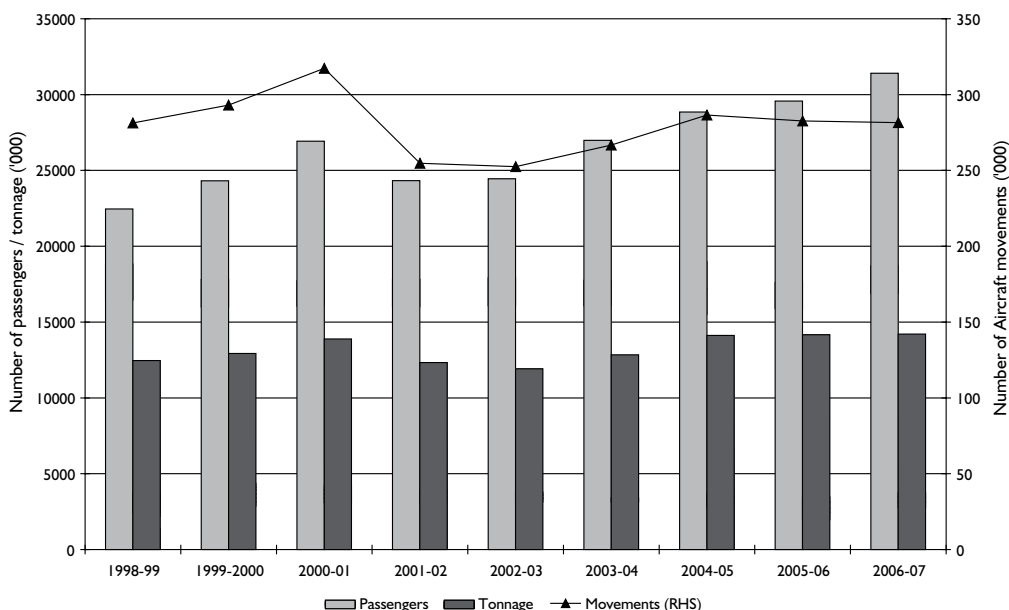
The ACS rating of immigration **availability** and **standard** remained stable compared to 2005–06. Airlines generally increased their rating of the airport’s international baggage facilities. Airlines have generally decreased their rating of the **availability** of airport airside service while runway demand decreased in 2006–07. Airline ratings of the **standard** of most airport airside services have remained stable since 2004–05. The ACS ratings of the airport’s approach to resolving quality of service issues remained at between poor and satisfactory this year while airlines ratings of the same measure increased slightly from satisfactory.

## 9.1. Sydney airport price monitoring results

### 9.1.1. Activity

Chart 9.1 shows traffic volumes at Sydney measured by passenger numbers, tonnage and aircraft movements from 1998–99 to 2006–07.

**Chart 9.1: Volume of passengers, tonnage and aircraft movements**





Comparing 2006–07 with 2005–06, passenger numbers and tonnes landed increased while aircraft movements decreased.

In 2006–07 passenger numbers increased by 6.2 per cent from 2005–06 to 31 403 895. This is the highest passenger throughput recorded over the reported period. Numbers have been increasing since 2002–03, after falling following the SARS outbreak, the September 2001 terrorist attacks and the collapse of Ansett. Before 2001 passenger numbers were showing positive growth.

In 2006–07 aircraft movements decreased by less than half a per cent following a decrease of 1 per cent in 2005–06 and an increase of 7.4 per cent in 2004–05. After declining in 2001–02 and 2002–03, tonnes landed increased over the past three periods. In 2006–07 tonnage increased by less than half a per cent to 14 214 000 tonnes, with the last increase of 9.9 per cent occurring in 2004–05.

More detailed operational statistics for Sydney are contained in appendix 1.2.

### 9.1.2. Prices

Table 9.1 shows the schedule of charges and the indexed change in list prices for both aeronautical and aeronautical-related services at Sydney from 2003–04 to 2006–07 with 2003–04 taken as the base year.

**Table 9.1: Schedule of charges and indexed prices (2003–04 as base year)**

	Basis of charge (e.g. MTOW)	Charge per unit \$ (incl. GST)	Indexed list prices			
			2003–04	2004–05	2005–06	2006–07
<b>Aeronautical services</b>						
<i>Aircraft movement facilities and activities</i>						
International passenger services charge <sup>(a)*</sup>	passenger	18.45	100.0	100.9	102.1	109.3
Domestic passenger services charge <sup>(b)*</sup>	passenger	3.32	100.0	100.0	102.7	104.7
Runway charge—non-passenger movements and GA*	MTOW	4.07	100.0	100.3	103.3	105.7
Runway charge—regional services**	MTOW	3.78	100.0	100.0	100.1	100.0
Landing charge—rotary wing	movement	27.50	100.0	100.0	100.0	100.0
Apron charge—major aprons	15 minutes	38.50	100.0	100.0	100.0	100.0
Apron charges—GA aprons	day	66.00	100.0	100.0	100.0	100.0
Domestic terminal infrastructure charge	commercial agreement	N/A	N/A	N/A	N/A	N/A
Aircraft refuelling facilities	commercial agreement	N/A	N/A	N/A	N/A	N/A
International Security Charges—Counter Terrorist First Response (CTFR) and additional security measures (ASM) <sup>(c)</sup>	passenger	0.97	100.0	48.4	118.4	63.5
Domestic Security Charges—Counter Terrorist First Response (CTFR) and additional security measures (ASM) <sup>(d)</sup>	passenger	0.23	100.0	47.1	87.7	60.1
<i>Passenger processing facilities and activities</i>						
International security charges—passenger screening and checked bag screening (CBS) <sup>(e)</sup>	passenger	3.53	100.0	104.0	138.2	182.7
Terminal 2 domestic passenger facilitation charge <sup>(f)</sup>	passenger	7.15	100.0	100.0	100.0	100.0
Terminal 2 regional passenger facilitation charge <sup>(f)</sup>	passenger	4.95	100.0	100.0	100.0	100.0
Terminal 2 passenger screening charge <sup>(g)</sup>	departing passenger	1.61	N/A	100.0	145.0	244.3
Terminal 2 additional security measure charge <sup>(h)</sup>		0.14	N/A	N/A	100.0	97.9
<i>Minimum charges</i>						
Minimum charge for runway use per movement		55.00	100.0	100.0	110.0	110.0
Minimum charge for regional services (0–5 tonnes)		22.00	100.0	100.0	110.0	110.0
(5–10 tonnes)		45.38	100.0	100.0	110.1	110.0
(>10 tonnes)		55.00	100.0	100.0	110.0	110.0
<b>Aeronautical-related services</b>						
Landside vehicle access to terminals	vehicle movements timed charges/ commercial agreement	N/A See tariffs in appendix	N/A	N/A	N/A	N/A
Public and staff car parking		1.3	N/A	N/A	N/A	N/A

Indexed list prices						
	Basis of charge	Charge per unit \$	2003–04	2004–05	2005–06	2006–07
	(e.g. MTOW)	(incl. GST)				
Taxi holding and feeder services <sup>(i)</sup>	vehicle movements	2.00	N/A	100.0	100.0	100.0
Check-in counters and related facilities						
Check-in counters (international)	\$/hour/minute	20.13	100.0	102.9	104.5	107.6
Service desk (international)	\$/hour/minute	11.85	100.0	103.0	104.6	107.7
Aircraft light and emergency maintenance sites and buildings(j)	\$/m <sup>2</sup>	various	N/A	N/A	N/A	N/A

Notes: N/A—not available from the information provided by the airport.

- (a) Levied as part of the International Passenger Services Charge (PSC). It is charged per arriving and departing international passenger, excluding transfer and transit pax, and infants and positioning crew. It applies to runway use and terminal facilities. A charge of \$16.29 (excl. GST) or \$17.92 (incl. GST) applied between July 2006 and September 2006 inclusive; a charge of \$16.71 (excl. GST) or \$18.38 (incl. GST) applied between October 2006 and December 2006 inclusive; and a charge of \$17.05 (excl. GST) or \$18.75 (incl. GST) applied between January 2007 and June 2007 inclusive.
- (b) Charged per arriving and departing domestic passenger, excluding infants and positioning crew. It applies to runway use. A charge of \$3.00 (excl. GST) or \$3.30 (incl. GST) applied between July and September 2006 inclusive; a charge of \$3.01 (excl. GST) or \$3.31 (incl. GST) applied from October to December 2006 inclusive; and a charge of \$3.03 (excl. GST) or \$3.33 (incl. GST) applied between January and June 2007 inclusive.
- (c) Charged in conjunction with International PSC, recovers the cost of counter-terrorist first response and additional security measures. A charge of \$0.92 (excl. GST) or \$1.01 (incl. GST) applied between July and December 2006 inclusive; a charge of \$0.84 (excl. GST) or \$0.92 (incl. GST) applied from January to June 2007 inclusive. There is no CTFR component for the period as the government announced in the previous period that it would meet the cost of CTFR measures.
- (d) Recovers the cost of counter-terrorist first response and additional security measures. A charge of \$0.20 (excl. GST) or \$0.22 (incl. GST) applied between July and September 2006 inclusive; a charge of \$0.24 (excl. GST) or \$0.26 (incl. GST) applied from October to December 2006 inclusive; and a charge of \$0.22 (excl. GST) or \$0.24 (incl. GST) from January to June 2007 inclusive. There is no CTFR component for 2006–07 as the government announced in the prior period that it would meet the cost of CTFR measures.
- (e) Levied as part of the International PSC, recovers the cost of passenger screening and checked-bag screening measures. A charge of \$3.34 (excl. GST) or \$3.67 (incl. GST) applied between July and December 2006 inclusive; a charge of \$3.07 (excl. GST) or \$3.38 (incl. GST) applied from January to June 2007 inclusive.
- (f) Levied per arriving and departing pax, excluding infants and positioning crew. Scheduled charge, specific arrangements apply under commercial agreements with major users.
- (g) Applies to domestic and regional users of T2 to recover the cost of passenger and checked-bag screening in Terminal 2. A charge of \$0.87 (excl. GST) or \$0.96 (incl. GST) applied from July 2006 to June 2007 inclusive for regional users, and July to September 2006 inclusive for domestic users. A charge of \$1.79 (excl. GST) or \$1.97 (incl. GST) applied October to December 2006 inclusive for domestic users; and a charge of \$1.60 (excl. GST) or \$1.76 (incl. GST) applied January to June 2007 inclusive for domestic users.
- (h) Applies to domestic users of T2 to recover the cost of additional security measures (access control) at Terminal 2. A charge of \$0.13 (excl. GST) or \$0.14 (incl. GST) applied from January 2006.
- (i) Taxis, \$2; hire cars, \$2.50; buses up to 14-seater, \$3; 15- to 29-seater buses, \$5; and 30-plus seater, \$10. All include GST; charges apply once to an arrival–departure.
- (j) Annual rentals for leased sites and buildings are based on a commercially agreed rate per square metre (m<sup>2</sup>).

In the 2004–05 report, changes in service description and the addition of new services meant that the change in list prices for 2002–03 and 2004–05 could not be calculated for many services. For this reason, 2003–04 has been selected as the base year to measure changes in service charges. The base year for Terminal 2 passenger screening charges is 2004–05 as these charges were introduced in that year. Prices were generally unchanged in 2005–06 and 2006–07. However, in 2006–07 international and domestic security charges decreased as a result of the CTFR charge no longer being applicable. In 2006–07 Sydney airport advised that increases in terminal, airfield and security charges reflect recovery of investment in 2006–07 of \$162 million in aeronautical assets. In particular, the international security charges for passenger and baggage screening and the Terminal 2 passenger screening charge increased, by 32 per cent and 68 per cent respectively, predominantly reflecting the full-year impact of the introduction of 100 per cent checked bag screening in T1 and the introduction of enhanced mandated checked-bag screening in Terminal 2 from December 2006. Changes in the International Passenger Services Charge include increases relating to investment undertaken to date in preparation for the A380 aircraft.

### Aeronautical revenue per passenger<sup>111</sup>

In 2006–07 aeronautical revenue per passenger at Sydney airport increased by 5.5 per cent. This followed increases of 4.3 per cent in 2005–06, 3.3 per cent in 2004–05, 0.7 per cent in 2003–04 and 11 per cent in 2002–03<sup>112</sup>, partly resulting from an increase in domestic terminal revenues resulting from the acquisition of the former Ansett terminal. This follows a 66 per cent increase in 2001–02 as a result of a price notification to the ACCC. In the last five years, since price monitoring commenced, aeronautical revenue per passenger has increased by 27 per cent.

### Aeronautical revenue per passenger excluding security

In 2006–07 aeronautical revenue per passenger **excluding** security has increased by 2.6 per cent to \$9.99 from \$9.73 in 2005–06. Since price monitoring commenced, adjusted revenue **excluding** security increased 20 per cent. These increases follow an increase of 71 per cent in 2001–02<sup>113</sup> as a result of a price notification to the ACCC. In 2006–07, security revenue per passenger increased by \$0.36 while aeronautical revenue per passenger increased by \$0.62. Since price monitoring commenced, security revenue per passenger has increased by \$0.90, while the overall increase in aeronautical revenue per passenger was \$2.55.

More detailed information on security services is provided later in this section of the report.

111 Sydney advised in 2004–05 that it was now relying on the clause 3 exemption in direction 27 to exclude aircraft refuelling services from its aeronautical revenue. Aeronautical revenue reported since 2002–03 has been adjusted to exclude revenues from aircraft refuelling services and is therefore understated.

112 This figure was previously incorrectly reported as an 8.8 per cent increase.

113 This figure was previously incorrectly reported as a 77 per cent increase.

## Aeronautical services to regional air services

Declaration 90 under s. 95X(2) of the Trade Practices Act<sup>114</sup> declares the provision of aeronautical services to regional air services by Sydney Airports Corporation Ltd (SACL) to be notified services.<sup>115</sup> This means that SACL must notify the ACCC if it intends to increase the price of such services. The ACCC was not required to make a decision about price notifications from SACL in 2006–07 of proposed price increases for regional air services and details on list prices are contained in table 9.1.

Direction 28 applies to an exercise of powers and performance of functions by the ACCC relating to declaration 90. Under this direction, the average revenue-weighted percentage increase in prices paid by operators of regional air services to SACL in each financial year for the provision of the declared aeronautical services should not exceed the percentage increase in the consumer price index recorded in the year to the March quarter immediately preceding the start of the relevant financial year.

### 9.1.3. Revenues, costs and profits<sup>116</sup>

Table 9.2 lists the revenue, costs and margins relating to aeronautical services and aeronautical-related services under direction 27 definitions at Sydney airport from 2002–03 to 2006–07.

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114 Declaration 90 was originally made under the Prices Surveillance Act, but now operates under the Trade Practices Act.

115 Under declaration 90, aeronautical services excludes the provision of landside vehicle access to terminals, landside vehicle services, check-in counters and related facilities and aircraft light and emergency maintenance sites and buildings.

116 Sydney airport transitioned to AIFRS in 2004–05. A restatement of the airport's regulatory accounts for 2004–05 was not available. Although the airport provided comparative information demonstrating the impact of the adoption of AIFRS, this report is based on the regulatory account statements which split information between aeronautical, aeronautical-related and non-aeronautical according to the Airports Act and direction 27 (as described in section 1.4.1) and therefore all 2004–05 figures remain stated under AGAAP.

**Table 9.2: Revenues, costs and margins**

	Revenues (\$'000)					Costs (\$'000)					Margins (\$'000)				
	2002-03	2003-04	2004-05	2005-06	2006-07	2002-03	2003-04	2004-05	2005-06	2006-07	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Aeronautical services</b>															
Aircraft movements and facilities	83 345	85 657	90 912	97 826	102 271	75 275	73 196	71 093	81 156	79 341	8 070	12 461	19 819	16 670	22 930
Passenger processing facilities and activities	160 028	185 434	206 844	220 433	255 550	77 816	83 035	81 782	98 563	114 128	82 212	102 399	125 062	121 870	141 422
<i>Total aeronautical services</i>	<i>243 373</i>	<i>271 091</i>	<i>297 756</i>	<i>318 259</i>	<i>357 821</i>	<i>153 091</i>	<i>156 231</i>	<i>152 875</i>	<i>179 719</i>	<i>193 469</i>	<i>90 282</i>	<i>114 860</i>	<i>144 881</i>	<i>138 540</i>	<i>164 352</i>
<b>Aeronautical-related services</b>															
Landside vehicle access to terminals	657	597	3 293	4 246	4 582	6 373	6 986	5 918	5 261	5 615	(5 716)	(6 389)	(2 625)	(1 015)	(1 033)
Public and staff car parking	48 780	54 364	59 636	64 463	69 587	14 979	14 845	14 551	15 053	17 493	33 801	39 519	45 085	49 410	52 094
Check-in counters and related facilities	10 036	11 589	12 251	12 550	12 764	4 759	4 494	4 049	3 426	3 704	5 277	7 095	8 202	9 124	9 060
Aircraft light and emergency maintenance sites and buildings	10 200	11 777	12 757	12 834	12 165	7 039	5 036	5 123	7 235	6 598	3 161	6 741	7 634	5 599	5 567
Taxi holding and feeder services	0	0	769	1 836	1 610	209	266	1 739	2 454	2 119	(209)	(266)	(970)	(618)	(509)
<i>Total aeronautical-related services</i>	<i>69 673</i>	<i>78 327</i>	<i>88 706</i>	<i>95 929</i>	<i>100 708</i>	<i>33 359</i>	<i>31 627</i>	<i>31 380</i>	<i>33 429</i>	<i>35 529</i>	<i>36 314</i>	<i>46 700</i>	<i>57 326</i>	<i>62 500</i>	<i>65 179</i>

Notes: N/A—Not available from the information provided by the airport

Sydney advised in 2004–05 that it was now relying on the clause 3 exemption in direction 27 to exclude aircraft refuelling services from its aeronautical revenue, which is therefore understated.

Prior year reports incorrectly reported freight equipment storage sites and buildings and cargo facility sites and buildings as aeronautical-related services. The table above reflects the exclusion of these items over the period 2002–03 to 2004–05.

Sydney airport noted in 2006–07 that in this context, costs exclude the return that it derives on its aeronautical assets, which is included within the margin.

In 2006–07 revenues for both aeronautical and aeronautical-related services increased, while costs also increased.

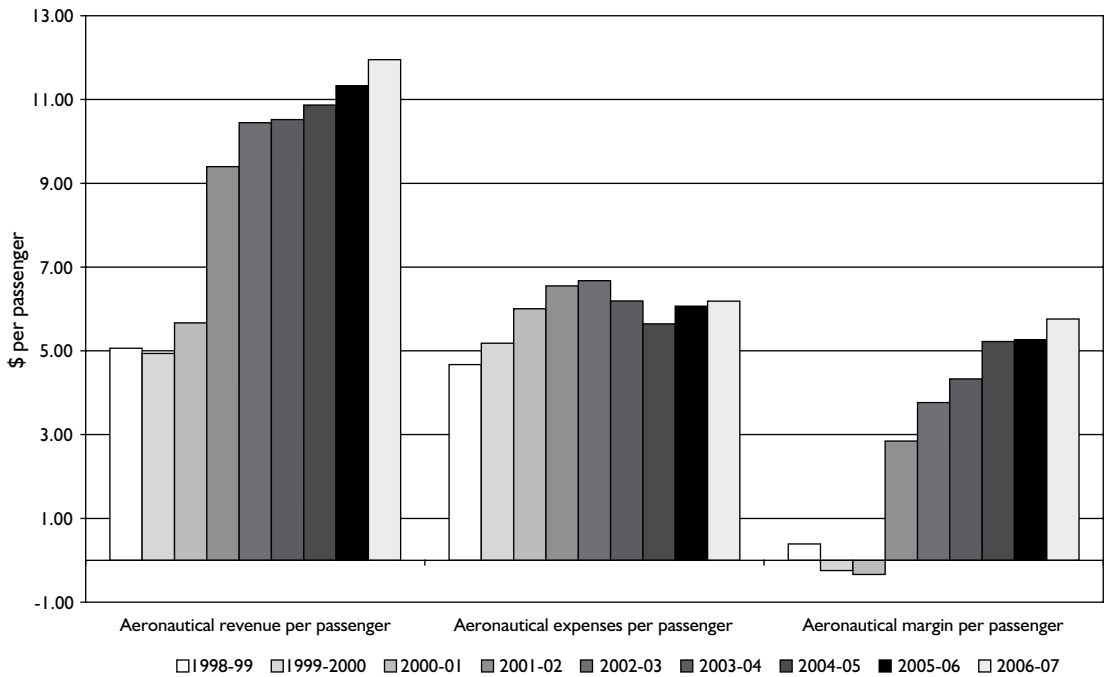
Over the past year, revenue from aeronautical services increased by 12 per cent, led predominantly by a 16 per cent increase in revenue related to passenger processing facilities and activities, while aeronautical costs increased by 7.7 per cent. This resulted in a 19 per cent increase in the margin for aeronautical services following a 4.4 per cent decrease in 2005–06. Revenue for aeronautical-related services increased by 5.0 per cent in 2006–07, while costs increased by 6.3 per cent. This resulted in a 4.3 per cent increase in the margin for aeronautical-related services compared to a 9 per cent increase in 2005–06.

From 2002–03 to 2006–07 revenue from aeronautical services increased by 47 per cent while costs increased by 26 per cent, resulting in an 82 per cent increase in the margin. Over the same period, aeronautical-related services revenue increased by 45 per cent, while costs increased by 6.5 per cent, leading to a 79 per cent increase in the margin.

### Aeronautical services

Chart 9.2 shows average revenue, operating expenses and operating margin per passenger for aeronautical services at Sydney.

**Chart 9.2: Aeronautical revenue, operating expenses and operating margin per passenger**



Note: The measures of aeronautical operating expenses per passenger, and therefore operating margin per passenger, do not include an allowance for return on capital. Relying on clause 3 in direction 27, Sydney airport reports aeronautical revenue that excludes revenue from fuel throughput services and is therefore understated.

In 2006–07 aeronautical revenue and operating expenses increased on a per passenger basis. This resulted in an increase in the aeronautical operating margin.

In 2001–02 average aeronautical revenue per passenger increased significantly, corresponding to the price increases in its major aeronautical price notification that occurred before its privatisation. Average revenue continued to increase during 2002–03, affected by an increase in domestic terminal revenues resulting from the acquisition of the former Ansett terminal, T2.<sup>117</sup> Aeronautical revenue per passenger increased by 14 per cent over the reporting period from 2002–03 to 2006–07. In 2006–07, aeronautical revenue per passenger increased by 5.5 per cent to \$11.95 from \$11.33 in 2005–06. This due to a 12 per cent increase in aeronautical revenue coupled with a 6.2 per cent increase in passenger volumes.

Average operating expenses per passenger increased each year from 1998–99 to 2001–02, and by 40 per cent in total over this period. From 2002–03 to 2004–05, they decreased by 9.1 per cent. In 2006–07 expenses increased by 2.0 per cent to \$6.19 from \$6.07 in 2005–06 following an increase of 7.5 per cent the previous year. This follows an 8.8 per cent decrease in 2004–05 to the lowest level since 1999–2000. The downward trend from the 2001–02 peak to 2004–05 appears to have been reversed over the past two years.

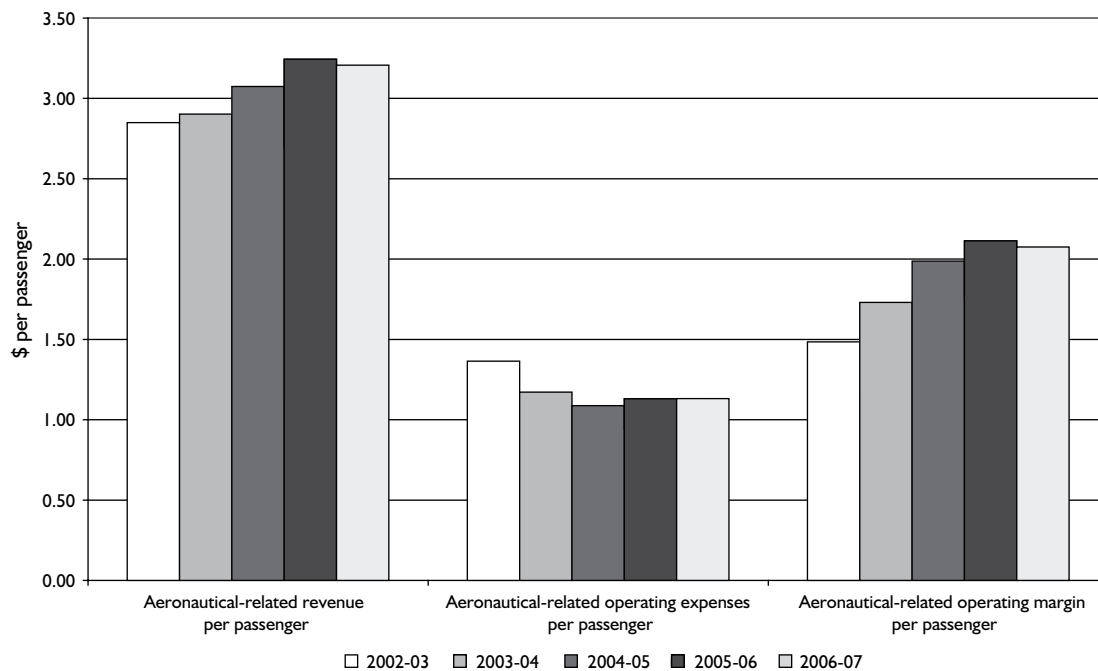
The increase in both average aeronautical revenue and operating expenses led to the aeronautical margin per passenger increasing by 9.4 per cent in 2006–07 to \$5.76 from \$5.27 in 2005–06.

Since price cap regulation was removed at the end of 2001–02, aeronautical revenue per passenger has increased by 27 per cent while aeronautical operating expenses have decreased by 5.6 per cent. The aeronautical operating margin per passenger has increased from \$2.91 in 2001–02 to \$5.76 in 2006–07.

### Aeronautical-related services

Chart 9.3 shows revenue, operating expense and operating margin per passenger for aeronautical-related services at Sydney from 2002–03 to 2006–07.

**Chart 9.3: Aeronautical-related revenue, operating expenses and operating margin per passenger**



Note: Sydney airport noted in 2006–07 that, in this context, costs exclude the return that it derives on its aeronautical assets, which is included within the margin.

117 Sydney had existing domestic terminal revenues prior to the acquisition of T2 and, therefore, the exact magnitude of the increase in domestic terminal revenues resulting from this acquisition cannot be determined based on the information available to the ACCC.



In 2006–07 aeronautical-related revenue decreased by 1.1 per cent on a per passenger basis while expenses increased by less than 1 per cent, leading to a 1.8 per cent decrease in the margin to \$2.08 from \$2.11 in 2005–06. From 2002–03 to 2006–07 aeronautical-related revenue per passenger increased by 13 per cent while expenses decreased by 17 per cent, resulting in a 40 per cent increase in the margin from \$1.49 in 2002–03 to \$2.08 in 2006–07.

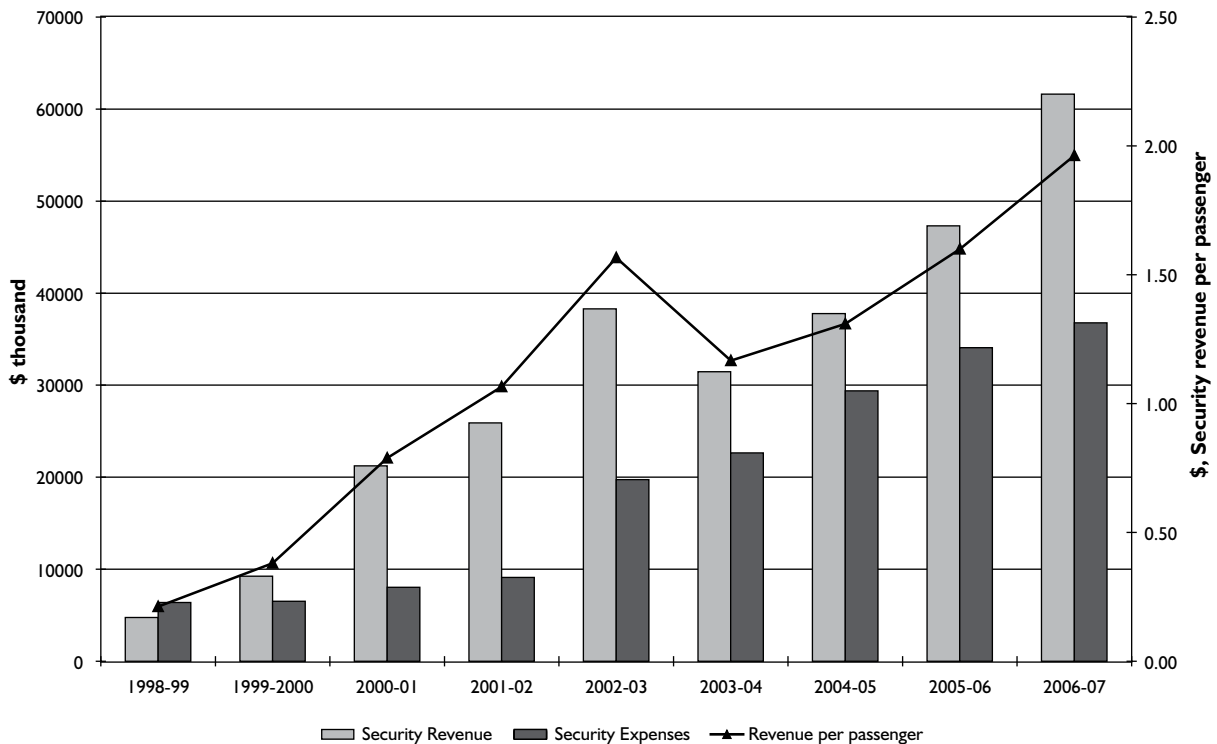
### Security services

Airport security expenses have increased significantly since 2000–01 because of increased government-mandated security services requiring airports to expand security measures. In 2004–05 further requirements were implemented, contributing to the increase in revenues and costs during 2004–05 onwards.

In its 2007 annual report, SACL noted it had completed the implementation of 100 per cent domestic and international CBS in line with Australian Government requirements.<sup>118</sup> Security revenue has increased as a percentage of total aeronautical revenue over the reported period, increasing from 4.2 per cent in 1998–99 to approximately 14 per cent in 2005–06. From 1998–99 to 2001–02, security expenses as a proportion of aeronautical expenses remained relatively stable at approximately 5.5 per cent. However, since 2002–03 they have increased from 12 per cent in 2002–03 to reach 19 per cent in 2005–06 and 2006–07.

Chart 9.4 shows security revenues, expenses and revenue per passenger at Sydney from 1998–99 to 2006–07.

**Chart 9.4: Security revenue and expenses**



Note: Sydney advised that expenses exclude depreciation and the cost of capital for security assets.

Security revenue and security revenue per passenger continued to increase in 2006–07 following a fall in 2003–04 and large increases in 2000–01 and 2002–03. Security expenses increased over the reporting period with the majority of the increase occurring in 2002–03.

118 Southern Cross Airports Corporation Holdings Limited Annual Report 2007, p. 4.

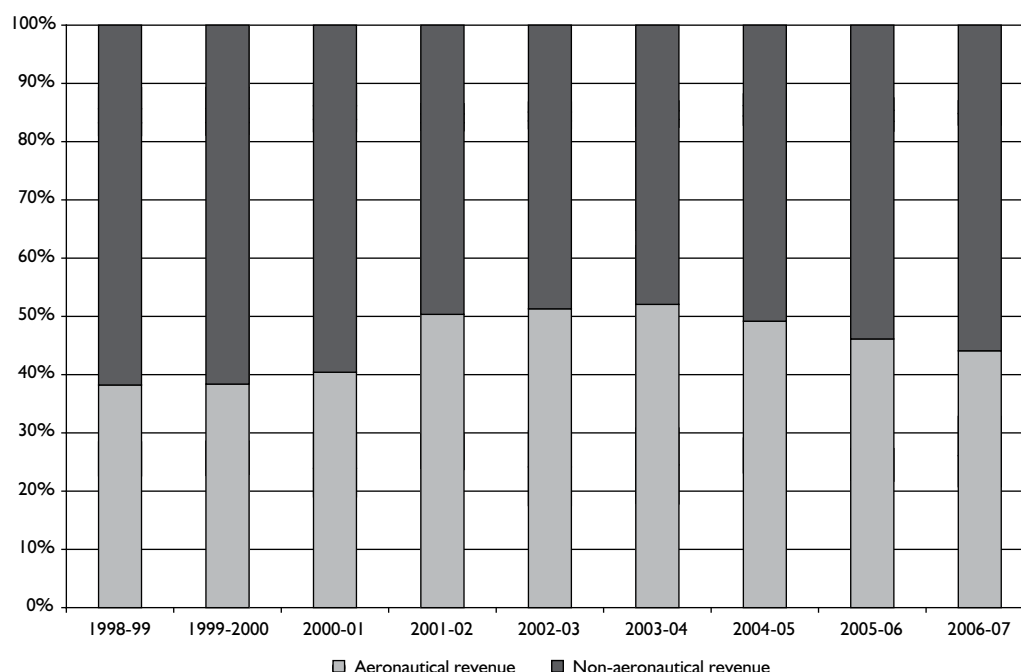
In 2006–07 security revenue increased by 30 per cent to \$61.6 million from \$47.3 million in 2005–06 following a 25 per cent increase in the previous year. In 2006–07 aeronautical security expenses increased by 8.0 per cent to \$36.8 million from \$34.1 million in 2005–06. Sydney advised that security revenues continue to be reconciled with costs incurred. Sydney sets its charges to recover the indirect costs of depreciation and cost of capital, which are not reported as expenses in the regulatory accounts. The 2003–04 fall in security revenue resulted from an adjustment for 2002–03 over-recoveries.

Security revenue per passenger increased in 2006–07 by 23 per cent to \$1.96 (from \$1.60 in 2005–06) and is now at the highest level recorded over the reporting period.

## Revenue shares

Chart 9.5 shows the total revenue shares between aeronautical and non-aeronautical services for Sydney from 1998–99 to 2006–07.

**Chart 9.5: Total revenue shares—aeronautical and non-aeronautical revenue**



Note: Relying on clause 3 in direction 27, Sydney airport reports aeronautical revenue that excludes revenue from fuel throughput services and is therefore understated.

Aeronautical revenue as a proportion of total revenue dropped in 2006–07 and 2005–06, continuing its decline since 2003–04.

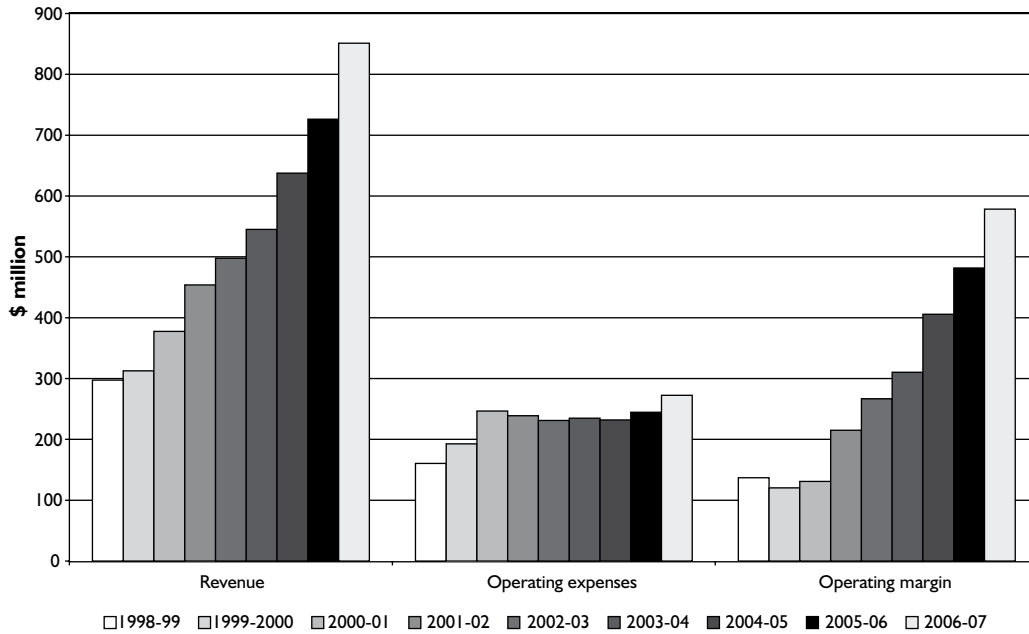
In 1998–99 aeronautical revenue accounted for approximately 38 per cent of total revenue and remained relatively stable until 2001–02 when it increased to 50 per cent of total revenue. It remained relatively stable at this level over the subsequent four years. In 2006–07 aeronautical revenue accounted for 44 per cent of total revenue, down from 46 per cent in 2005–06, 49 per cent in 2004–05 and 52 per cent in 2003–04.

The increase in aeronautical revenue share in 2001–02 largely resulted from the increase in prices following a price notification to the ACCC. In 2001–02 revenue from aeronautical services increased by 50 per cent to \$228.6 million from \$152.6 million in 2000–01. Over the same period, revenues from non-aeronautical services increased by 1.8 per cent from \$221.3 million in 2000–01 to \$225.4 million in 2001–02.

### Total airport services

Chart 9.6 shows the total airport revenue, operating expenses and operating margin for Sydney from 1998–99 to 2006–07.

**Chart 9.6: Total airport revenue, operating expenses and operating margin**



Note: The measures of operating expenses and therefore operating margin do not include an allowance for return on capital.

Total airport revenue and operating expenses increased at Sydney airport during 2006–07, resulting in an increase in the operating margin.

Total airport revenue has trended upward over the reporting period. Total airport operating expenses also increased over the same period. However, they have stabilised following increases in 1998–99 to 2000–01. The operating margin has increased over the last seven years after falling in 1999–2000.

In 2006–07 total airport revenue increased by 17 per cent to \$851.1 million from \$726.4 millions in 2005–06. Since the current price monitoring regime commenced in 2002–03, total revenue has increased by 87 per cent.

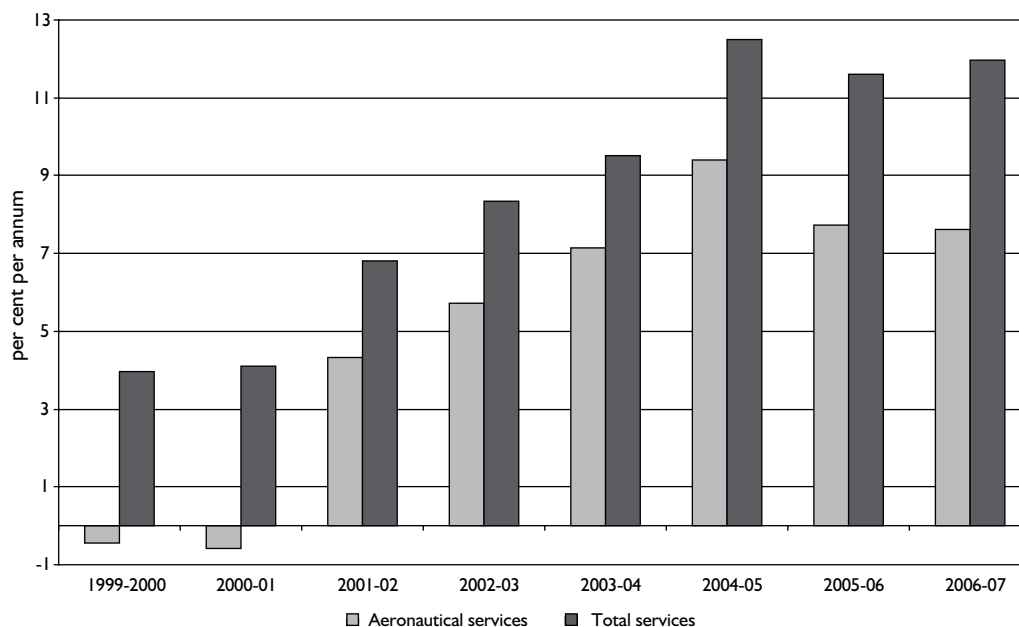
Total airport operating expenses remained relatively constant over the previous five years after increasing by 28 per cent in 2000–01. However, in 2006–07 they increased by 11 per cent following a 5.4 per cent in 2005–06.

Because the total airport revenue increased at a faster rate than operating expenses, the total airport operating margin increased in 2006–07 by 20 per cent to \$578.5 million from \$481.7 million in 2005–06. This contributed to a 117 per cent increase in total airport operating margin over the five years from 2002–03.

## Rates of return on average tangible<sup>119</sup> non-current assets

Chart 9.7 shows the return on average tangible non-current assets for both aeronautical services and total airport services over the period 1999–2000 to 2006–07.

**Chart 9.7: EBITA on average tangible\* non-current assets**



Notes: Relying on clause 3 in direction 27, Sydney airport reports aeronautical revenue that excludes revenue from fuel throughput services and is therefore understated.

\* Sydney airport reports the value of leasehold land as an intangible asset as a result of the transition to AIFRS from 2005–06 while all other airports treat this asset as tangible. To maintain consistency for comparison purposes over the reporting period for Sydney airport and across airports, the intangible value of leasehold land and related amortisation charges have been included in the calculation of EBITA on average tangible non-current assets.

EBITA on average tangible non-current assets for aeronautical services decreased in 2006–07 while for total airport services it increased.

In 2006–07 EBITA on average tangible non-current assets for aeronautical services decreased to 7.6 per cent from 7.7 per cent in 2005–06. This follows five consecutive years of increasingly positive returns on aeronautical assets to 2005–06, in contrast to 1999–2000 and 2000–01, which reported negative returns.

In 2006–07 Sydney airport advised that certain inter-company receivables and investments overstated the airport’s assets. Sydney airport advised that these balances related to financing activities, they are not related to the operations of Sydney Airport and so should be excluded when calculating a return on the operational assets of the airport. As such, the value of these assets has been excluded from the total airport asset value to remove the effect of these assets on rate of return calculations for the years 2004–05, 2005–06 and 2006–07 when these asset categories became relevant. In 2006–07 EBITA on average non-current assets for total airport services, returns increased to around 12 per cent up from 11.6 per cent in 2005–06. This follows six consecutive years of increasing positive returns on aeronautical assets.

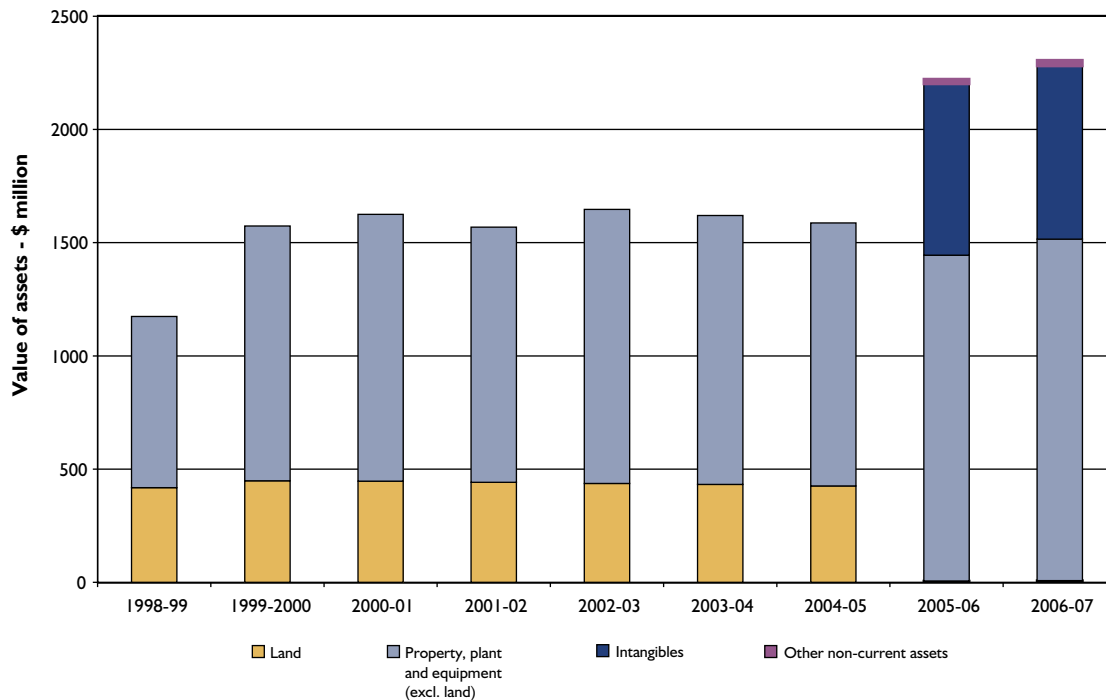
As explained in section 1.4.1.4 of this report, the return on assets measures is influenced by the airport operator’s valuation of its assets recorded in its financial accounts, including the classification of assets under the adoption of AIFRS. The following section gives details of asset values and changes in asset values over time.

119 Sydney airport reports the value of leasehold land as an intangible asset as a result of the transition to AIFRS from 2005–06 while all other airports treat this asset as tangible. To maintain consistency for comparison purposes over the reporting period for Sydney airport and across airports, the intangible value of leasehold land has been included in the calculation of EBITA on average tangible non-current assets.

## Asset values

Chart 9.8 shows the total value of aeronautical non-current assets at Sydney from 1998–99 to 2006–07.

**Chart 9.8: Aeronautical non-current assets**



In 2006–07 the value of aeronautical non-current assets increased to \$2.306 billion from \$2.222 billion in 2005–06, representing a 3.8 per cent increase.

In 2005–06, Sydney airport's accounts reflected the adoption of AIFRS, which was applied retrospectively by the airport.<sup>120</sup> As a result, the accounts recognised leasehold land as an aeronautical intangible asset to the value of \$756.3 million. This was previously included in the airport's tangible asset base as land and increased in value to \$764.4 million in 2006–07.

Last year the total value of aeronautical assets increased by \$635 million. This includes the addition in leasehold landfill land assets worth \$188.8 million previously erroneously excluded from aeronautical assets and \$43.6 million-worth of development land newly classified as aeronautical.

SACL reported in its 2007 annual report it had completed the T2 redevelopment which included a new food court and expanded retail component.<sup>121</sup>

The value of aeronautical assets remained relatively stable over the six years to 2004–05 after increasing significantly in 1999–2000, largely resulting from the expansion and redevelopment of its international terminal, known as SA2000.

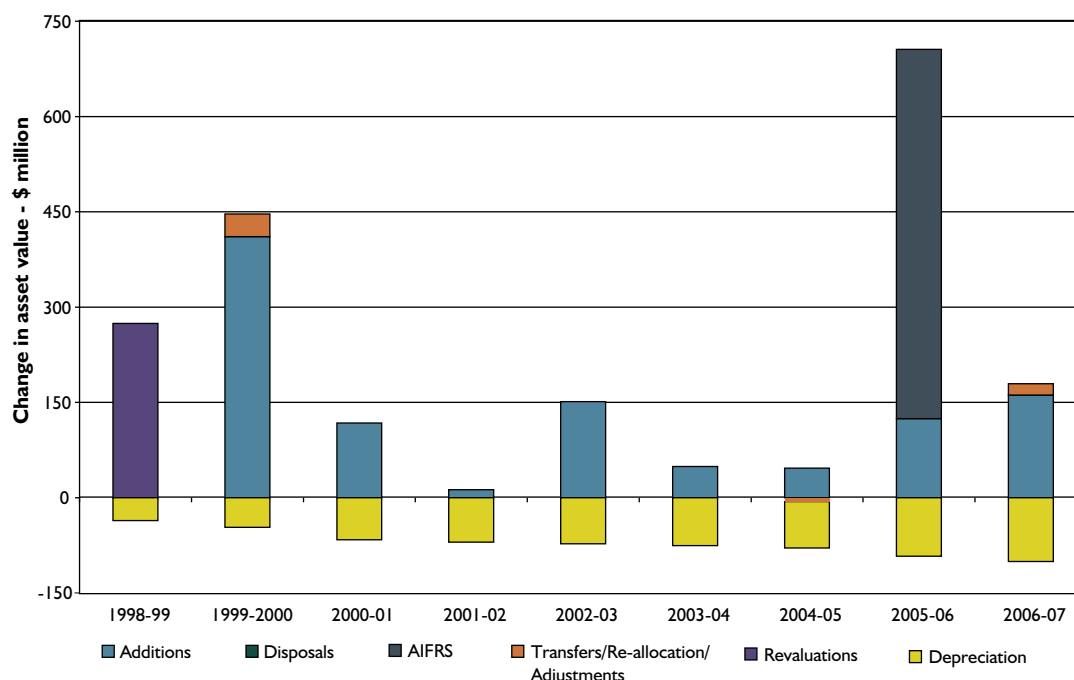
In 1999–2000 the value of aeronautical assets increased by approximately \$399.6 million, primarily because of an increase in property, plant and equipment.

<sup>120</sup> While Sydney airport has adopted AIFRS retrospectively, the figures presented in this report for 2004–05 have not been re-stated and remain presented under AGAAPs.

<sup>121</sup> *Southern Cross Airports Corporation Holdings Limited Annual Report 2007*, p. 4.

Chart 9.9 further illustrates the change in value for the tangible aeronautical non-current assets.

**Chart 9.9: Change in tangible\* aeronautical non-current assets**



Notes: This chart does not include changes in intangible assets and therefore does not show the complete change in aeronautical asset value as presented in chart 9.8.

In previous years' reports the acquisition of assets by Sydney airport in 1998–99 was shown as an addition. This chart been changed to more accurately reflect the nature of the change in assets as simply an opening value of assets rather than an investment in new assets.

\* Sydney airport reports the value of leasehold land as an intangible asset as a result of the transition to AIFRS from 2005–06 while all other airports treat this asset as tangible. To maintain consistency for comparison purposes over the reporting period for Sydney airport and across airports, the intangible value of leasehold land has been included in the calculation of EBITA on average tangible non-current assets.

In 2006–07 Sydney airport made an investment of \$60.6 million in plant and machinery, \$44 million in buildings, \$34.7 million in assets under construction and \$22.3 million in land improvements, summing to total of \$161.6 million for aeronautical assets. This was offset somewhat by \$92.2 million of depreciation of aeronautical assets.

In 2005–06 Sydney airport, as a result of the introduction of AIFRS, recognised leasehold land as an aeronautical intangible asset to the net book value of \$756.3 million. These assets were previously included in the airport's tangible asset base as land. As such, the tangible aeronautical asset base decreased by \$458 million, being the AGAAP value of land previously recorded in Sydney's regulatory accounts. As a result of other AIFRS adjustments, the net impact of the transition to AIFRS on tangible non-current aeronautical assets was a decrease of \$183.3 million.

In 2005–06 Sydney airport advised that leasehold land value in its regulatory accounts is based on the Jones Lang LaSalle valuation of 1 July 1998, which incorporated seawalls and landfill. In prior years, the value of land was stated excluding the value of seawalls and landfill. The value of seawalls was included in land improvements. From the 2006 financial year, Sydney airport has reclassified seawalls from land improvements to aeronautical land. As this affects an intangible asset, the change is not reflected in chart 9.9.

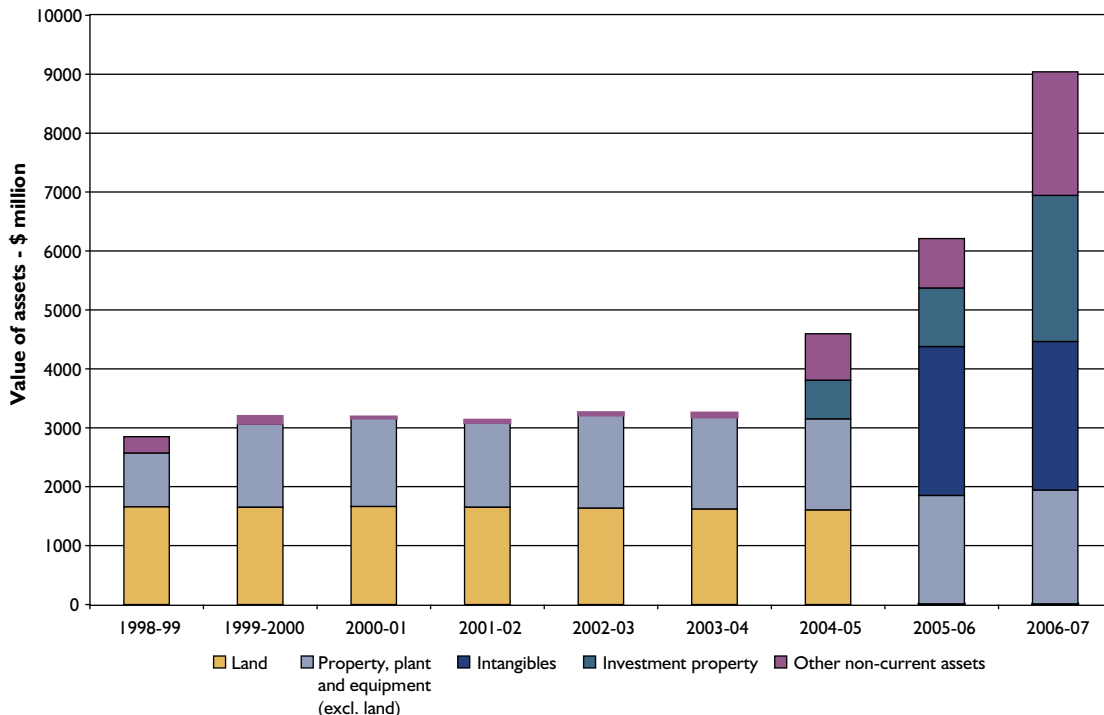
However, Sydney also advised that in prior years the value of landfill was intentionally excluded from land but erroneously also excluded from land improvements. Hence this understated the value of assets related to land improvements in prior years by approximately \$189 million. As this affects an addition to intangible aeronautical assets, the change is not reflected in chart 9.9.

Further, Sydney airport advised that a portion of holding or development lands has been classified as aeronautical on the basis that the land was acquired to expand the airport and will be used in part to move activities off the core airport site to accommodate growth in aeronautical facilities and services. As this affects an addition to intangible aeronautical assets, the change is not reflected in chart 9.9.

In 1998–99 approximately \$936 million of aeronautical assets were transferred from the then Federal Airports Corporation (FAC) to SACL and an upward revaluation of assets (approximately \$274 million) was also recognised. In 1999–2000 Sydney invested \$411 million in aeronautical assets and invested a further \$376.9 million over the subsequent five years to 2004–05.

Chart 9.10 shows the value of total non-current assets for Sydney.

**Chart 9.10: Total airport non-current assets**



Notes: Sydney airport advised that during the financial year, as a result of the transition to AIFRS, it was concluded that the accounting treatment adopted under the superseded AGAAP on the incorporation of SACL in 1998 was incorrect. Accordingly, the 1998 acquisition has been adjusted under AGAAP to correctly reflect the fair value of the fully paid ordinary shares issued to the Commonwealth at the fair value of the net assets acquired. The resulting re-statement of opening balances that is reflected in these financial statements is:

1. recognition of the intangible airport operator licence asset at its fair value of \$1564 million
2. an increase of \$596 million in the value of the intangible prepaid operating lease rental asset to its fair value
3. a reduction in the carrying value of the working capital assets and liabilities of \$115 million.<sup>122</sup>

In 2006–07 the value of Sydney airport’s total airport assets increased to \$9.04 billion up from \$6.21 billion in 2005–06 representing a 46 per cent increase in value. This was predominately the result of an increase in the value of investment property to \$2.48 billion from \$995 million in 2005–06. Sydney airport reports this value as an investment in redeemable preference shares in a wholly owned entity and was incorporated into chart 9.10 in previous reports as other non-current assets. For comparison purposes, this year the value of investment property has been reported as a separate category as shown in the chart. The airport did not provide information pertaining to the increase in value in its supporting schedules to the regulatory accounts.<sup>123</sup>

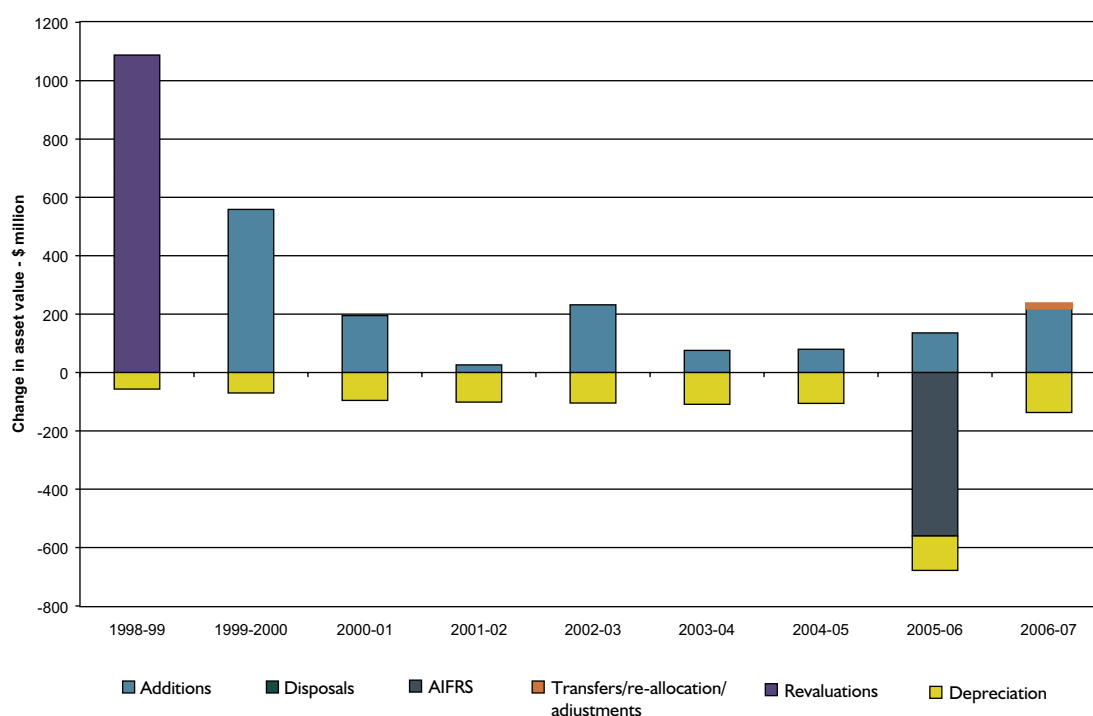
122 Sydney airport regulatory accounts 2005–06, notes to schedules.

123 In 2006–07 Sydney airport advised that certain inter-company receivables and investments overstated the airport’s assets. Sydney airport advised that these balances related to financing activities, and were not related to the operations of Sydney Airport and so should be excluded when calculating a return on the operational assets of the airport.

Sydney airport restated its total airport intangible assets as a result of the implementation of AIFRS to include a value for recognition of the intangible airport operator licence asset at its fair value of \$1.564 billion while also increasing the value of the intangible prepaid operating lease rental asset to its fair value, increasing it by \$596 million. This, coupled with the additions in the leasehold land value through the inclusion of seawalls, landfill land asset and development land, increased the total value of airport non-current assets by \$1.616 billion from \$4.6 billion in 2004–05 to \$6.21 billion, representing an increase of 35 per cent.

Chart 9.11 shows changes to the value of tangible non-current assets at Sydney from 1998–99 to 2006–07.

**Chart 9.11: Changes in tangible\* non-current assets—total airport**



Notes: This chart does not include changes in intangible assets and therefore does not show the complete change in aeronautical asset value as presented in chart 9.10. In previous years' reports the acquisition of assets by Sydney airport in 1998–99 was shown as an addition. This chart been changed to more accurately reflect the nature of the change in assets as simply an opening value of assets rather than an investment in new assets.

\*Sydney airport reports the value of leasehold land as an intangible asset as a result of the transition to AIFRS from 2005–06 while all other airports treat this asset as tangible. To maintain consistency for comparison purposes over the reporting period for Sydney airport and across airports, the intangible value of leasehold land has been included in the calculation of EBITA on average tangible non-current assets.

In 2006–07 Sydney airport made an investment to total airport assets of \$220 million comprising mostly additions to aeronautical assets. This was to some extent offset by \$128.8 million-worth of depreciation. As noted above, there was a large increase in the value of investment property, however Sydney did not provide information on the nature of the increase for instance whether this increase was a result of a revaluation or otherwise.

Chart 9.11 shows the value of total airport non-current assets remained relatively stable up to 2004–05. In 2005–06 the introduction of AIFRS resulted in a decrease of \$1.33 billion in tangible non-current assets. This generally reflects the re-classification of leasehold land as an intangible asset which reduced the decrease in asset value to \$560.5 million, as reflected in chart 9.11.

In 1998–99 there was a significant transfer of assets from the FAC to SACL and an upward revaluation of assets followed by additional new investment in 1999–2000.



## Rates of return on equity

Sydney’s post-tax return on equity is influenced by its capital structure. In 2002–03 Southern Cross Airports Corporation Holdings Limited (SCACH)<sup>124</sup> implemented a new financial structure for Sydney airport. In part this new structure was reflected in a substantial increase in pre-tax net borrowing costs from \$74.8 million in 2001–02 to \$528.6 million in 2002–03. The existence of shareholder loans means that reported equity does not reflect the total amounts invested in the airport by shareholders.

In June 2002 SCACH received \$1 511 250 000 in proceeds from the issue of redeemable preference shares (RPS). Each redeemable preference share is stapled to one ordinary share of SCACH at a nominal value of \$150 each. RPS’s are redeemable at a premium of \$50 per RPS on 28 June 2032. Each share carries an entitlement to a fixed cumulative dividend at a rate of 13.5 per cent per annum, which in 2006–07 equated to \$207 589 000. The dividend is payable quarterly, subject to the availability of funds within the consolidated entity and distributable profits within SCACH.<sup>125</sup> The dividends are treated as a borrowing cost in the calculation of profit. The shares are classified as borrowings and are not included in the calculation of equity.

In 2006–07 Sydney airport reported a negative return on average equity for the fifth consecutive year. The return in 2006–07 was –12.7 per cent, compared to –23.4 per cent in 2005–06 and –37.2 per cent in 2004–05. This followed positive returns between 1999–2000 and 2001–02. However, as discussed in section 1.4.1.4 of this report, this measure is currently of limited value.

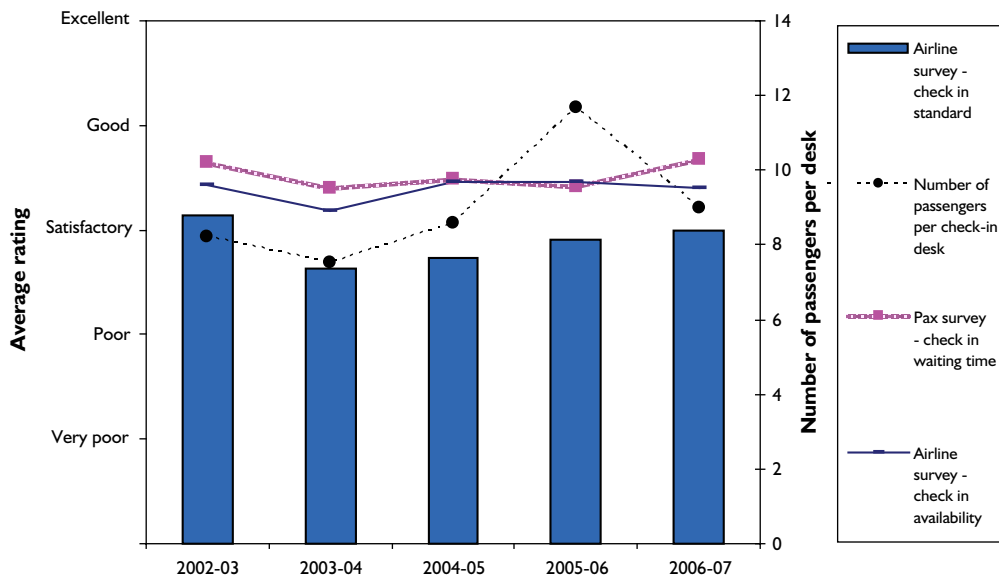
Sydney’s regulatory accounts are attached at appendix 1.1.

## 9.2. Sydney airport quality of service results

### 9.2.1. International services

#### Check-in facilities

**Chart 9.12: Sydney—international check-in**



124 On 28 June 2002 Southern Cross Airports Corporation Holdings Limited acquired the issued capital of Sydney Airport Corporation Limited.

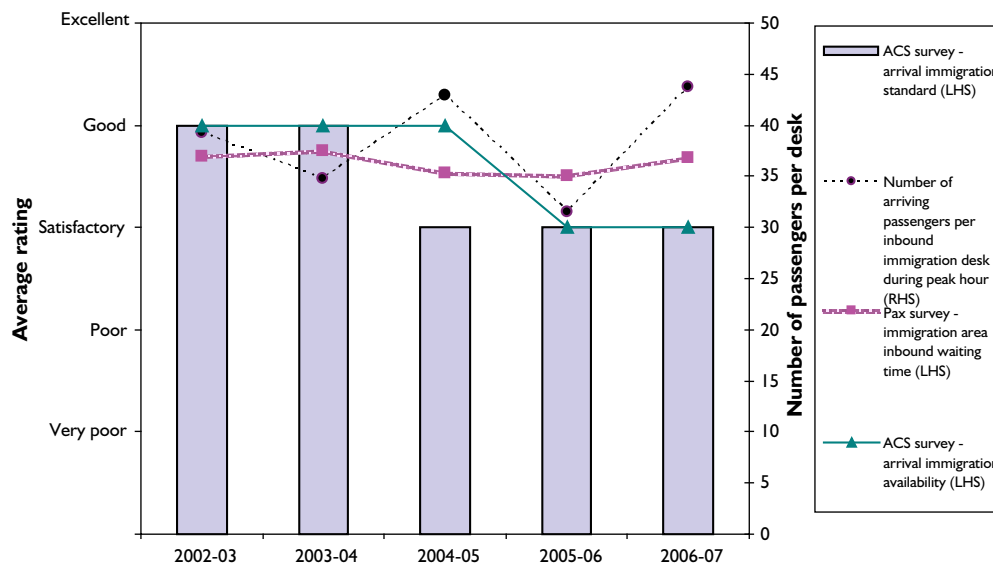
125 *Southern Cross Airports Corporation Holdings Limited Annual Report 2007*, p. 87.

The number of passengers per check-in desk peaked at 12 passengers in 2005–06 but decreased to nine passengers in 2006–07.<sup>126</sup>

Both airline and passenger ratings of check-in facilities have been relatively stable over the reporting period. Passengers rated the waiting time associated with these facilities as between satisfactory and good for most of the reporting period with an increase to below good in 2006–07. Similarly, airlines have rated the **availability** of check-in facilities as between satisfactory and good over the reporting period, while the ratings of the **standard** of these facilities remained around satisfactory.

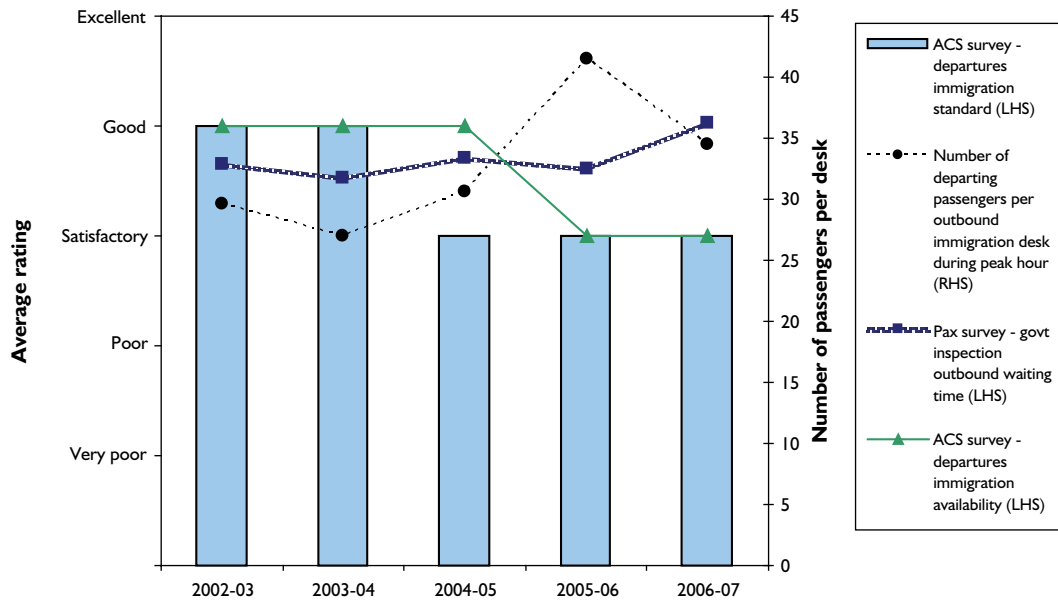
Government inspection facilities

**Chart 9.13: Sydney—international inbound government inspection**



126 The ACCC’s *Guidelines for quality of service monitoring at airports* and the Airports Act require the provision of information on both the number of hours of operation with more than 80 per cent of international check-in desks staffed and the total number of hours any international check-in desks are open. However, Sydney airport has not provided this information on the basis the airport does not record it. For comparison purposes the ACCC has derived a quantitative measure of utilisation wherever possible to assist with analysis. As such, the quantitative measure of number of passengers per check-in counter has been used.

**Chart 9.14: Sydney—international outbound government inspection**



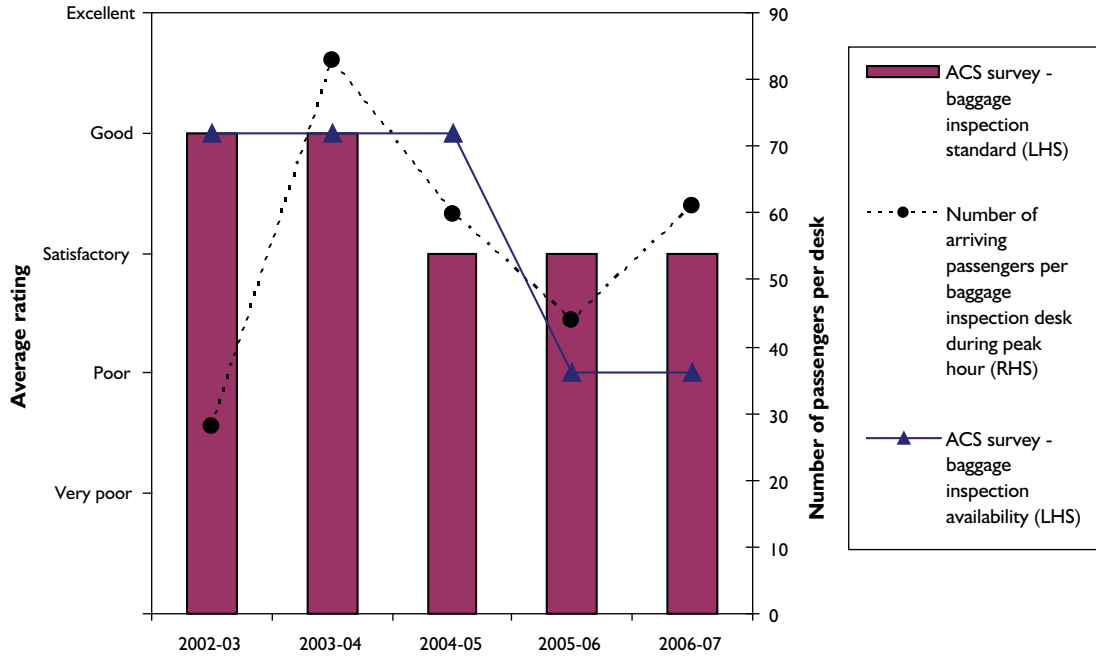
The use of arrival immigration desks during peak hour ranged from a low of 32 passengers per desk in 2005–06 to a peak of 44 passengers per desk in 2006–07. The number of desks provided increased from 62 desks in 2003–04 to 64 desks in 2004–05 and continued at this level for the remainder of the reporting period.

Despite fluctuations in the quantitative measure of utilisation, passenger ratings of arriving immigration facilities have remained relatively stable over the reporting period ranging from just below good in 2002–03 to between satisfactory and good in 2005–06 before increasing slightly in 2006–07. However, rather than decreasing in rating as use increased, over the period of decreased use ACS ratings for the **availability** of arrival immigration facilities decreased from good in 2004–05 to satisfactory in 2005–06. In 2006–07 the **availability** and **standard** of arrival immigration facilities was rated by airlines as satisfactory.

The number of passengers per departing immigration desk increased from 27 passengers in 2003–04 to 41 passengers in 2005–06 followed by a drop to 35 passengers in 2006–07. Sydney airport reduced the number of departing immigration desks provided from 54 in 2005–06 to 50 desks in 2006–07. For 2006–07 the decrease in the number of desks was outweighed by the fall in departing peak hour passengers. Airlines maintained their rating of the **availability** and **standard** of these facilities at satisfactory in 2006–07. This followed a decrease in airline ratings of the **availability** of these facilities from good in 2004–05 to satisfactory in 2005–06 which coincided with the increase in the same year to 41 passengers per desk. Passenger ratings over the same period remained relatively stable at between satisfactory and good but increased to good in 2006–07 despite the decrease in the number of facilities provided. ACS noted in 2006–07 that signage throughout the government inspection area continues to compete with other commercial and regulatory signage. This can be confusing and render ACS signage ineffective.

Baggage inspection facilities

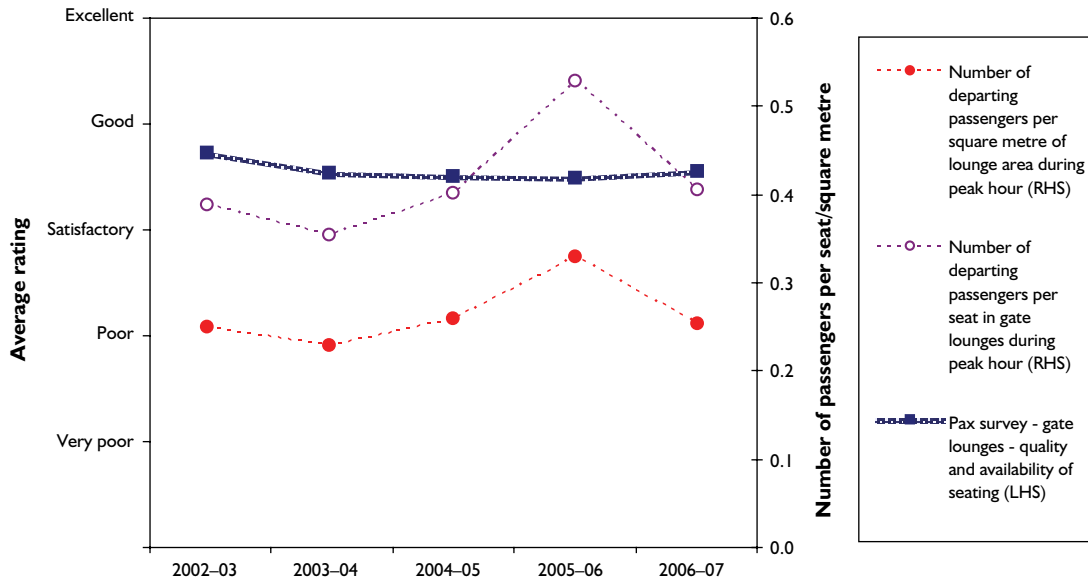
**Chart 9.15: Sydney—international baggage inspection**



The number of passengers per baggage inspection desk reached a peak of 83 passengers in 2003–04 before decreasing to 44 passengers in 2005–06. The quantitative measure of utilisation increased to 61 passengers in 2006–07. The large increase in this measure in 2003–04 was primarily the result of a decrease in the number of baggage inspection desks, with Sydney airport decreasing desks from 87 in 2002–03 to 26 desks in 2003–04. This number then increased to 46 desks in 2004–05 and continued at this level for the remainder of the reporting period. Despite decreases in the quantitative measure that indicates lower utilisation, ACS ratings of the **availability** of these facilities decreased from good in 2004–05 to poor in 2005–06 and 2006–07. Similarly, ACS ratings of the **standard** of baggage inspection facilities decreased from good in 2003–04 to satisfactory for the remainder of the reporting period. In 2006–07 ACS noted that the ‘secondary examination area’ was not designed to cope with the current level of AQIS intervention and passenger volume, which leads to congestion.

Gate lounge facilities

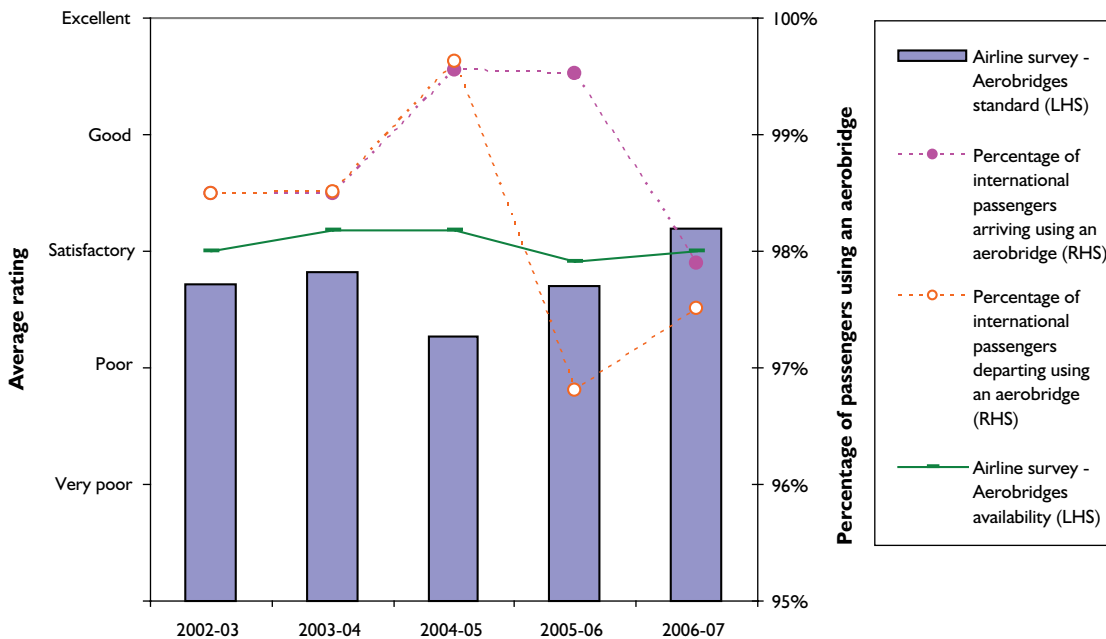
**Chart 9.16: Sydney—international gate lounge**



The number of passengers per seat and square metre of area peaked in 2005–06 at 0.5 passengers and 0.3 passengers respectively. These increases were notwithstanding increases in the number of seats from 4109 in 2004–05 to 4259 seats and increases in international gate lounge area from 6335 square metres to 6785 square metres over the same period. In 2006–07 both quantitative measures of utilisation decreased to pre 2005–06 levels. Passenger ratings remained constant over the reporting period at between satisfactory and good.

Aerobridges facilities

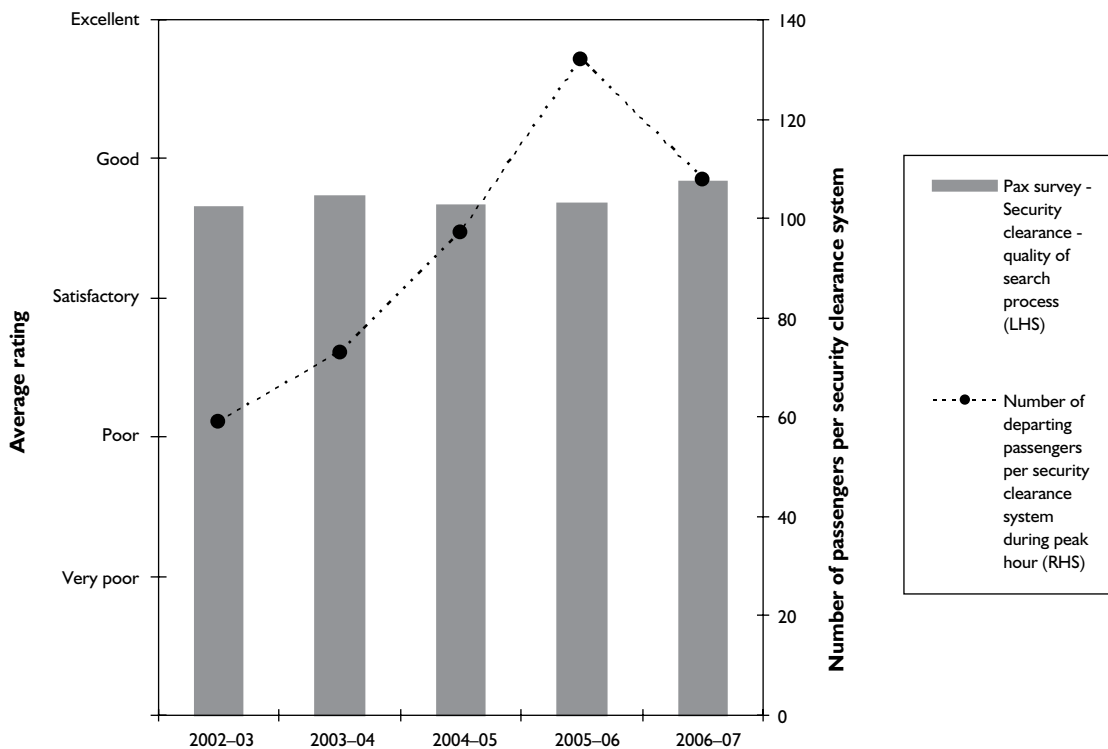
**Chart 9.17: Sydney—international aerobridges**



The percentage of arriving passengers using an aerobridge varied from almost 100 per cent in 2004–05 to 97 per cent in 2005–06. The quantitative measure of utilisation varied less for departing passengers which maintained approximately 100 per cent of passengers over 2004–05 to 2005–06. However, in 2006–07, 98 per cent of both arriving and departing passengers used an aerobridge. Airlines have rated the **availability** of aerobridge facilities as around satisfactory for most of the reporting period. Airlines rated the **standard** of these facilities as between poor and satisfactory in 2004–05, and to between satisfactory and good in 2006–07. This corresponds with an increase by Sydney airport of aerobridge facilities for international use from 26 in 2005–06 to 30 in 2006–07 for international use.

Security facilities

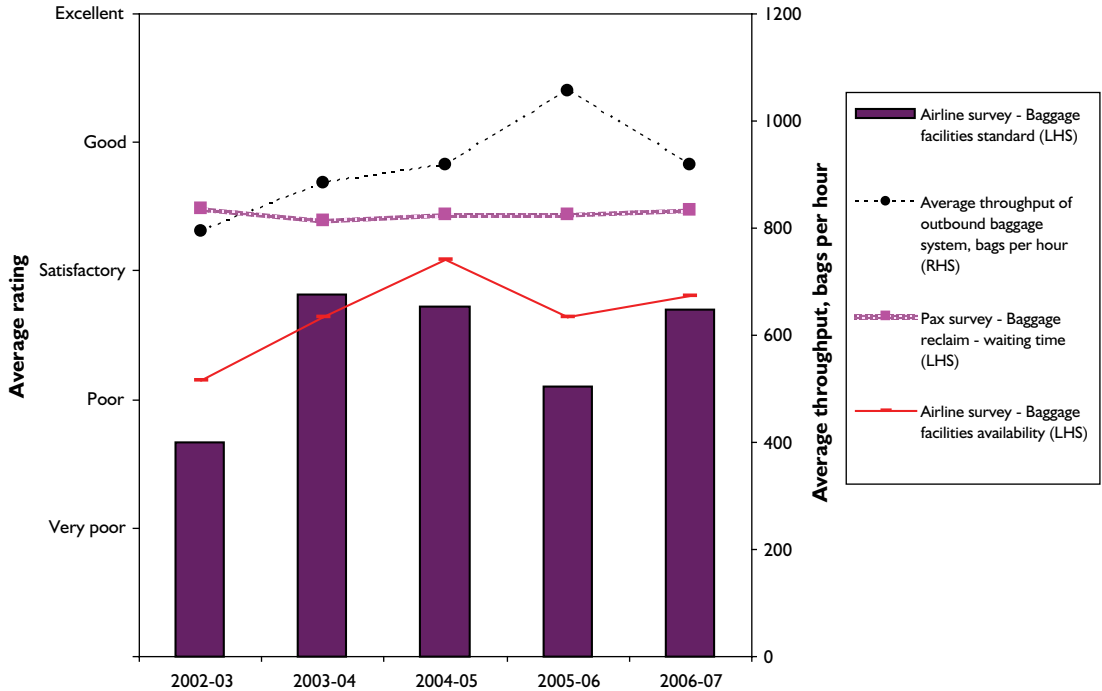
**Chart 9.18: Sydney—international security**



The number of passengers per security clearance system increased consistently from 59 passengers in 2002–03 to 132 passengers in 2005–06, followed by a decrease to 108 passengers in 2006–07. This is a combined result of both increases in the number of departing passengers during peak hour up until 2005–06 and a decrease in the number of security clearance systems from 27 in 2002–03 to 16 in 2006–07. Nonetheless, passengers have rated the quality of the search process as between satisfactory and good over the reporting period.

Baggage facilities

**Chart 9.19: Sydney—international baggage**

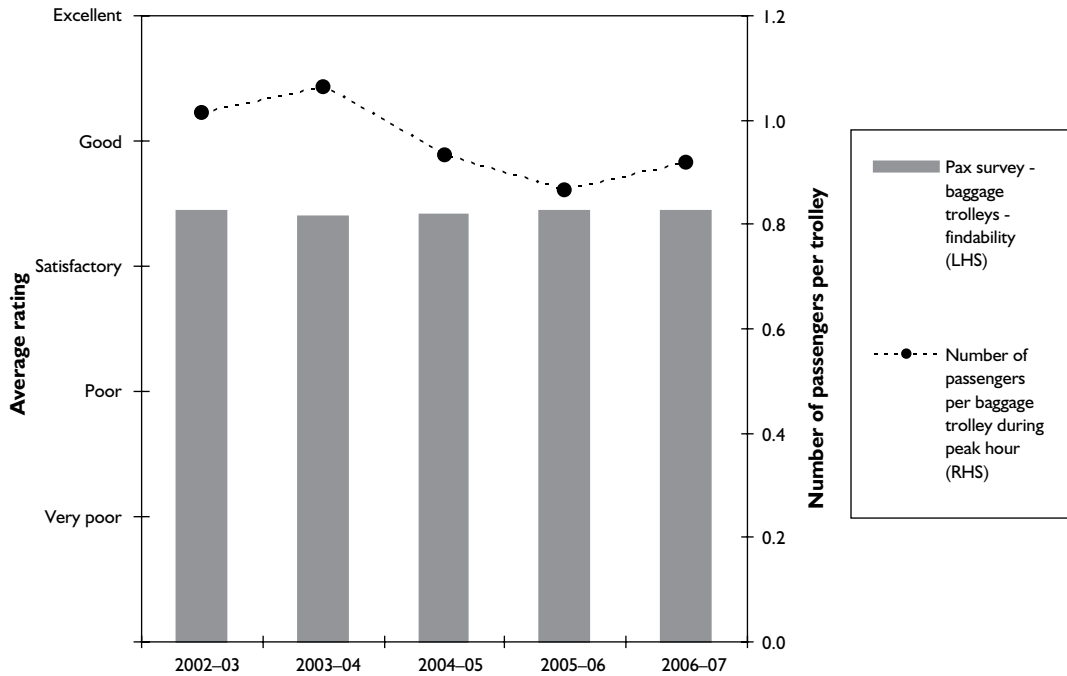


The average throughput of the outbound baggage system increased from 795 bags per hour in 2002–03 to a peak of 1056 bags per hour in 2005–06. The peak rate in this throughput measure coincided with airlines decreasing their rating of the **availability** of these facilities from satisfactory in 2004–05 to between poor and satisfactory in 2005–06. The throughput measure decreased to 918 bags per hour in 2006–07 as a result of both a decrease in the number of outbound bags handled (from 6 935 442 to 6 365 356) combined with an increase in the number of hours the baggage system was in operation for the year (from 6570 to 6935). During the same period, airline ratings of **availability** increased slightly to just below satisfactory. Airlines rated the **standard** of these facilities as between poor and satisfactory for 2003–04 to 2004–05, decreasing ratings to poor in 2005–06 before increasing to between poor and satisfactory in 2006–07. Airlines noted in 2006–07 that the baggage processing facilities can be unreliable during peak period, causing baggage to be late or lost.

Passengers consistently rated the waiting time for baggage reclaim as between satisfactory and good.

Baggage trolleys

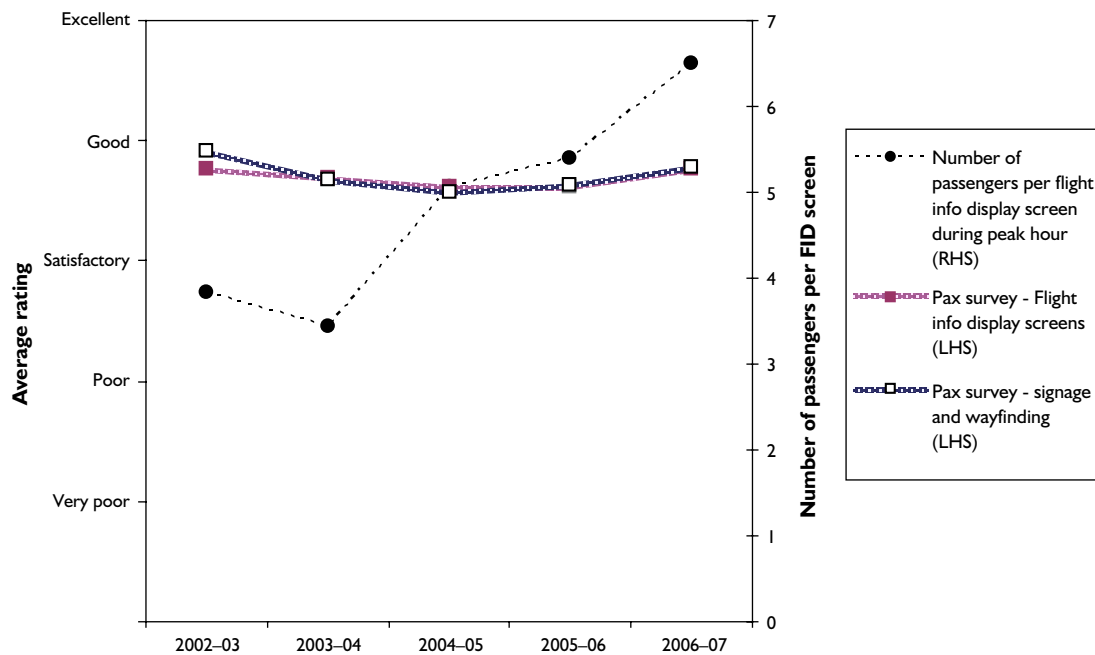
**Chart 9.20: Sydney—international trolleys**



The number of passengers per baggage trolley ranged from 1.1 passengers in 2003–04 to around 0.9 passengers for the remainder of the reporting period. The changes in this measure over the last three years are influenced by an increase in the available trolleys from 3400 trolleys in 2003–04 to 4725 trolleys and to 4932 trolleys in 2005–06 to 2006–07. Despite these changes in the quantitative measure of utilisation, passengers have rated the findability of baggage trolleys as between satisfactory and good over the reporting period.

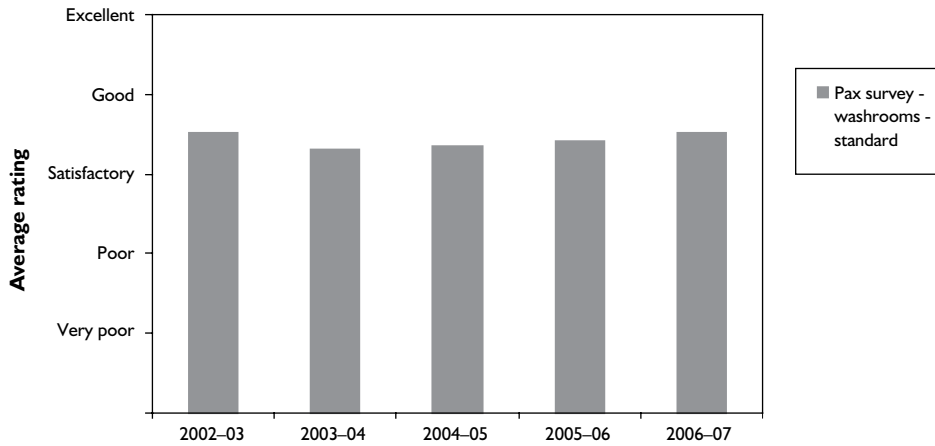
Flight information displays and washrooms

**Chart 9.21: Sydney—international flight information and displays**





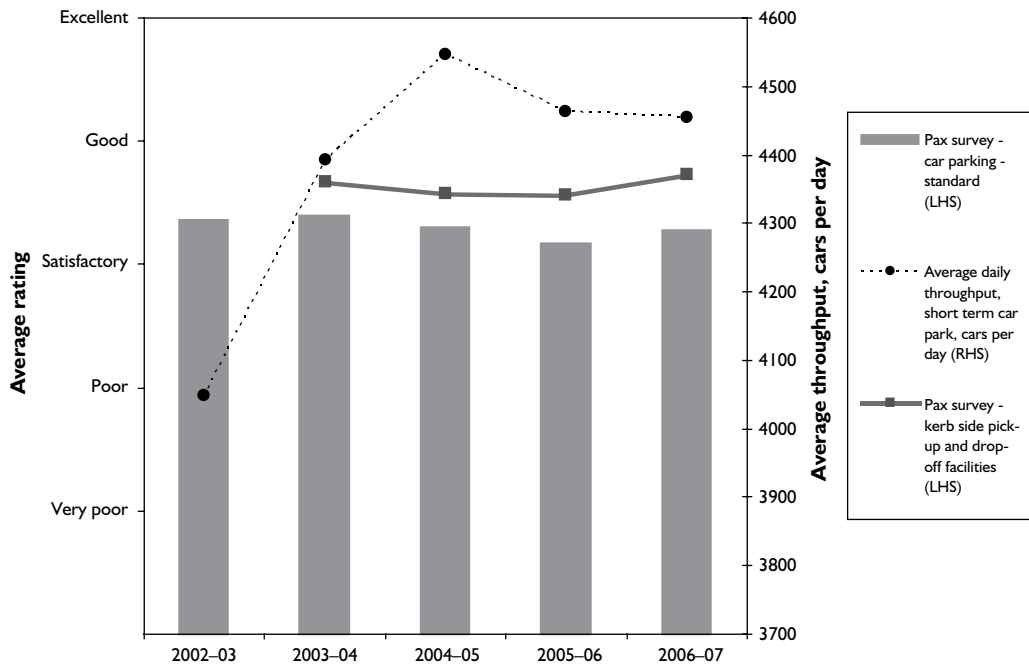
**Chart 9.22: Sydney—international washrooms**



The number of passengers per FID screen has increased from 3.4 passengers in 2003–04 to a peak of 6.5 passengers in 2006–07. Since 2003–04 the number of FID screens within the international terminal has decreased from 1050 screens to 697 screens in 2006–07. Meanwhile, the number of information points increased from four in 2004–05 to five in 2005–06. Despite the reduction in these facilities, passengers have rated FID screens and signage and wayfinding as between satisfactory and good with a slight increase to just below good in 2006–07. Similarly, passengers rated the **standard** of international terminal washrooms as between satisfactory and good over the reporting period.

Car parking facilities

**Chart 9.23: Sydney—international car parking**



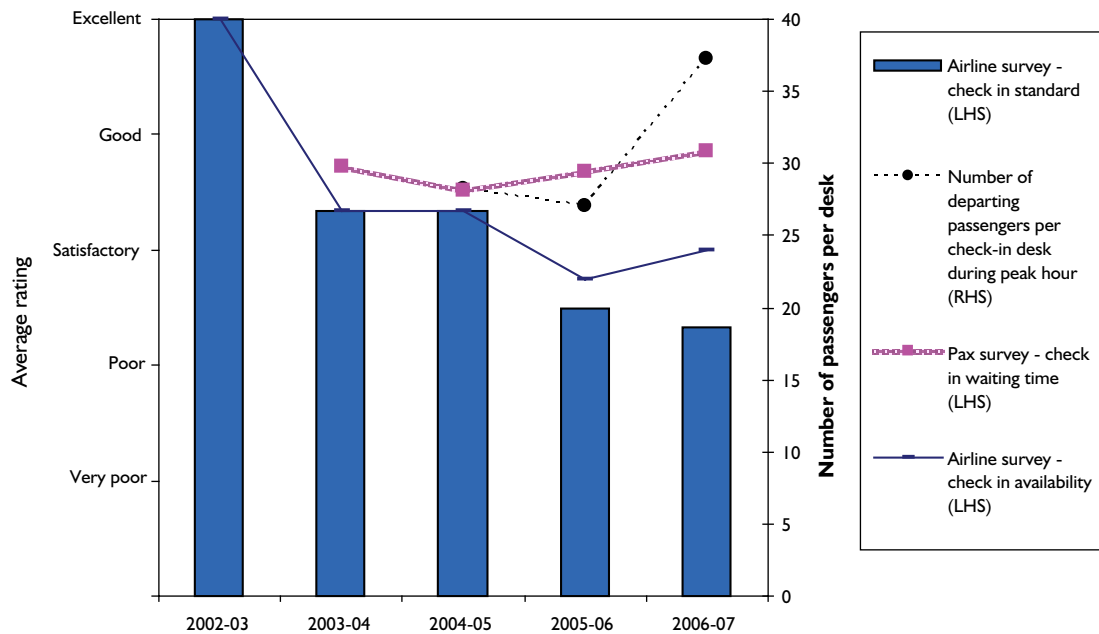
The average throughput of the short-term international car park increased from 4048 cars per day in 2002–03 to 4546 cars per day in 2004–05. This measure decreased to 4463 in 2005–06 and further to 4455 in 2006–07. Over the reporting period, Sydney airport decreased the number of short-term car spaces from 2000 in 2002–03 to 1374 in 2006–07.

The ASQ survey does not provide information concerning passenger perception of waiting times or **availability** of car parking spaces but rather just the **standard** of car parking facilities and kerb-side pick-up and drop-off facilities. Passengers rated car parks as around satisfactory and kerb-side facilities as between satisfactory and good over the reporting period.

### 9.2.2. Domestic services

#### Check-in facilities

**Chart 9.24: Sydney—domestic check-in**



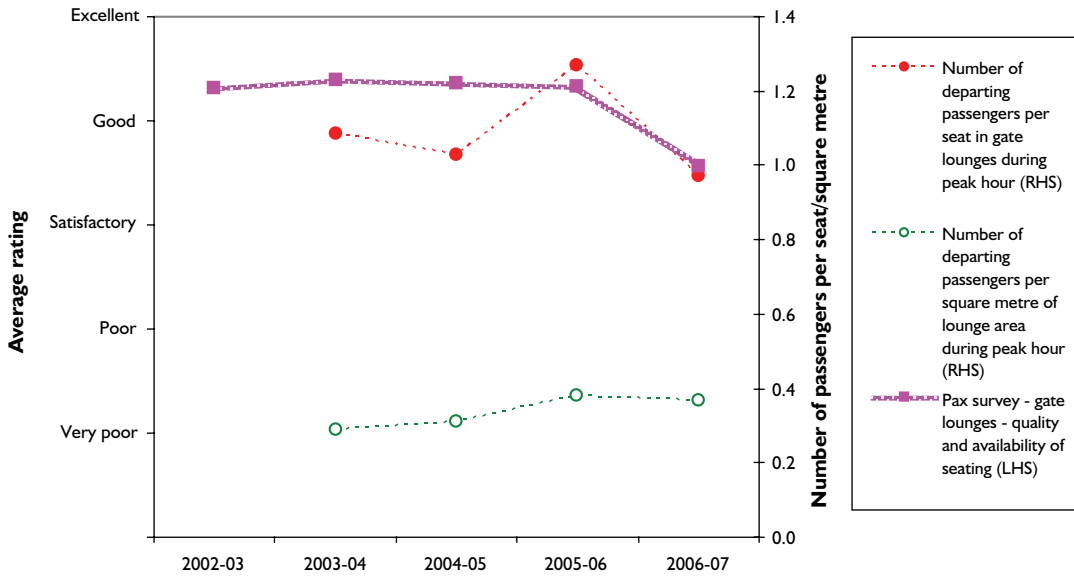
The number of passengers per check-in desk during peak hour increased from 27 passengers in 2005–06 to 37 passengers in 2006–07.<sup>127</sup>

Passenger ratings of the waiting time associated with check-in facilities increased from between satisfactory and good in 2004–05 to just below good in 2006–07. However, airlines decreased their rating of the **availability** and **standard** of check-in facilities from a high of excellent in 2002–03 to between poor and satisfactory in 2005–06. This was followed by an increase in **availability** ratings to around satisfactory.

127 The ACCC’s *Guidelines for quality of service monitoring at airports* and the Airports Act require the provision of information concerning both the number of hours of operation with more than 80 per cent of domestic check-in desks staffed and the total number of hours any domestic check-in desks are open. However, Sydney airport has not provided this information on the basis the airport does not record it. For comparison purposes the ACCC has derived a quantitative measure of utilisation wherever possible to assist with analysis. As such, the quantitative measure of number of passengers per check-in counter has been used.

Gate lounge facilities

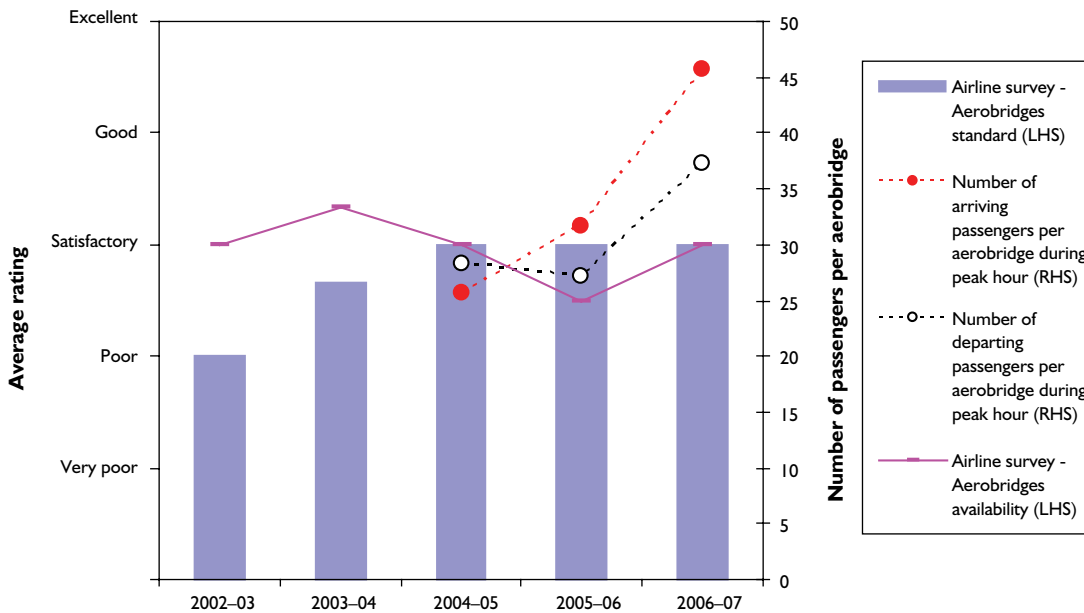
**Chart 9.25: Sydney—domestic gate lounge**



The number of passengers per seat within the domestic terminal gate lounges fluctuated between 1.1 passengers in 2003–04 to 1.3 passengers in 2005–06 and 1.0 passenger in 2006–07. Sydney airport increased the number of seats from 1630 seats in 2004–05 to 1689 in 2005–06. Despite this increase in seating and decrease in the quantitative measure of utilisation, passengers’ ratings of the **availability** and quality of seating decreased to between satisfactory and good following a rating of between good and excellent during every period before 2006–07.

Aerobridges facilities

**Chart 9.26: Sydney—domestic aerobridges**

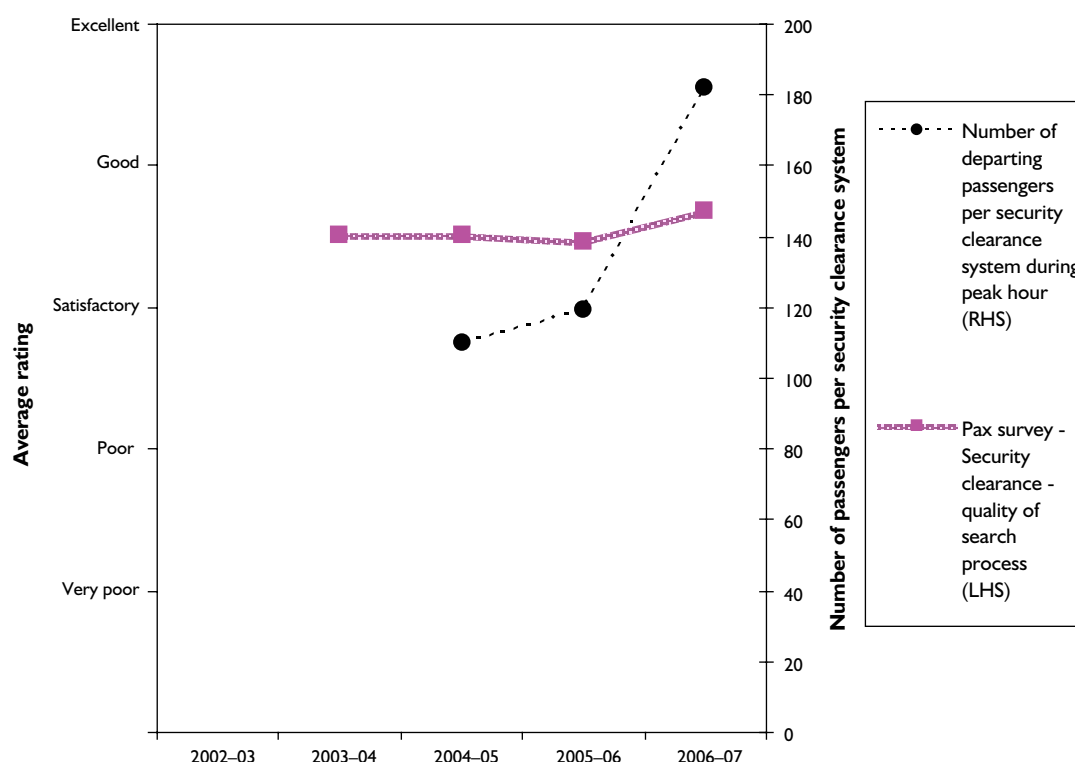


The number of arriving passengers per aerobridge increased from 26 passengers in 2004–05 to 46 passengers in 2006–07 while the number of departing passengers per aerobridge increased from 28 passengers to 37 passengers. Given that the number of aerobridges did not change over this period, the increases related only to the increase in the number of passengers during peak hour.<sup>128</sup>

Airline ratings of the **availability** of aerobridge facilities decreased from between satisfactory and good in 2003–04 to between poor and satisfactory in 2005–06 before increasing slightly to below satisfactory in 2006–07. Sydney advised this was influenced by the decrease in the number of bays/gates as a result of preparations for the A380. Airline ratings of the **standard** of these facilities increased from poor in 2002–03 to satisfactory in 2004–05 and 2005–06 followed by an increase to satisfactory in 2006–07.

### Security facilities

**Chart 9.27: Sydney—domestic security**

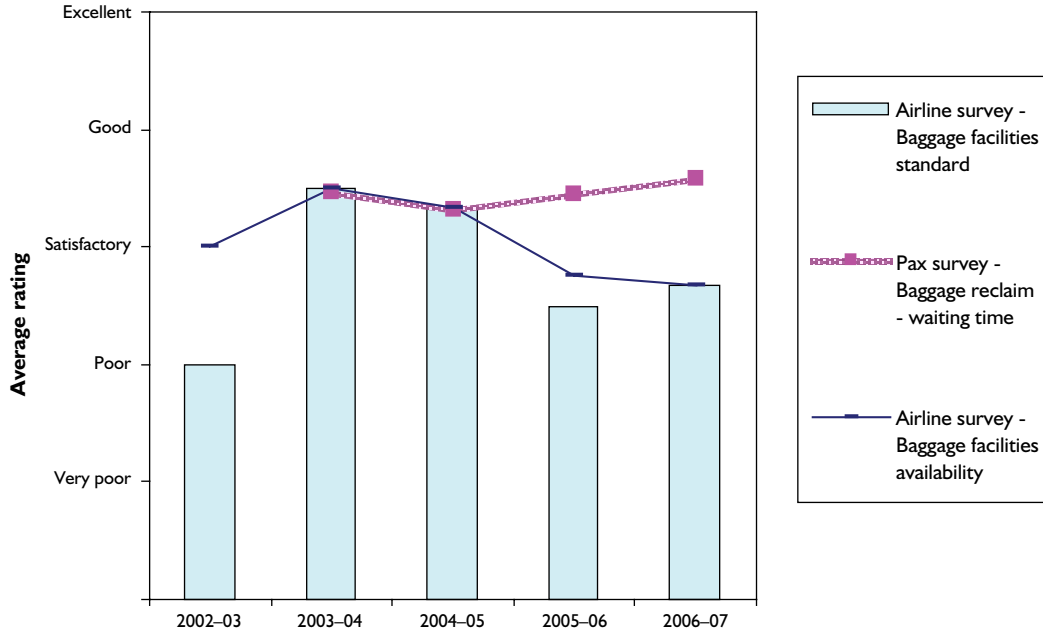


The number of passengers per security clearance system increased from 110 passengers in 2004–05 to 182 passengers in 2006–07. As with international security systems, Sydney airport decreased the number of security clearance systems within the domestic terminal from 10 before and during 2005–06 to nine in 2006–07. Despite this removal of security clearance systems and a corresponding increase in the quantitative measure of utilisation, passengers increased their rating of the quality of the search process from between satisfactory and good to 2005–06 to below good in 2006–07.

128 The ACCC's *Guidelines for quality of service monitoring at airports* and the Airports Act do not currently require the provision of information concerning the number of domestic passengers arriving via an aerobridge as is the case for arriving international passengers. However, for comparison purposes the ACCC has derived a quantitative measure of utilisation wherever possible to assist with analysis. As such, the quantitative measure of number of passengers per aerobridge has been used.

Baggage facilities

**Chart 9.28: Sydney—domestic baggage**



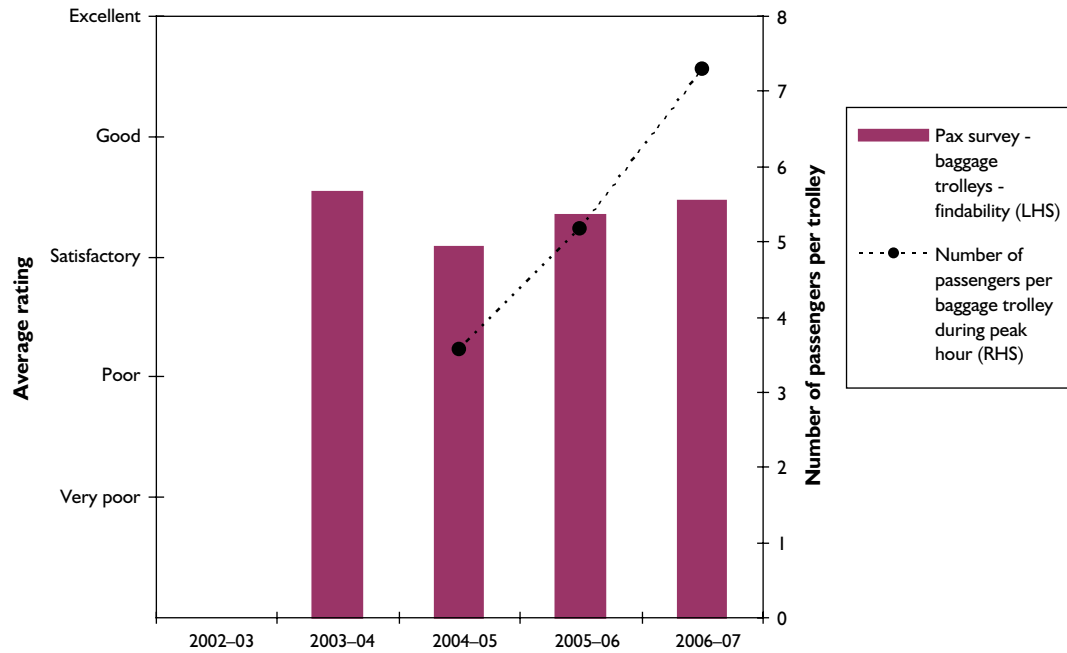
Airline ratings of the **availability** of baggage facilities decreased over the reporting period from between satisfactory and good in 2003–04 and 2004–05 to just below satisfactory in 2005–06 and between poor and satisfactory in 2006–07. Similarly, airlines decreased their ratings of the **standard** of these facilities from between satisfactory and good in 2003–04 to between satisfactory and poor in 2006–07. Airline ratings may be influenced by the increase in the number of hours of unplanned interruption to the outbound baggage system in particular from 15 hours in 2003–04 to 138 hours in 2006–07.

Passenger ratings of these facilities were contrary to airline ratings, with passenger rating increasing from just above satisfactory in 2004–05 to between satisfactory and good in 2006–07.

Sydney airport advised that during 2005–06 it launched and substantially completed the government-mandated ‘100 per cent check baggage screening’ project at both T1 and T2. Implementation of the project and associated upgrades required major changes to the existing baggage-handling systems. In 2006–07 Sydney advised it undertook the redevelopment of the T2 retail area. During the construction of the retail project there were some disruptions which did have some impact on the baggage handling system at T2. Sydney also advised that airlines and ground handlers have not raised any issues since the completion of these two projects and the airport’s own monitoring indicates there have been very few interruptions to baggage system operations impacted by the upgrade program.

Baggage trolleys

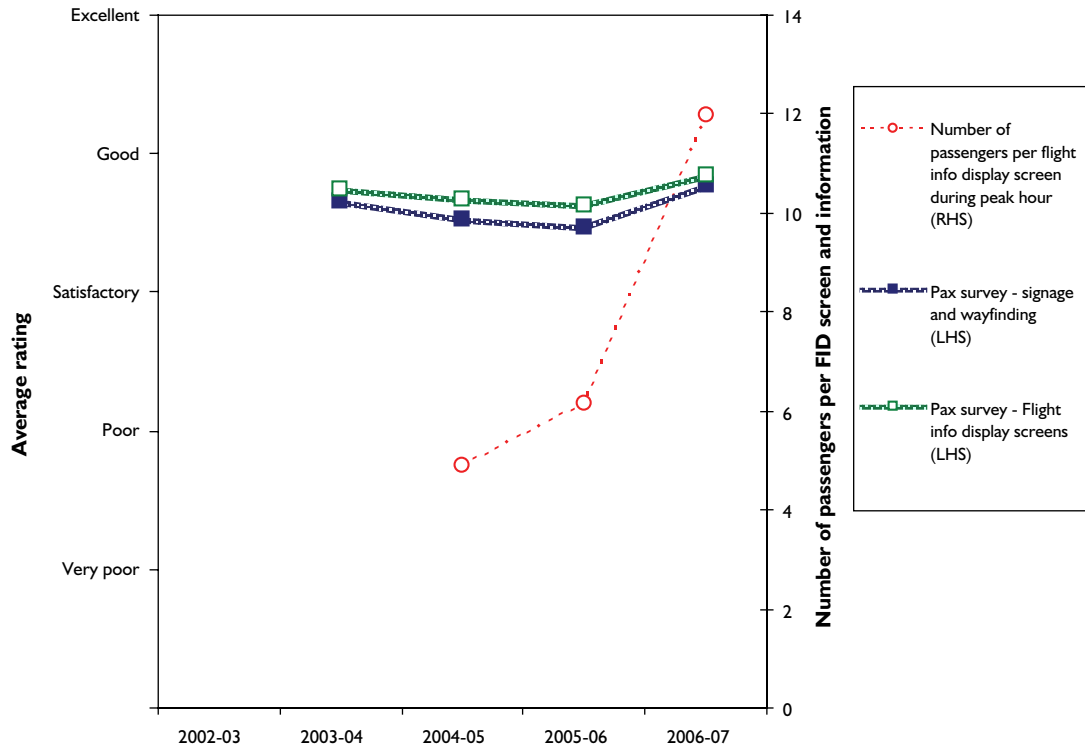
**Chart 9.29: Sydney—domestic trolleys**



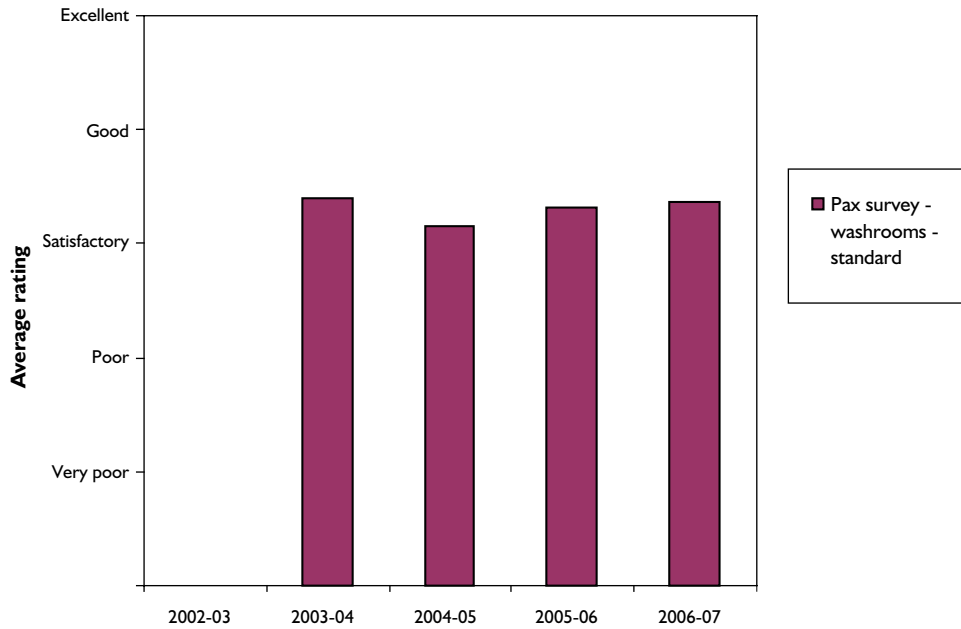
The number of baggage trolleys per passenger increased from 3.6 passengers in 2004–05 to 7.3 passengers in 2006–07. The increase over the reporting period was influenced by decreases in the number of available trolleys from 590 trolleys in 2003–04 down to 500 trolleys in the following two years. Despite the decrease in the number of available facilities, passengers increased their ratings of the findability of baggage trolleys from around satisfactory in 2003–04 to between satisfactory and good in 2006–07.

Flight information display screens and washrooms

**Chart 9.30: Sydney—domestic flight information and displays**



**Chart 9.31: Sydney—domestic washrooms**

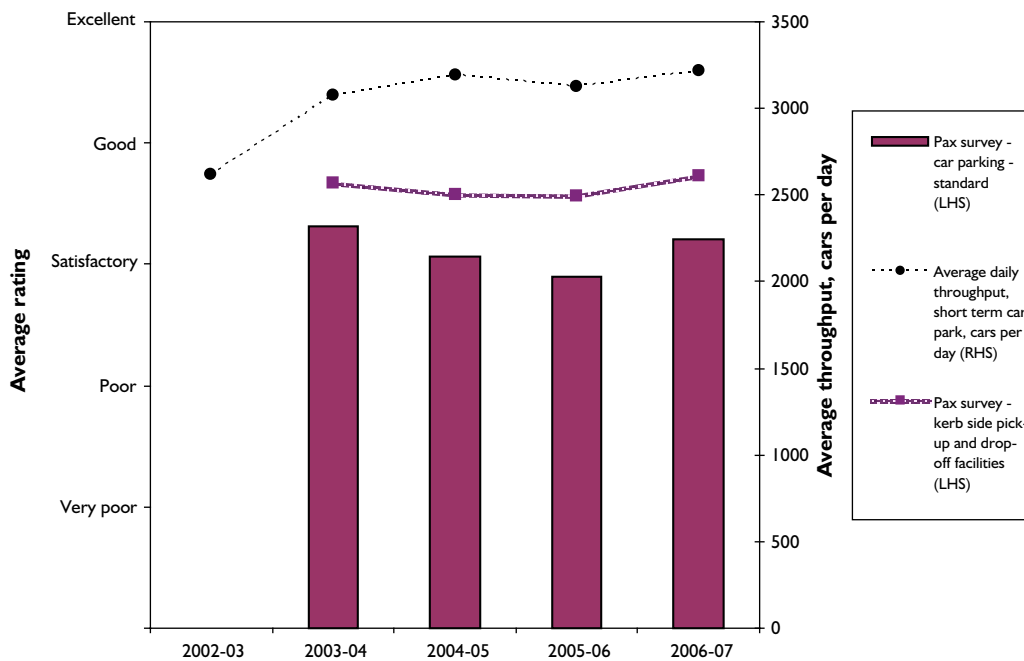


The number of passengers per FID screen increased from four passengers in 2004–05 to 12 passengers in 2006–07. As with the international terminal, Sydney airport has decreased the number of FID screens in the domestic terminal over the reporting period from 450 screens in 2003–04 to 305 screens in 2006–07. Contrary to this, passengers increased their ratings of FID screens and signage and wayfinding slightly in 2006–07 from between satisfactory and good in 2005–06 to just below good in 2006–07. Sydney airport has maintained the use of one information point within the domestic terminal for the reporting period. In 2006–07 some airlines noted that FID screens can be unreliable at the check-in counter area. In response, Sydney airport advised they were not aware of any issues with the current FIDS.

Passenger ratings of the **standard** of domestic terminal washrooms ranged from satisfactory in 2004–05 to between satisfactory and good in 2006–07.

Car-parking facilities

**Chart 9.32: Sydney—domestic car-parking**



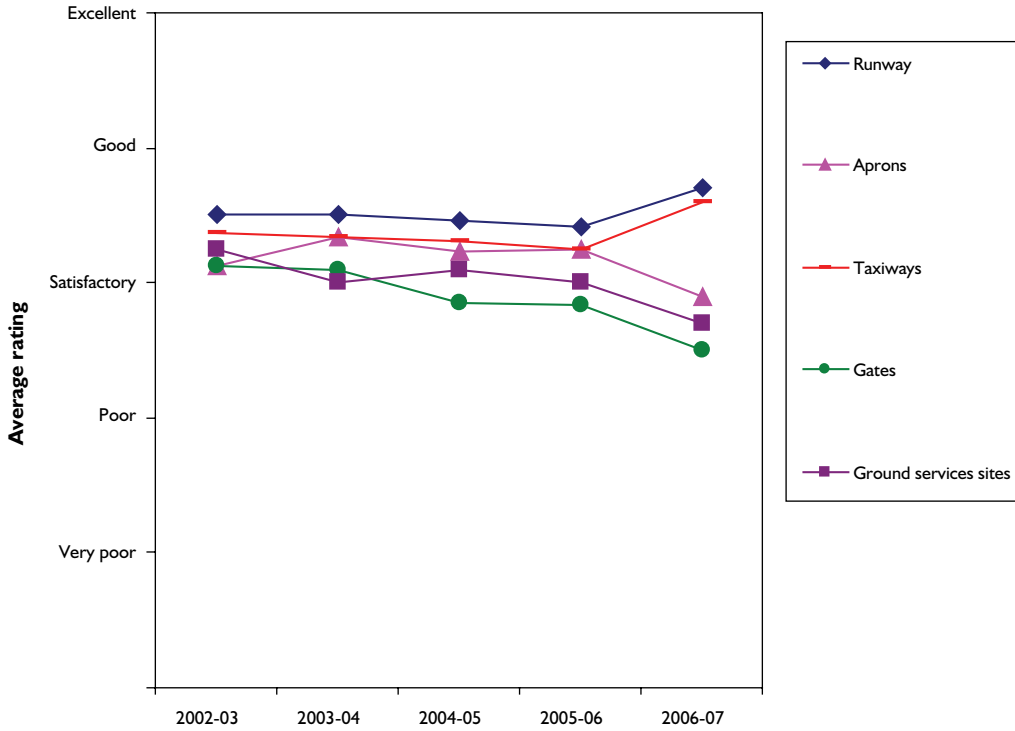
The average throughput of the domestic short-term car park ranged from a low of 2997 cars per day in 2002–03 to 3219 cars per day in 2006–07. Sydney airport increased the number of short-term spaces over the same period from 2678 spaces in 2002–03 to 3433 spaces in 2006–07. Passengers rated the **standard** of car park facilities as around satisfactory and kerbside facilities as between satisfactory and good.



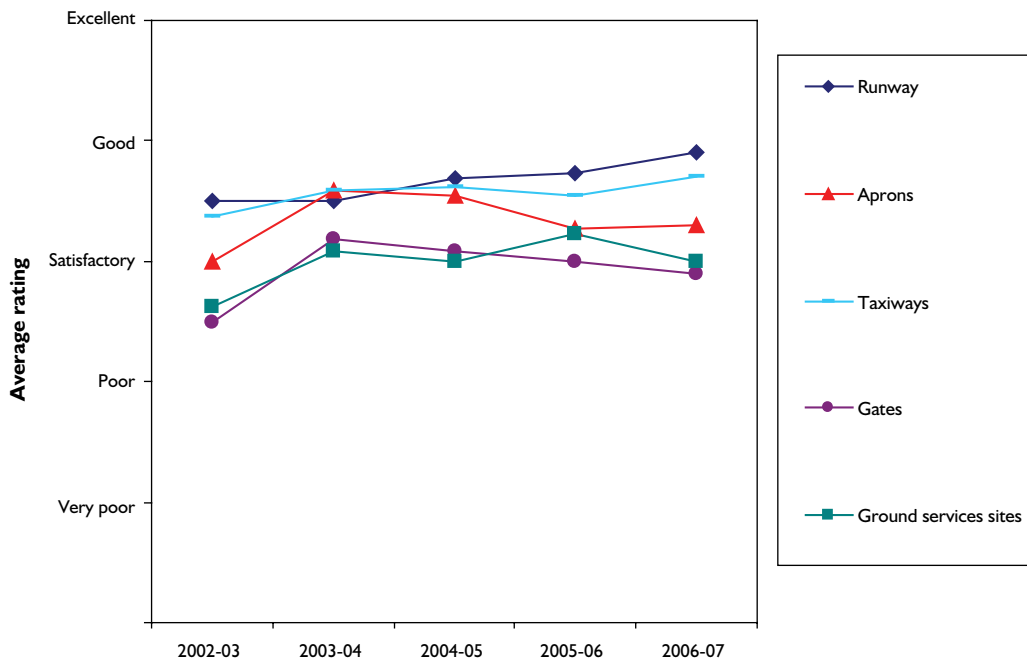
### 9.2.3. Airport services

Airside services and facilities

**Chart 9.33: Sydney—availability of airport airside services**



**Chart 9.34: Sydney—standard of airport airside services**



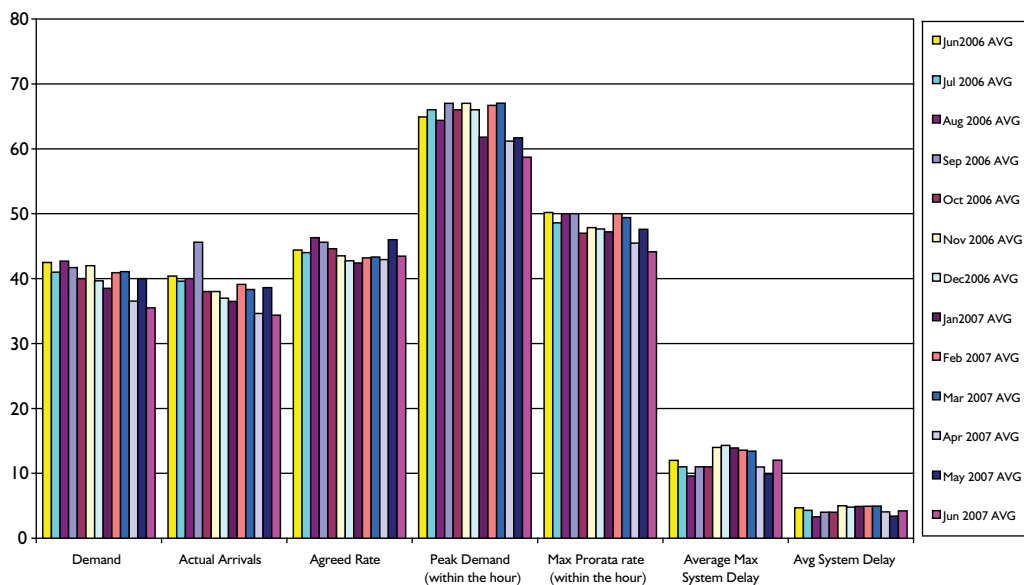
Airline ratings of the **availability** of most airport airside services decreased in 2006–07. In particular, **availability** of apron facilities decreased from between satisfactory and good in 2005–06 to below satisfactory in 2006–07 while gate and ground services site facilities also decreased in 2006–07. Sydney advised that this was influenced by the decrease in the number of bays/gates as a result of preparations

for the A380. The exceptions were the **availability** of runway and taxiway facilities, which increased from between satisfactory and good in 2005–06 to below good in 2006–07. In 2006–07 some airlines noted that, due to high frequency movement at Sydney airport, congestion occurs. In particular, narrow apron systems at the international terminal delay the push back of aircraft.

Airline ratings of the **standard** of most airport airside services remained relatively stable. Runway facilities increased in rating from between satisfactory and good in 2005–06 to just below good while apron facilities maintained their rating of between satisfactory and good over the same period. Airlines rated the **standard** of gate and ground service site facilities at satisfactory in 2006–07, representing a slight decrease in both ratings on 2005–06 results.

Runway traffic—demand and delays

**Chart 9.35: Sydney average peak hour arrival performance for June 2006–June 2007, by category**



**Source:** Airservices Australia

**Note:** Rate means agreed arrival rate or operational capacity.

Demand, arrivals and agreed rate are measures of aircraft per hour. Delays are in minutes.

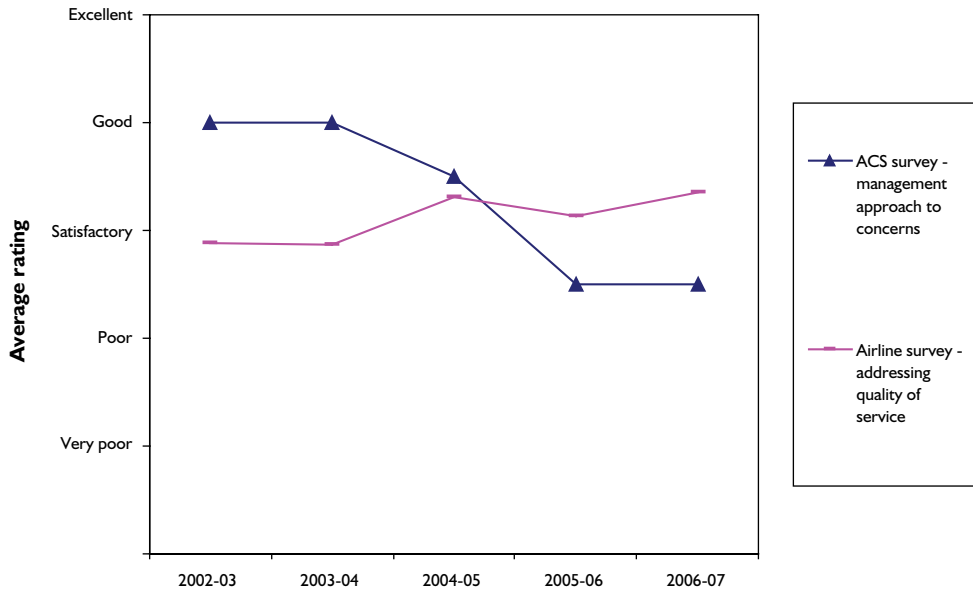
Measures are further explained earlier in section 2.

In 2006–07 runway demand continued to be high compared to operational agreed capacity during the morning peak hour, averaging 91 per cent, down from 94 per cent in 2005–06. Peak hour demand within parts of that hour exceeded the maximum pro-rata arrival rate by 25 per cent, down from 26 per cent in 2005–06 and 29 per cent in 2004–05. The average system delay during the peak hour decreased to 4.4 minutes in 2006–07 from 4.8 minutes in 2005–06 and 5.1 minutes in 2004–05. The average maximum system delay time also decreased from 14 minutes in 2005–06 to 12 minutes in 2006–07.

The Airservices Australia information indicates a concentration of demand in the peak hour, but not necessarily inadequate capacity because the runway is underutilised at other times. Sydney airport has advised that its tendency to experience greater average delays than other Australian airports is because of external factors such as higher peak movement rates, terminal area constraints and the government noise-sharing policy.

Airport management responsiveness

**Chart 9.36: Sydney—airport management responsiveness**



Over most of the reporting period it appears airlines and ACS have diverged in their rating of airport management’s approach to addressing quality of services concerns. In 2004–05 both airlines and ACS rated management approach as around satisfactory. However in 2002–03 while airlines rated the airport’s approach as satisfactory, ACS rated management as good. This trend was reversed in 2006–07 when airlines rated the approach as between satisfactory and good while ACS decreased their rating to between poor and satisfactory. Sydney airport noted that it has continued to work with ACS and AQIS to improve passenger facilitation and ensure appropriate resourcing.

# I. Price monitoring and financial reporting appendix

## I.1. Airport regulatory accounts

### Adelaide airport

**Table I.1.1 Statement of financial performance for the year ended 30 June 2007**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Aeronautical revenue	69 398	69 398	
Aeronautical-related revenue	11 901		11 901
Other non-aeronautical revenue	36 890		36 890
<b>Fair value adjustment</b>	5 334		5 334
<i>Total revenue</i>	<i>123 523</i>	<i>69 398</i>	<i>54 125</i>
<b>Expenditure</b>			
Salaries and wages	9 476	5 229	4 247
Depreciation	16 002	12 820	3 182
Amortisation of intangibles	0	0	0
Amortisation of prepaid operating lease	1 378	1 378	0
Services and utilities	22 651	13 564	9 087
Consultants and advisers	3 412	1 516	1 896
General administration	4 991	2 899	2 092
Leasing and property maintenance	3 197	2 122	1 075
Security costs	0	0	0
<i>Total expenditure</i>	<i>61 107</i>	<i>39 528</i>	<i>21 579</i>
<b>Operating profit/(loss)</b>	62 416	29 870	32 546
Abnormal items (loss on disposal of assets)	(139)	(136)	(3)
<b>Earnings before interest and tax (EBIT)</b>	<b>62 555</b>	<b>30 006</b>	<b>32 549</b>
Interest	79 303	49 802	29 501
<b>Earnings before tax (EBT)</b>	<b>(16 748)</b>	<b>(19 796)</b>	<b>3 048</b>
Tax charge	(2 147)		
<b>Profit/(loss) after tax</b>	<b>(14 601)</b>		
Dividends paid	26 550		
<b>Retained earnings</b>	<b>(41 151)</b>		

**Table I.1.2 Statement of financial performance for the year ended 30 June 2006 (restated under AIFRS)**

Description	Audited financial statements \$'000	Aeronautical services \$'000	Non-aeronautical services \$'000
<b>Revenue</b>			
Aeronautical revenue	46 243	46 243	
Aeronautical-related revenue	9 354		9 354
Other non-aeronautical revenue	35 055		35 055
<b>Fair value adjustment</b>	<b>(3 049)</b>	<b>(2 017)</b>	<b>(1 032)</b>
<i>Total revenue</i>	<i>87 603</i>	<i>44 226</i>	<i>43 377</i>
<b>Expenditure</b>			
Salaries and wages	8 131	4 863	3 268
Depreciation	13 590	11 421	2 169
Amortisation of intangibles	76		76
Amortisation of prepaid operating lease	1 365	1 365	
Services and utilities	17 100	9 882	7 218
Consultants and advisors	2 013	945	1 068
General administration	6 952	2 955	3 997
Leasing and property maintenance	1 845	1 122	723
Security costs	1 049	1 049	
<i>Total expenditure</i>	<i>52 121</i>	<i>33 602</i>	<i>18 519</i>
<b>Operating profit/(loss)</b>	<b>35 482</b>	<b>10 624</b>	<b>24 858</b>
Abnormal items (loss on disposal of assets)	137	54	83
<b>Earnings before interest and tax (EBIT)</b>	<b>35 345</b>	<b>10 570</b>	<b>24 775</b>
Interest	53 455	30 117	23 338
<b>Earnings before tax (EBT)</b>	<b>(18 110)</b>	<b>(19 547)</b>	<b>1 437</b>
Tax charge	(2 749)		
<b>Profit/(loss) after tax</b>	<b>(15 361)</b>		
Dividends paid	0		
<b>Retained earnings</b>	<b>(15 361)</b>		

**Table I.1.3 Statement of financial position for the year ended 30 June 2007**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Current assets</b>			
Cash	25 024		
Receivables	8 440	6 501	1 939
Inventories			
Accrued revenue	2 706	1 176	1 530
Other	1 586	1 182	404
<i>Total current assets</i>	<i>37 756</i>	<i>8 859</i>	<i>3 873</i>
<b>Non-current assets</b>			
Receivables	15 963	10 865	5 098
Investments	166 435	0	166 435
Property, plant and equipment	310 147	253 524	56 623
Intangibles	179 410	179 410	0
Prepayment/prepaid rent	122 764	122 764	0
Other	3 581	2 249	1 332
<i>Total non-current assets</i>	<i>798 300</i>	<i>568 812</i>	<i>229 488</i>
<b>Total assets</b>	<b>836 056</b>	<b>577 671</b>	<b>233 361</b>
<b>Current liabilities</b>			
Creditors	14 316		
Borrowings	504		
Derivative financial instruments	24		
Provisions			
Current tax liabilities	4 149		
Other	362		
<i>Total current liabilities</i>	<i>19 355</i>		
<b>Non-current liabilities</b>			
Borrowings	728 543		
Deferred tax liabilities	75 957		
Derivative financial instruments			
Other	3 102		
Provisions			
<i>Total non-current liabilities</i>	<i>804 602</i>		
<b>Total liabilities</b>	<b>823 957</b>		
<b>Net assets</b>	<b>12 099</b>		
<b>Shareholder equity</b>			
Share capital	1 905		
Reserves	2 490		
Accumulated profits/(losses)	7 704		
<b>Total shareholder equity</b>	<b>12 099</b>		
<b>Accumulated profit/(loss) at start of year</b>	<b>48 855</b>		
<b>Movements:</b>			
Profit/(loss) for the year	(14 601)		
Other (Dividends paid)	(26 550)		
<b>Accumulated profit/(loss) at end of year</b>	<b>7 704</b>		

**Table I.1.4 Statement of financial position for the year ended 30 June 2006 (re-stated under AIFRS)**

Description	Audited financial	Aeronautical	Non-aeronautical
	statements	services	services
	\$'000	\$'000	\$'000
<b>Current assets</b>			
Cash	17 695		
Receivables	6 057	5 562	495
Inventories	0		
Accrued revenue	7 693	70	7 623
Other	902	527	375
<i>Total current assets</i>	<i>32 347</i>	<i>6 159</i>	<i>8 493</i>
<b>Non-current assets</b>			
Receivables	12 127	9 367	2 760
Investments	158 215	1 679	156 536
Property, plant and equipment	317,579	264,806	52 773
Intangibles	179 410	179 410	0
Prepayment/prepaid rent	124,142	124,142	0
Other	231	0	231
<i>Total non-current assets</i>	<i>791 704</i>	<i>579 404</i>	<i>212 300</i>
<b>Total assets</b>	<b>824 051</b>	<b>585 563</b>	<b>220 793</b>
<b>Current liabilities</b>			
Creditors	16 258		
Borrowings	221		
Derivative financial instruments	1 712		
Provisions	1 411		
Other	0		
<i>Total current liabilities</i>	<i>19 602</i>		
<b>Non-current liabilities</b>			
Borrowings	675 193		
Deferred tax liabilities	70 809		
Derivative financial instruments	2 868		
Other	0		
Provisions	0		
<i>Total non-current liabilities</i>	<i>748 870</i>		
<b>Total liabilities</b>	<b>768 472</b>		
<b>Net assets</b>	<b>55 579</b>		
<b>Shareholder equity</b>			
Share capital	1 905		
Reserves	(3 206)		
Accumulated profits/(losses)	56 881		
<b>Total shareholder equity</b>	<b>55 580</b>		
<b>Accumulated profit/(loss) at start of year</b>	<b>72 242</b>		
<b>Movements:</b>			
Profit/(loss) for the year	(15 361)		
Other (describe if applicable)	0		
<b>Accumulated profit/(loss) at end of year</b>	<b>56 881</b>		

**Table I.1.5 Statement of cash flows for the year ended 30 June 2006 and 2007**

Description	Audited financial statements	Audited financial statements
	2005–06 \$'000	2006–07 \$'000
<b>Cash flows from operating activities</b>		
Inflows		
Receipts from customers	91 268	134 031
Interest received	4 665	2 735
Outflows		
Payments to suppliers and employees	(40 644)	(58 793)
Interest paid	(55 067)	(79 871)
<i>Net cash flows provided by operating activities</i>	222	(1 898)
<b>Cash flows from investing activities</b>		
Inflows		
Proceeds from sale of property, plant and equipment	2 172	271
Outflows		
Acquisition of property, plant and equipment	(67 382)	(12 498)
Other	0	0
<i>Net cash flows used in investing activities</i>	(65 210)	(12 227)
<b>Cash flows from financing activities</b>		
Inflows		
Proceeds from borrowings	2 249	525
Loans from associated companies	56 108	47 473
Other		6
Outflows		
Loans to other group entities	0	0
Repayment of borrowings	0	0
Return of capital	(1)	(26 550)
<i>Net cash flows provided by financing activities</i>	58 356	21 454
<b>Net increase/(decrease) in cash held</b>	<b>(6 632)</b>	<b>7 329</b>
Cash at beginning of reporting period	24 327	17 695
Cash at the end of the reporting period	17 695	25 024

## Summary of significant accounting policies

This general purpose financial report for the reporting period ended 30 June 2007 has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

### (a) Basis of preparation

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

#### (i) Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Adelaide Airport Ltd comply with IFRS. The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 'Financial instruments: disclosures and presentation'.



**(ii) Historical cost convention**

These financial statements have been prepared under historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss and investment properties under the fair value accounting model.

**(iii) Critical accounting estimates**

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

**(b) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Adelaide Airport Limited ('company' or 'parent entity') as at 30 June 2007 and the results of all subsidiaries for the year then ended. Adelaide Airport Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group (refer to paragraph (g) in this section).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the net asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Adelaide Airport Ltd.

**(c) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

**(i) Aeronautical revenues**

Aeronautical revenues comprise landing fees based on the maximum take-off weight (MTOW) or aircraft or passenger numbers (as elected by airline customers); terminal charges and passenger facilitation charges (PFC) based on passenger numbers and a recovery of government-mandated security charges on a per passenger or MTOW basis. Income is recognised in the period in which passengers and aircraft physically arrive at the airport.

**(ii) Commercial trading revenues**

Commercial trading revenue comprises concessionaire rent and other charges received. Profit rentals are recognised for the period in which the sales to which they pertain arise. Other rentals are recognised in the period for which the rental relates according to the lease documents.

**(iii) Public car parks**

Public car park income is recognised on a cash basis.

**(iv) Lease income**

Property lease income comprises rental income from airport terminals, buildings and other leased areas. Lease income is recognised in income on a straight-line basis over the lease term.

**(v) Interest income**

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

**(d) Government grants**

Grants from state and federal governments are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

**(e) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised for these temporary differences if they arose in a transaction—other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**Tax consolidation**

Adelaide Airport Limited and its wholly-owned entities have implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Adelaide Airport Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Adelaide Airport Limited also recognises the current tax liabilities arising under tax funding agreements with the tax consolidated entities which are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 8.

Any difference between the amounts assumed and the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(f) Leases

The group leases airport land from the Commonwealth of Australia a portion of which is classified as a prepaid operating lease. That lease is amortised over the length of the lease term. The balance of the leased land is classified as investment property (refer to paragraph (p) in this section).

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and the finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(g) Business combinations

The company has adopted AASB 3 'Business combinations' to all business combinations since May 1998.

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill (refer to paragraph q(i) in this section). If the cost of acquisition is less than the fair value of assets acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no later than 30 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(k) Other financial assets

Tenant Loans

Tenant loans have arisen owing to the group having funded capital expenditure projects on behalf of tenants. The related receivables are included in 'current or non-current assets—other' in the balance sheet.

(l) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The group has in place cash flow hedges against interest rate fluctuations for portions of its non-current loans in accordance with the group's hedging policy.

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows or hedged items.

The fair values of cash flow hedge derivative financial instruments used are disclosed in note 18. Movements in the hedging reserve in shareholders' equity are shown in note 28. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recorded in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

## (n) Property, plant and equipment

The group has elected to measure:

- runways, taxiways and aprons at fair value and use that fair value as its deemed cost at the date of transition to AIFRS
- buildings and leasehold improvements (excluding investment property (see paragraph (p) in this section) using the current carrying cost of those assets being the deemed cost less accumulated depreciation in accordance with the transitional provisions of AASB 1
- all other items of property plant and equipment (excluding investment property (see paragraph (p) in this section) at historical cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount, or they are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the group and the cost of the item can be measured reliably.

**(i) Tenant Contributions**

Tenant contributions relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

**(ii) Depreciation**

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

Category	Useful life	Depreciation basis
Owner occupied buildings	25 years	straight line
Leasehold improvements (including runways, taxiways and aprons)	8 years—balance of lease term	straight line
Plant and equipment	3–25 years	straight line
Computer and other office equipment	2.5–5 years	straight line
Furniture and fittings	10–16 years	straight line
Low value asset pool	3 years	diminishing value

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

As a result of obtaining the lease right to operate the airports from the Commonwealth, the economic entity obtained the right to use of all property, plant and equipment associated with the airports.

Under the lease arrangement with the Commonwealth, all airport land, structures and buildings revert back to the Commonwealth at the end of the 99-year lease term. As a result, all structures and buildings are amortised by the economic entity over a period not exceeding 99 years commencing 28 May 1998.

**(iii) Maintenance and repairs**

Aircraft pavements, roads, leasehold improvements, plant and machinery of the consolidated entity are required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged to the income statement during the financial period in which they are incurred, except where they relate to the addition of a new surface to the pavements or roads, in which case the costs are capitalised and depreciated as noted above. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

## (o) Non-current assets constructed by the consolidated entity

The cost of non-current assets constructed by the consolidated entity includes the cost of all materials used in construction, contract design, administration, contract labour and, where appropriate, direct labour and associated oncosts on the project, and borrowing costs incurred during construction.

Borrowing costs included in the cost of non-current assets are those costs that would have been avoided if the expenditure on the construction of assets had not been made.

## (p) Investment property

Investment property, principally comprising of land, buildings and fixed plant and equipment, is held for long-term rental yields and is not occupied by the group. Investment property is carried at fair value, determined by external valuers. Changes in fair values are recorded in the income statement as part of other income.

Buildings reverting to the group at the termination of leases are valued at fair value as at the end of the financial year in which they revert and the amount is included in the total change in fair value of investment assets.

The property interest held by the group in land and buildings at Adelaide and Parafield Airport is by way of an operating lease. The group has classified certain areas of land and buildings as being investment property being held by the group only to earn rentals and not for being held for the use of supplying aeronautical services or administrative services.

## (q) Intangible assets

**(i) Goodwill**

Goodwill represents the excess of the cost of the acquisition of the operating leases for Adelaide and Parafield Airports over the fair value of the net identifiable assets and liabilities of the airports at the date of acquisition. Goodwill on acquisition of the operating leases for Adelaide and Parafield Airports is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Goodwill is tested for impairment against the total operations of the group.

**(ii) Revenue leases**

The excess value of certain revenue-generating operating leases acquired with the operating leases for Adelaide and Parafield Airports over the fair value of those leases is included in intangible assets. The intangible assets representing the excess value are amortised on a straight-line basis over the balances of the term of those revenue operating leases to which they refer. Where those leases are terminated earlier than the termination date of the lease, the balance of the intangible asset is recorded in the income statement at the actual termination date.

## (r) Trade and other creditors

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

## (s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Redeemable preference shares (note (x)) are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(u) Provisions

Provisions for legal claims and service warranties are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(v) Employee entitlements

**(i) Wages and salaries, annual leave and sick leave**

Liabilities for wages and salaries, including annual leave expected to be settled within 12 months of the reporting date, are recognised in the provision for employee benefits for employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. No provision is made for non-vesting sick leave as the anticipated pattern of future sick leave taken indicates that accumulated non-vesting leave will never be paid.

**(ii) Long service leave**

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (v)(i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made for services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**(iii) Long-term executive incentive plan**

The group recognises a liability and an expense for bonuses based on a formula that takes into account the appreciation in shareholder wealth arising from each year of the group's operations which are payable after a period of four years' accumulation subject to certain conditions contained in a formal agreement. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(w) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options, capital reductions and share buybacks are shown in equity as a deduction, net of tax, from the proceeds.

(x) Redeemable preference shares

New Terminal Construction Company Pty. Limited (NTCC) has issued \$188.6 million redeemable preference shares (RPS) with a face value of \$99 each to the shareholders of Adelaide Airport Limited. They are redeemable for \$100 (including a \$1 premium) 10 years after their issue being 18 June 2014. Each RPS is stapled to an ordinary share in Adelaide Airport Limited.

The airport loan notes (ALN), previously issued to the shareholders of Adelaide Airport Limited (AAL), were unstapled and sold by the holders to NTCC on 18 June 2004. Interest payable on the ALN's, by AAL to NTCC, is subject to there being distributable cash calculated in accordance with the terms of the loan note deed poll.

The holder of a RPS is entitled to a non-cumulative dividend. Payment of a dividend is subject to funds being legally available from a distribution under the ALN's from AAL to NTCC.

The RPS are classified in the balance sheet as non-current liabilities, because they are a debt instrument. However, because they are stapled to the ordinary shares in AAL, the consolidated balance sheet also discloses the combined amount of equity and RPS.

Each RPS holder has agreed to subordinate their rights to the claims of senior creditors (as defined in the RPS subordination deed poll). In particular, each RPS holder has agreed not to demand redemption of their RPS unless the senior creditors have been repaid the senior debt (as defined in the RPS subordination deed poll) in full.

RPS may be redeemed on the redemption date (and the redemption proceeds paid to RPS holders) out of the proceeds of a new issue. Holders of RPS have agreed to be bound by any resolution passed by holders of 75 per cent or more of the RPS to subscribe for a new issue of RPS on the same terms.

The full terms of issue of the RPS are contained in the Constitution of New Terminal Construction Company Pty Ltd.

(y) Land transport notes

Land transport notes (LTNs) are issued by the economic entity with a fixed coupon rate, the interest being non-deductible for tax purposes. The interest income in the hands of investors has an infrastructure borrowings tax offset (IBTO) attached to the benefit of the investor. A proportion of that benefit is returned to the economic entity as interest received together with a partial repayment of the principal. The partial repayment of the principal is treated as income in the hands of the economic entity as it is reflected in the conversion of 'A' class LTNs to 'B' class LTNs. The term of the A class LTNs is five years. The term of the B class LTNs coincides with the airport lease term which initially is to 2048 but may be extended for a further 49 years. Put and call options between parties ensure that on maturity or early termination that there is a simultaneous settlement of all amounts outstanding at that time. The amounts of the loan to MBL and the amount of the LTNs are considered to meet legal and accounting requirements of being set-off against each other and no asset or liability for the loans or LTNs has been recorded in the balance sheet of the consolidated entity.



(z) Rounding of amounts

The company is of a kind referred to in class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases to the nearest dollar.

(aa) Operating segments

The group has elected to adopt AASB 8 'Operating segments' for the current financial year ahead of its operative date.

(ab) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

- (i) **AASB 7 'Financial instruments: disclosures' and AASB 2005-10 'Amendments to Australian Accounting Standards'** [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]. AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's and the parent entity's financial instruments.
- (ii) **AASB-I 10 'Interim financial reporting and impairment'**. AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets in an interim reporting period. Application of the interpretation will therefore have no impact on the group's or the parent entity's financial statements.

## Brisbane airport

**Table I.1.6 Statement of financial performance for the year ended 30 June 2007**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Aeronautical revenue	105 958	105 958	
Aeronautical-related revenue	49 189		49 189
Other non-aeronautical revenue	177 438		177 438
<i>Total revenue</i>	<i>332 585</i>	<i>105 958</i>	<i>226 627</i>
<b>Expenditure</b>			
Salaries and wages	21 012	14 054	6 959
Depreciation	36 329	26 216	10 113
Amortisation of intangibles	661	205	456
Services and utilities	11 013	1 955	9 058
Property maintenance	17 440	9 155	8 285
Security costs	13 306	13 306	0
Other costs	16 913	8 051	8 862
<i>Total expenditure</i>	<i>116 674</i>	<i>72 941</i>	<i>43 733</i>
<b>Operating profit/(loss)</b>	<b>215 911</b>	<b>33 017</b>	<b>182 894</b>
Abnormal items (please specify)	0	0	0
<b>Earnings before interest and tax (EBIT)</b>	<b>215 911</b>	<b>33 017</b>	<b>182 894</b>
Interest	118 463	45 386	73 077
<b>Earnings before tax (EBT)</b>	<b>97 448</b>	<b>(12 369)</b>	<b>109 817</b>
Tax charge	34 197	4 341	38 538
<b>Profit/(loss) after tax</b>	<b>63 251</b>	<b>(8 028)</b>	<b>71 279</b>
Dividends paid	0	0	0
<b>Retained earnings</b>	<b>63 251</b>	<b>(8 028)</b>	<b>71 279</b>

**Table 1.1.7 Statement of financial performance for the year ended 30 June 2006 (restated under AIFRS)**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Aeronautical revenue	95 763	95 763	
Aeronautical-related revenue	45 911		45 911
Other non-aeronautical revenue	173 424		173 424
<i>Total revenue</i>	<i>315 098</i>	<i>95 763</i>	<i>219 334</i>
<b>Expenditure</b>			
Salaries and wages	16 705	11 495	5 210
Depreciation	35 970	26 469	9 501
Amortisation of intangibles	661	196	464
Services and utilities	10 023	1 865	8 157
Property maintenance	16 246	9 037	7 209
Security costs	15 482	15 482	0
Other costs	15 039	8 019	7 020
<i>Total expenditure</i>	<i>110 126</i>	<i>72 564</i>	<i>37 561</i>
<b>Operating profit/(loss)</b>	<b>204 972</b>	<b>23 199</b>	<b>181 773</b>
Abnormal items (please specify)	0	0	0
<b>Earnings before interest and tax (EBIT)</b>	<b>204 972</b>	<b>23 199</b>	<b>181 773</b>
Interest	121 537	47 107	74 430
<b>Earnings before tax (EBT)</b>	<b>83 435</b>	<b>(23 908)</b>	<b>107 343</b>
Tax charge	37 570	(10 765)	48 335
<b>Profit/(loss) after tax</b>	<b>45 864</b>	<b>(13 144)</b>	<b>59 007</b>
Dividends paid	0	0	0
<b>Retained earnings</b>	<b>45 864</b>	<b>(13 144)</b>	<b>59 007</b>

Note: For comparison purposes, Brisbane airport supplied the ACCC with a re-statement of the airport's 2004–05 regulatory accounts prepared in accordance with AIFRS. Table 1.1.7 presents the statement of financial performance for the period 2004–05 restated under AIFRS.

**Table I.1.8 Statement of financial position for the year ended 30 June 2007**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Current assets</b>			
Cash	74 645	23 781	50 864
Receivables	27 195	12 126	15 069
Inventories	558	549	8
Accrued revenue	0	0	0
Other	1 820	1 063	758
<i>Total current assets</i>	<i>104 218</i>	<i>37 519</i>	<i>66 699</i>
<b>Non-current assets</b>			
Receivables	0	0	0
Prepaid lease payment (operating land)	58 799	18 221	40 577
Investment properties	475 302	0	475 302
Property, plant and equip- ment	1 229 896	963 889	266 007
Intangibles	0	0	0
Goodwill	823 014	0	823 014
Other	96 739	36 623	60 116
<i>Total non-current assets</i>	<i>2 683 750</i>	<i>1 018 734</i>	<i>1 665 016</i>
<b>Total assets</b>	<b>2 787 968</b>	<b>1 056 253</b>	<b>1 731 715</b>
<b>Current liabilities</b>			
Creditors	43 441	23 337	20 105
Borrowings	3 515	3 515	0
Other	3 148	515	2 634
Provisions	4 281	2 965	1 316
<i>Total current liabilities</i>	<i>54 386</i>		
<b>Non-current liabilities</b>			
Borrowings	1 889 327	720 513	1 168 814
Other	1 005	90	915
Provisions	(217)	(152)	(65)
<i>Total non-current liabilities</i>	<i>1 890 115</i>	<i>720 451</i>	<i>1 169 664</i>
<b>Total liabilities</b>	<b>1 944 501</b>		
<b>Net assets</b>	<b>843 467</b>		
<b>Shareholder's equity</b>			
Share capital	254 089		
Reserves	67 717		
Accumulated profits/ (losses)	521 661		
<b>Total shareholders' equity</b>	<b>843 467</b>		
<b>Accumulated profit/(loss) at start of year</b>	<b>477 500</b>		
<b>Movements:</b>			
Profit/(loss) for the year	63 251		
Other	(19 564)		
<b>Accumulated profit/(loss) at end of year</b>	<b>521 187</b>		

**Table 1.1.9 Statement of financial position for the year ended 30 June 2006 restated under AIFRS)**

Description	Audited financial statements \$'000	Aeronautical services \$'000	Non-aeronautical services \$'000
<b>Current assets</b>			
Cash	148 476	45 124	103 352
Receivables	21 947	10 033	11 914
Inventories	501	496	5
Accrued revenue	0	0	0
Other	0	0	0
<i>Total current assets</i>	<i>170 924</i>	<i>55 653</i>	<i>115 270</i>
<b>Non-current assets</b>			
Receivables	0		
Investment properties	413 283	0	413 283
Property, plant and equipment	1 094 688	900 305	194 383
Prepaid lease payment (operating land)	59 459	17 680	41 779
Intangibles	823 014	0	823 014
Other	7 672	2 932	4 741
<i>Total non-current assets</i>	<i>2 398 116</i>	<i>920 917</i>	<i>1 477 199</i>
<b>Total assets</b>	<b>2 569 040</b>	<b>976 570</b>	<b>1 592 470</b>
<b>Current liabilities</b>			
Creditors	68 039	31 861	36 178
Borrowings	48 704	20 638	28 066
Intercompany tax payable	2 030	(582)	2 612
Other	2 426	230	2 196
Provisions	3 484	2 463	1 021
<i>Total current liabilities</i>	<i>124 683</i>	<i>54 610</i>	<i>70 073</i>
<b>Non-current liabilities</b>			
Borrowings	1 381 146	534 412	846 734
Deferred tax liabilities	325 284	125 189	200 096
Other	1 884	3	1 881
Provisions	(673)	(476)	(197)
<i>Total non-current liabilities</i>	<i>1 707 641</i>	<i>659 128</i>	<i>1 048 513</i>
<b>Total liabilities</b>	<b>1 832 324</b>	<b>713 738</b>	<b>1 118 586</b>
<b>Net assets</b>	<b>736 716</b>	<b>262 832</b>	<b>473 884</b>
<b>Shareholder's equity</b>			
Share capital	254 089		
Reserves	0		
Accumulated profits/(losses)	482 628		
<b>Total shareholders' equity</b>	<b>736 716</b>		
<b>Accumulated profit/(loss) at start of year</b>	<b>445 910</b>		
<b>Movements:</b>			
Profit/(loss) for the year	45 864		
Other	(14 275)		
<b>Accumulated profit/(loss) at end of year</b>	<b>477 500</b>		

Note: For comparison purposes, Brisbane airport supplied the ACCC with a re-statement of the airport's 2004–05 regulatory accounts prepared in accordance with AIFRS. Table 1.1.9 presents the statement of financial position for the period 2004–05 restated under AIFRS.

**Table I.1.10 Statement of cash flows for the year ended 30 June 2006 and 2007**

Description	Audited financial statements 2005–06 \$'000	Audited financial statements 2006–07 \$'000
<b>Cash flows from operating activities</b>		
Inflows		
Receipts from customers	282 157	318 571
Interest received	2 619	3 654
Outflows		
Payments to suppliers and employees	(111 544)	(107 385)
Interest paid	(118 371)	(163 195)
Income tax paid	0	(31 778)
<i>Net cash flows provided by operating activities</i>	<i>54 861</i>	<i>19 867</i>
<b>Cash flows from investing activities</b>		
Inflows		
Proceeds from sale of property, plant and equipment	198	234
Other		
Outflows		
Acquisition of property, plant and equipment	(65 905)	(140 532)
Other		(31 437)
<i>Net cash flows used in investing activities</i>	<i>(65 707)</i>	<i>(171 735)</i>
<b>Cash flows from financing activities</b>		
Inflows		
Proceeds from borrowings	100 000	104 000
Other	2 920	(1 820)
Outflows		
Repayment of borrowings	(4 110)	(4 868)
Dividends paid	(14 000)	(19 275)
<i>Net cash flows provided by financing activities</i>	<i>78 970</i>	<i>78 037</i>
<b>Net increase/(decrease) in cash held</b>	<b>68 124</b>	<b>(73 831)</b>
Cash at beginning of reporting period	80 352	148 476
Cash at the end of the reporting period	148 476	74 645

## Summary of significant accounting policies

### (a) Reporting entity

Brisbane Airport Corporation Pty Limited (the company) is a company domiciled in Australia. The address of the company's registered office is 11 The Circuit, Brisbane Airport Qld 4007, Australia. The financial statements of the company are as at and for the year ended 30 June 2007. The company is primarily involved in the operation and development of Brisbane Airport.

### (b) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report of the company also complies with the IFRS's and interpretations adopted by the International Accounting Standards Board.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the company. The financial statements were approved by the board of directors on 28 September 2007.

(c) Basis of measurement

The financial report is presented in Australian dollars.

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- investment property is measured at fair value

The methods used to measure fair values are discussed further in the following notes.

(d) Use of estimates and judgments

Management discussed with the Finance, Audit and Risk Management Committee the development, selection and disclosure of the company's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgments that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Key sources of estimation uncertainty**

**(i) Defined benefit superannuation fund assumptions and obligations**

Various actuarial assumptions are made in the determination of the company's defined benefit obligations. These assumptions are outlined in note 15. In particular, the assumed discount rate and future salary inflation rate adopted by the company impact on the value of the defined benefit obligations. A reduction in the assumed discount rate or increase in the assumed salary inflation rate, all other things being equal, will increase the value of the defined benefit obligation and result in an actuarial loss occurring. Actuarial gains and losses are immediately recognised through retained earnings in the statement of recognised income and expense in the year in which the actuarial gains and losses arise.

**(ii) Impairment of goodwill**

The company assesses whether goodwill is impaired at least annually in accordance with accounting policy (n)(i). These calculations involve an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated.

(e) Derivative financial instruments

The company uses derivative financial instruments to hedge its exposure to interest rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy (f)).

The fair value of interest rate swaps is the estimated amount that the company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(f) Hedging

On entering into a hedging relationship, the company formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

**(i) Cash flow hedges**

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised).

For cash flow hedges, other than those described above, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

**(g) Property, plant and equipment****(i) Owned assets**

Items of property, plant and equipment are stated at deemed cost at transition date less accumulated depreciation (see paragraph (v) in this section) and impairment losses. Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 July 2004, the date of transition to Australian Accounting Standards, AIFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property and will be carried at fair value.

Any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

**(ii) Leased assets**

Leases in which the company assumes substantially all the risks and rewards of ownership are classified as finance leases.

**(iii) Capital work in progress**

Capital work in progress is measured at cost and includes all expenditure related directly to specific projects not yet commissioned and includes contractor charges, materials, direct labour and related overheads.

Borrowing costs are capitalised to qualifying assets as set out in paragraph (p) in this section.

**(iv) Subsequent costs**

The company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.



**(v) Depreciation**

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The depreciation rates used for each class of asset in the current period are as follows:

Runways, taxiways and aprons	1%–12%
Roads and car parks	2%–15%
Buildings	2.5%–25%
Plant and equipment	2%–40%
Leased plant and equipment	20%–33.3%

The residual value, the useful life and the depreciation method applied to an asset are reassessed annually.

**(h) Goodwill****(i) Business combinations**

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see accounting policy (n)).

**(ii) Amortisation**

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date.

**(i) Prepaid lease payment**

AASB 117 'Leases' states that a characteristic of land is that it normally has an indefinite economic life and, if title to the leasehold land is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risk and rewards incidental to ownership in which case the lease of land will be an operating lease. A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments and is amortised over the lease term on a straight-line basis unless another systematic basis is more representative of the pattern of benefits provided.

In accordance with AASB 140 'Investment property', it is possible for a lessee to classify a property interest held under an operating lease as an investment property. If it does, the property interest is accounted for as if it were a finance lease and, in addition, the fair value model is used for the asset recognised.

The company has both land which is leased for operational functions such as runways and terminals and land which it classifies in accordance with AASB 140 'Investment property'. Payment was made at the time of gaining title to the Brisbane airport lease for both operating land and land now classified as investment property. The company has calculated the original 2 July 1997 valuation of the land that still remains as operational land and has recognised that as an asset being prepaid lease payment.

Prepaid lease payments represent the amount paid by the company for the lease of operation land at Brisbane Airport. The prepaid lease amount is amortised on a straight-line basis over the term of the lease.

In accordance with AASB 140 'Investment property', leasehold land attaching to an investment property is accounted for as if it were a finance lease. The fair value model is used to value the asset (refer to accounting policy (j)).

**(j) Investment property**

The investment property class of non-current assets comprises buildings and leasehold land that is leased or intended to be leased to third parties for the purpose of obtaining rental income. Investment property includes aircraft maintenance facilities, aviation training and education centres, freight facilities, distribution warehouses, offices and all other non-aviation activities, such as retail, entertainment and leisure facilities.

Investment properties are stated at fair value. An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and, where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for as described in accounting policy (u)(v).

(k) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses, normally settled within 30 days.

(l) 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.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(n) Impairment

The carrying amounts of the company's non-current assets other than, investment property (see accounting policy (j)), and deferred tax assets (see accounting policy (w)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy (n) (i)). For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised regarding cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

**(i) Calculation of recoverable amount**

Recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**(ii) Reversals of impairment**

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## (o) Share capital

**(i) Dividends**

Dividends are recognised as a liability in the period in which they are declared. Performance share dividends are recognised as a liability at reporting date as they are based on an agreed upon formula which can be calculated at reporting date.

**(ii) Transaction costs**

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

## (p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Borrowing costs include interest, amortisation of deferred borrowing costs and finance charges on capitalised leases. Establishment costs incurred in connection with the arrangement of borrowings are capitalised and amortised on a straight-line basis over the anticipated term of the applicable borrowings.

Where interest rates are hedged or swapped, the borrowing costs are recognised net of any effect of the hedge or swap.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which generally 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 for 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.

## (q) Employee benefits

**(i) Defined contribution superannuation funds**

Obligations in respect of defined contribution members of superannuation funds are recognised as an expense in the income statement as incurred.

**(ii) Defined benefit superannuation funds**

The company's net obligation in respect of defined benefit superannuation funds is calculated separately for the fund by estimating the amount of future benefit that employees have earned in return for their service in the current and previous periods; that benefit is discounted to determine its present value, and the fair value of any fund assets is deducted.

The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a fund are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Actuarial gains and losses are recognised in the statement of recognised income and expense in the year in which the actuarial gains and losses arise.

Where the calculation results in a benefit to the company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the fund or reductions in future contributions to the fund. Past service cost is the increase in the present value of the defined benefit obligation for employee services in previous periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service costs may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

**(iii) Long-term service benefits**

The company's net obligation for long-term service benefits, other than defined benefit superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and previous periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds, at the balance sheet date, that have maturity dates approximating to the terms of the company's obligations.

In determining the liability, consideration has been given to the company's experience with staff departures.

**(iv) Wages, salaries, annual leave, sick leave**

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the company expects to pay as at reporting date including related on-costs, such as superannuation, workers compensation insurance and payroll tax.

**(r) Provisions**

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

**(s) Maintenance**

Pavement surfacing costs incurred on runways, taxiways and aprons are capitalised and written off between surfacing projects. This recognises that the benefit is to future periods and also apportions the cost over the period of the related benefit. Aircraft pavements, roads, leasehold improvements, plant and machinery of the company are required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred. Other routine operating maintenance, repair and minor renewal costs are expensed as incurred.

**(t) Trade and other payables**

Trade and other payables are stated at their amortised cost.

Trade payables are non-interest bearing and are normally settled on 30-day terms.

**(u) Revenue**

Revenues are recognised at the fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

**(i) Aeronautical revenue**

Aeronautical revenue comprises landing fees and common user terminal charges. Landing fees are based on a per passenger charge for landing and departures of international flights and a charge based on the maximum take-off weight of aircraft for domestic flights. Terminal charges are based on a per passenger charge for landing and departures of international and domestic flights.

**(ii) Government-mandated security revenue**

Government-mandated security revenue comprises recharges of expenditure incurred by the company for security services such as passenger and checked baggage screening.

The company is required by the Australian Government to undertake certain security measures, the costs of which are recoverable in full from the airlines. Revenue and costs are shown separately. Costs of government-mandated security are included in 'government-mandated security costs', 'finance charges on capitalised leases' and 'amortisation of leased plant and equipment'.

**(iii) Retail revenue**

Retail revenue comprises concessionaire rent and other charges received.

**(iv) Landside transport revenue**

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

**(v) Property revenue**

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

Investment property revenue comprises rental income from company owned buildings and leased areas held for investment. Refer accounting policy (j).

**(vi) Other revenue**

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

**(vii) Proceeds from sale of non-current assets**

The net proceeds from non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. 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.

**(viii) Interest received—other parties**

Interest revenue is recognised as it accrues, taking into account the effective yield of the financial asset.

**(v) Expenses****(i) Finance lease payments**

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**(ii) Net financing costs**

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy (f)). Borrowing costs are expensed as incurred and included in net financing costs unless they are capitalised to capital works in progress.

Interest income is recognised in the income statement as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

**(w) Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the tax subvention payable to the holding company, BAC Holdings Limited as determined by the group's tax sharing agreement. It is equivalent to the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years as if the company was on a stand-alone basis rather than as part of a tax group.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

**(i) Tax consolidation**

The company's ultimate holding company is BAC Holdings Limited (BACH).

BACH is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries being BAC Holdings No. 2 Pty Limited and Brisbane Airport Corporation Pty Limited. BACH owns 100 per cent of the shares in BAC Holdings No. 2. BAC Holdings No. 2 owns 100 per cent of the shares in Brisbane Airport Corporation Pty Limited. The implementation date for the tax-consolidated group was 30 June 2004.

The tax-consolidated group has entered into a tax sharing and funding agreement that requires wholly-owned subsidiaries to make contributions to the head entity for:

- deferred tax balances recognised on implementation date, including the impact of any relevant reset tax cost bases
- current tax assets and liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidation.

Under the tax sharing and funding agreement, the contributions are calculated on a 'stand-alone basis' so that the contributions are equivalent to the tax balances generated by external transactions entered into by wholly-owned subsidiaries. The contributions are payable as set out in the agreement and reflect the timing of the entity's obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax sharing and funding agreement are recognised as inter-company assets and liabilities with a consequential adjustment to income tax expense/revenue.

In the opinion of the directors, the tax sharing and funding agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liabilities of the wholly-owned entities in the case of a default by BACH.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the company as an equity contribution or distribution.

The company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

**(x) Segment reporting**

The company operates predominantly in the airport business. The company's operations are located in Brisbane. The company provides airport infrastructure products and services. The company shows airport operations and investment property as its segments.

**(y) Goods and services tax**

Revenue, 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 taxation authority. 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 Australian Taxation Office (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.

## (z) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the company in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report:

- AASB 7 'Financial instruments: disclosures' (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Company's financial instruments and share capital.
- AASB 2005-10 'Amendments to Australian Accounting Standards' (September 2005) makes consequential amendments to AASB 132 'Financial instruments: disclosure and presentation', AASB 101 'Presentation of financial statements', AASB 114 'Segment reporting', AASB 117 'Leases', AASB 133 'Earnings per share', AASB 139 'Financial instruments: recognition and measurement', AASB 1 'First time adoption of Australian equivalents to International Financial Reporting Standards'. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the Company's financial report.
- AASB 8 'Operating segments' replaces the presentation requirements of segment reporting in AASB 114 'Segment reporting'. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company as the standard is only concerned with disclosures.
- AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8' makes amendments to AASB 102 'Inventories', AASB 107 'Cash flow statements', AASB 119 'Employee benefits', AASB 127 'Consolidated and separate financial statements' and AASB 136 'Impairment assets'. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 'Operating segments'. This standard is only expected to impact disclosures contained within the financial report.
- AASB 123 (revised) 'Borrowing costs'. The impact of this standard has not yet been assessed.
- AASB 2007-4 'Amendments to Australian Accounting Standards' [arising from ED 151 'Australian additions to, and deletions from, IFRSs']. The impact of this standard has not yet been assessed.
- AASB 2007-6 'Amendments to Australian Accounting Standards' [arising from revised AASB 123]. The impact of this standard has not yet been assessed.
- AASB 2007-7 'Amendments to Australian Accounting Standards' [arising from AASB 2007-4]. The impact of this standard has not yet been assessed.
- Interpretation 14 IAS 19—the limit on a defined benefit asset, minimum funding requirements and their interaction. The impact of this interpretation has not yet been assessed.
- AASB 101 'Presentation of financial statements' (revised) is only expected to impact on disclosures contained within the company's financial report.

## Canberra airport

**Table I.1.11 Statement of financial performance for the year ended 30 June 2007**

Description	Audited financial statements \$'000	Aeronautical services \$'000	Non-aeronautical services \$'000
<b>Revenue</b>			
Aeronautical revenue	19 235	19 235	
Aeronautical-related revenue	6 065		6 065
Other non-aeronautical revenue	71 544		71 544
<i>Total revenue</i>	<i>96 844</i>	<i>19 235</i>	<i>77 609</i>
<b>Expenditure</b>			
Salaries and wages	9 370	5 166	4 204
Depreciation	5 462	4 484	978
Amortisation of intangibles	0		
Services and utilities	2 345	53	2 292
Property maintenance	3 335	435	2 900
Security costs	1 329	1 117	212
Other costs	6 312	2 838	3 474
<i>Total expenditure</i>	<i>28 153</i>	<i>14 093</i>	<i>14 060</i>
<b>Operating profit/(loss)</b>	<b>68 691</b>	<b>5 142</b>	<b>63 549</b>
Abnormal items (loss on disposal of assets)	0		
<b>Earnings before interest and tax (EBIT)</b>	<b>68 691</b>	<b>5 142</b>	<b>63 549</b>
Interest	22 151	6 291	15 860
Gain in value of derivative contracts	13 062	2 991	10 071
Gain on Investment property valuations	231 510	0	231 510
<b>Earnings before tax (EBT)</b>	<b>291 112</b>	<b>1 842</b>	<b>289 270</b>
Tax charge	87 800	556	87 244
<b>Profit/(loss) after tax</b>	<b>203 312</b>	<b>1 286</b>	<b>202 026</b>
Dividends paid	0	0	0
<b>Retained earnings</b>	<b>203 312</b>	<b>1 286</b>	<b>202 026</b>



**Table I.1.12 Statement of financial performance for the year ended 30 June 2006**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Aeronautical revenue	16 929	16 929	
Aeronautical-related revenue	5 063		5 063
Other non-aeronautical revenue	46 339		46 339
<i>Total revenue</i>	<i>68 331</i>	<i>16 929</i>	<i>51 402</i>
<b>Expenditure</b>			
Salaries and wages	5 062	2 723	2 339
Depreciation	4 719	3 910	809
Amortisation of intangibles	0		
Services and utilities	2 087	251	1 836
Property maintenance	2 786	442	2 344
Security costs	1 364	1 137	227
Other costs	3 791	1 075	2 716
<i>Total expenditure</i>	<i>19 809</i>	<i>9 538</i>	<i>10 271</i>
<b>Operating profit/(loss)</b>	<b>48 522</b>	<b>7 391</b>	<b>41 131</b>
Abnormal items (loss on disposal of assets)	0	0	0
<b>Earnings before interest and tax (EBIT)</b>	<b>48 522</b>	<b>7 391</b>	<b>41 131</b>
Interest	18 632	4 338	14 294
Gain on Investment property valuations	165 635	0	165 635
<b>Earnings before tax (EBT)</b>	<b>195 525</b>	<b>3 053</b>	<b>192 472</b>
Tax charge	55 697	870	54 827
<b>Profit/(loss) after tax</b>	<b>139 828</b>	<b>2 183</b>	<b>137 645</b>
Dividends paid	0		
<b>Retained earnings</b>	<b>139 828</b>	<b>2 183</b>	<b>137 645</b>

**Table I.1.13 Statement of financial position for the year ended 30 June 2007**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Current assets</b>			
Cash	3 441		
Receivables	4 227	1 762	2 465
Inventories	0	0	0
Accrued revenue	5 184	0	5 184
Other	2 804	1 402	1 402
<i>Total current assets</i>	<i>15 656</i>		
<b>Non-current assets</b>			
Receivables	0		0
Prepayment/prepaid rent	18 671	18 671	
Investments	1 061 680	0	1 061 680
Property, plant and equipment	192 215	127 436	64 779
Intangibles	0		
Other	26 076	5 106	20 970
<i>Total non-current assets</i>	<i>1 298 642</i>	<i>151 213</i>	<i>1 147 429</i>
<b>Total assets</b>	<b>1 314 298</b>		
<b>Current liabilities</b>			
Creditors	27 315		
Borrowings	0		
Other	174		
Provisions	3 252	1 093	2 159
<i>Total current liabilities</i>	<i>30 741</i>		
<b>Non-current liabilities</b>			
Borrowings	386 367		
Other	252 194		
Provisions	351		
<i>Total non-current liabilities</i>	<i>638 912</i>		
<b>Total liabilities</b>	<b>669 653</b>		
<b>Net assets</b>	<b>644 645</b>		
<b>Shareholder equity</b>			
Share capital	10 000		
Reserves	96 383		
Accumulated profits/ (losses)	538 262		
<b>Total shareholder equity</b>	<b>644 645</b>		
<b>Accumulated profit/(loss) at start of year</b>	<b>334 950</b>		
<b>Movements:</b>			
Profit/(loss) for the year	203 312		
<b>Accumulated profit/(loss) at end of year</b>	<b>538 262</b>		

**Table I.1.14: Statement of financial position for the year ended 30 June 2006**

Description	Audited financial	Aeronautical	Non-aeronautical
	statements	services	services
	\$'000	\$'000	\$'000
<b>Current assets</b>			
Cash	26 975		
Receivables	3 895	2 316	1 579
Inventories	0	0	0
Accrued revenue	1 886	51	1 835
Other	1 560	780	780
<i>Total current assets</i>	<i>34 316</i>	<i>3 147</i>	<i>4 194</i>
<b>Non-current assets</b>			
Receivables	0		
Investments	0		
Property, plant and equipment	857 426		
Intangibles	0		
Other	1 894		
<i>Total non-current assets</i>	<i>859 320</i>		
<b>Total assets</b>	<b>893 636</b>		
<b>Current liabilities</b>			
Creditors	20 714		
Borrowings	0		
Other	28 694		
Provisions	8 025	2 361	5 664
<i>Total current liabilities</i>	<i>57 433</i>		
<b>Non-current liabilities</b>			
Borrowings	243 407		
Other	0		
Provisions	151 509		
<i>Total non-current liabilities</i>	<i>394 916</i>		
<b>Total liabilities</b>	<b>452 349</b>		
<b>Net assets</b>	<b>441 287</b>		
<b>Shareholder equity</b>			
Share capital	10 000		
Reserves	96 383		
Accumulated profits/(losses)	334 904		
<b>Total shareholder equity</b>	<b>441 287</b>		
<b>Accumulated profit/(loss) at start of year</b>	<b>195 076</b>		
<b>Movements:</b>			
Profit/(loss) for the year	139 828		
<b>Accumulated profit/(loss) at end of year</b>	<b>334 904</b>		

**Table I.1.15: Statement of cash flows for the year ended 30 June 2006 and 2007**

Description	Audited financial statements 2005–06	Audited financial statements 2006–07
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Inflows		
Receipts from customers	72 412	100 951
Interest received	0	1 051
Outflows		
Payments to suppliers and employees	(31 641)	(43 832)
Interest paid	(18 632)	(22 150)
Income tax paid	0	(8 780)
<i>Net cash flows provided by operating activities</i>	<b>22 139</b>	<b>27 240</b>
<b>Cash flows from investing activities</b>		
Inflows		
Proceeds from sale of property, plant and equipment	0	4 692
Outflows		
Acquisition of property, plant and equipment	(88 471)	(193 618)
Other	0	0
<i>Net cash flows used in investing activities</i>	<b>(88 471)</b>	<b>(188 926)</b>
<b>Cash flows from financing activities</b>		
Inflows		
Proceeds from borrowings	61 655	137 345
Other	30 720	0
Outflows		
Repayment of borrowings	0	0
Dividends paid	0	0
<i>Net cash flows provided by financing activities</i>	<b>92 375</b>	<b>137 345</b>
<b>Net increase/(decrease) in cash held</b>	<b>26 043</b>	<b>(24 341)</b>
Cash at beginning of reporting period	932	27 782
Cash at the end of the reporting period	<b>26 975</b>	<b>3 441</b>

## Summary of significant accounting policies

### (a) Statement of compliance

The regulatory report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The nature of the regulatory report is such that the statements 1.0 to 6.0 conform to the layout specified by the ACCC. Disclosure notes are limited to specifying significant accounting policies.

### (b) 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 1996* and s. 95ZF of the *Trade Practices Act 1974*. The report has also been prepared on a historical cost basis, except for investment properties, buildings and improvements, which have been measured at fair value.

The financial information for the ACCC regulatory accounting statement has been compiled by combing the audited statutory financial statements of Canberra International Airport Pty Limited and Capital Airport Group Pty Limited (together the group).

The financial report is presented in Australian dollars and where specified rounded to the nearest thousand dollars as required by the ACCC.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note (I).

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

(c) Adoption of new and revised accounting standards

In the current year, the group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised standards and interpretations has not had any impact on the entity's accounting policies or amounts reported in current or previous periods.

The group has not elected to early adopt the following standards and interpretations were on issue but not yet effective.

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• AASB 7 'Financial instruments: disclosures' and consequential amendments to other accounting standards resulting from its issue</li> </ul>               | <p><i>Effective for all periods beginning on or after 1 January 2007.</i></p>               |
| <ul style="list-style-type: none"> <li>• AASB 8 'Operating segments' and consequential amendments to other accounting standards resulting from its issue.</li> </ul>                              | <p><i>Effective for all periods beginning on or after 1 January 2007.</i></p>               |
| <ul style="list-style-type: none"> <li>• AASB 101 'Presentation of financial statements'—revised standard</li> </ul>  | <p><i>Effective for all periods beginning on or after 1 January 2007.</i></p>               |
| <ul style="list-style-type: none"> <li>• Interpretation 10 'Interim financial reporting and impairment'</li> </ul>  | <p><i>Effective for annual reporting periods beginning on or after 1 November 2006.</i></p> |
| <ul style="list-style-type: none"> <li>• Interpretation 11 'Group and Treasury share transactions' and consequential amendments to other accounting standards resulting from its issue</li> </ul> | <p><i>Effective for annual reporting periods beginning on or after 1 March 2007.</i></p>    |
| <ul style="list-style-type: none"> <li>• Interpretation 12 'Service concession arrangements' and consequential amendments to other accounting standards resulting from its issue</li> </ul>       | <p><i>Effective for annual reporting periods beginning on or after 1 January 2008.</i></p>  |
| <ul style="list-style-type: none"> <li>• Interpretation 13 'Customer loyalty programs'</li> </ul>   | <p><i>Effective for annual reporting periods beginning on or after 1 July 2008.</i></p>     |

- Interpretation 14 ‘The limit on defined benefit asset, minimum funding requirements and their interpretation’ *Effective for annual reporting periods beginning on or after 1 January 2008.*
- AASB 123 ‘Borrowing costs’ revised standard *Effective for annual reporting periods beginning on or after 1 January 2008.*
- 2005-10 ‘Amendments to Australian Accounting Standards’ *Effective for all periods on or after 1 January 2007.*
- 2006-1 ‘Amendments to Australian Accounting Standards’ *Effective for all periods beginning on or after 31 December 2006.*
- 2006-3 ‘Amendments to Australian Accounting Standards’ *Effective for all periods beginning on or after 31 December 2006.*
- 2006-4 ‘Amendments to Australian Accounting Standards’ *Effective for all periods beginning on or after 31 December 2006.*
- 2007-1 ‘Amendments to Australian Accounting Standards’ *Effective for all periods beginning on or after 1 March 2007.*
- 2007-2 ‘Amendments to Australian Accounting Standards’ *Effective for all periods beginning on or after 28 February 2007.*
- 2007-3 ‘Amendments to Australian Accounting Standards’ *Effective for all periods beginning on or after 1 January 2009.*
- 2007-4 ‘Amendments to Australian Accounting Standards’ *Effective for all periods beginning on or after 1 July 2007.*
- 2007-5 ‘Amendments to Australian Accounting Standards’ *Effective for all periods beginning on or after 1 July 2007.*
- 2007-6 ‘Amendments to Australian Accounting Standards’ *Effective for all periods beginning on or after 1 July 2009.*
- 2007-7 ‘Amendments to Australian Accounting Standards’ *Effective for all periods beginning on or after 1 July 2007.*

Application of the new accounting standards is not expected to have a material impact on the group financial position or results.

(d) Basis of consolidation

The consolidated regulatory accounts comprise the financial statements of Canberra International Airport Pty Limited and Capital Airport Group Pty Limited as at 30 June 2007.

The financial statements of both companies are prepared for the same reporting period, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions (including any unrealised gains and losses), income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

(e) Revenue recognition

Revenues are recognised at the fair value of the consideration received net of the amount of GST payable to the taxation authority.

**Aeronautical revenue**

Aeronautical revenue comprises charges levied on arriving and departing passengers on regular passenger transport flights (RPT), on aircraft runway movements as daily or annual permits calculated by reference to the maximum take-off weight of fixed wing aircraft and movements of rotary wing aircraft or other special aircraft.

**Aeronautical security recovery**

Security revenue comprises recharges of expenditure incurred by the group for passenger and checked baggage screening and other increased security costs necessary to meet world terrorism threats.

**Aeronautical related revenue**

Aeronautical related revenue includes revenue in relation to public and staff car-parking activities and taxi holding and feeder services.

**Non Aeronautical revenue**

Non aeronautical revenue represents revenue from investment property rentals and terminal and other retail concessions. Investment property revenue is recognised in the income statement on a straight-line basis over the lease term. Contingent rental income is recognised in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

**(f) Operating lease payments**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

**(g) Cash and cash equivalents**

Cash in the balance sheet comprises cash at bank and in hand.

**(h) Trade and other receivables**

Trade and other receivables are stated at cost less impairment losses.

**(i) Income taxes**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes used for taxation purposes. The amount of deferred tax provided is based on the expected manner of settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

**Tax consolidation**

Canberra International Airport Pty Limited and Capital Airport Group Pty Limited are wholly-owned subsidiaries in a tax consolidation group with Capital Property Finance Pty Limited as the head entity. The implementation date of the tax consolidation system for the tax-consolidated group was 1 July 2003.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'group allocation approach'.

### **Nature of tax funding arrangement and tax sharing agreements**

The company, in conjunction with other members of the tax-consolidation group, has entered into a tax funding arrangement which set out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity, resulting in the company recognising an inter-entity payable (receivable) equal in amount to the tax liability (asset) assumed. The inter-entity payable (receivable) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The group, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

#### **(j) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- receivables and payables are stated with the amount of GST included.

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

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

##### **(i) Owned assets**

Items of property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of self-constructed assets includes the cost of material, direct labour, the initial estimate where relevant of the costs of dismantling and restoring the site on which they are located, and an appropriate proportion of construction overheads. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Buildings, and their improvements, are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, when it is reclassified as investment property. Once reclassified as investment property the asset is valued and carried at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in the profit and loss.

##### **(ii) Leased assets**

Items for which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property held under a finance lease and leased out under an operating lease is classified as investment property and stated using the fair value model. Property held under operating leases, which would otherwise meet the definition of investment property, may be classified as investment property on a property-by-property basis.

##### **(iii) Subsequent costs**

The company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the company and the cost of the item can be measured readily. All other costs are recognised in the income statement as an expense as incurred.



**(iv) Depreciation**

Depreciation is provided on non-current assets, other than 'other assets', by charges against the income statement at rates based on the estimated useful life of the respective assets using both prime cost and reducing balance methods.

The estimated useful lives of the assets are:

Buildings and improvements	15–80 years
Plant and equipment	10–20 years
Motor vehicles	4–6 years
Furniture and fittings	13 years
Computer equipment	3–4 years

Depreciation rates are reviewed annually for appropriateness.

**(l) Impairment**

The carrying amounts of the group's assets are other than deferred tax assets, reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating units exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

The recoverable amount of the group receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective amount.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date. The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks of the asset.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

**(m) Investment property**

Investment properties are held either to earn rental income or for capital appreciation, or both. Investment properties are stated at fair value. An external independent valuer, having an appropriate, recognised professional qualification and recent experience in the location and category of property being valued, reviews the portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and, where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. A table showing range of the average yields for each type of properties in the current and comparative period follows:

A and B grade offices	Yields
June 2006	7.5%–8.5%
June 2007	6.25%–10.5%

Valuations reflect, where appropriate, the type of tenants who are actually in occupation or responsible for meeting lease commitments or who are likely to be in occupation after letting of vacant accommodation and the market’s general perception of their credit worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and, where appropriate, counter notices have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for as described in accounting policy 2(e).

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately before transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the income statement.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. Leases are accounted for as described in accounting policy is this paragraph (f).

(n) Trade and other payables

Trade payables and other payables are carried at cost.

(o) Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(p) Employee leave benefits

**(i) Wages, salaries, annual leave**

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees’ services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

**(ii) Long service leave**

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows by the consolidated entity resulting from employees’ services provided up to balance date.

The provision is calculated using expected future increases in wage and salary rates, including related on-costs, and expected settlement dates based on turnover history and is discounted using the rates attaching to national government securities at balance date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

(q) Interest bearing liabilities and borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(r) Government grant

A government grant is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the group will comply with the conditions attached to it. Grants that compensate the group for the cost of an asset are recognised in the income statement as revenue on a systematic basis over the useful life of the asset.

(s) Accrued revenue

Accrued revenue is recognised when services have been rendered and it is expected that those services will be invoiced.

(t) Estimations

Canberra International Airport has necessarily used estimations to split a number of expense and balance sheet numbers—for example, the expenses and provisions that are employee related have been allocated according to the weighted average employee cost between aero and non aero. Interest costs have been allocated according to the cost value of investment in aero and non-aero assets. Some expenses have been estimated by managers as to the relevant aero and non-aero allocation. Where no allocation can reliably be estimated the value has been split fifty-fifty between aeronautical and non-aeronautical—such as the outstanding GST balance at year end.

## Darwin airport

**Table I.1.16 Statement of financial performance for the year ended 30 June 2007**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Aeronautical revenue	35 108	35 108	
Aeronautical-related revenue	3 141		3 141
Other non-aeronautical revenue	5 527		5 527
<i>Total revenue</i>	<i>43 776</i>	<i>35 108</i>	<i>8 668</i>
<b>Expenditure</b>			
Salaries and wages	5 085	3 636	1 449
Depreciation	5 966	5 417	549
Amortisation of intangibles	217		
Services and utilities	3 251	2 724	527
Property maintenance	1 304	1 109	195
Security costs	4 647	4 647	
Other costs	5 614	4 095	1 518
<i>Total expenditure</i>	<i>26 084</i>	<i>21 628</i>	<i>4 238</i>
<b>Operating profit/(loss)</b>	<b>17 692</b>		
Abnormal items (please specify), gain on fair value adjustment of investment property	(58 182)		(58 182)
<b>Earnings before interest and tax (EBIT)</b>	<b>75 874</b>		
Interest	17 493		
<b>Earnings before tax (EBT)</b>	<b>58 382</b>		
Tax charge	17 524		
<b>Profit/(loss) after tax</b>	<b>40 857</b>		
Dividends paid			
<b>Retained earnings</b>	<b>40 857</b>		

**Table I.1.17 Statement of financial performance for the year ended 30 June 2006**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Aeronautical revenue	25 788	25 788	
Aeronautical-related revenue	2 315		2 315
Other non-aeronautical revenue	4 150		4 150
<i>Total revenue</i>	<i>32 253</i>	<i>25 788</i>	<i>6 465</i>
<b>Expenditure</b>			
Salaries and wages	4 166	3 000	1 166
Depreciation	4 079	3 707	372
Amortisation of intangibles	217		
Services and utilities	1 678	1 473	205
Property maintenance	1 142	896	246
Security costs	4 092	4 092	0
Other costs	4 426	3 381	1 044
<i>Total expenditure</i>	<i>19 800</i>	<i>16 550</i>	<i>3 033</i>
<b>Operating profit/(loss)</b>	<b>12 453</b>		
Abnormal items (please specify)	0		
<b>Earnings before interest and tax (EBIT)</b>	<b>12 453</b>		
Interest	15 837		
<b>Earnings before tax (EBT)</b>	<b>(3 384)</b>		
Tax charge	(1 949)		
<b>Profit/(loss) after tax</b>	<b>(1 435)</b>		
Dividends paid	0		
<b>Retained earnings</b>	<b>(1 435)</b>		

**Table I.1.18 Statement of financial position for the year ended 30 June 2007**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Current assets</b>			
Cash	15 858		
Receivables	4 869	4 402	467
Prepaid rent	49	49	
Accrued revenue			
Other	435	313	122
Other financial assets	4 865		
<i>Total current assets</i>	<i>26 075</i>		
<b>Non-current assets</b>			
Receivables	0		
Prepaid rent	4 356	4 356	
Investment properties	113 440		113 440
Property, plant and equipment	98 058	86 904	11 154
Intangibles	15 147		
Goodwill	10 892		
Deferred tax assets	698		
Other			
<i>Total non-current assets</i>	<i>242 590</i>		
<b>Total assets</b>	<b>268 665</b>		
<b>Current liabilities</b>			
Creditors	22 691		
Borrowing	0		
Other	0		
Provisions	850	612	238
<i>Total current liabilities</i>	<i>23541</i>		
<b>Non-current liabilities</b>			
Borrowings	205 382		
Deferred tax liabilities	37 165		
Provisions	377	271	106
<i>Total non-current liabilities</i>	<i>242 924</i>		
<b>Total liabilities</b>	<b>266 465</b>		
<b>Net assets</b>	<b>2 201</b>		
<b>Shareholder equity</b>			
Share capital	12 <sup>(a)</sup>		
Reserves			
Accumulated profits/(losses)	2 201		
<b>Total shareholder equity</b>	<b>2 201</b>		
<b>Accumulated profit/(loss) at start of year</b>	<b>(38 656)</b>		
<b>Movements:</b>			
Profit/(loss) for the year	40 857		
<b>Accumulated profit/(loss) at end of year</b>	<b>2 201</b>		

Note: (a) This figure is in fact \$12.00.

**Table I.1.19 Statement of financial position for the year ended 30 June 2006**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Current assets</b>			
Cash	1 114		
Receivables	4 187	3 831	357
Prepaid rent	49	49	0
Other	170	126	44
<i>Total current assets</i>	<i>5 521</i>		
<b>Non-current assets</b>			
Prepaid rent	4 405	4 405	
Investment properties	41 487		41 487
Infrastructure, property, plant and equipment	94 520	80 562	13 958
Intangibles	15 315		
Goodwill	10 892		
Other financial assets	5 440		
Deferred tax assets	974		
<i>Total non-current assets</i>	<i>17,032</i>		
<b>Total assets</b>	<b>178 553</b>		
<b>Current liabilities</b>			
Creditors	10 349		
Borrowing	550		
Provisions	1 019	733	285
<i>Total current liabilities</i>	<i>11 918</i>		
<b>Non-current liabilities</b>			
Borrowings	184 707		
Provisions	93	67	26
Deferred tax liabilities	14 153		
<i>Total non-current liabilities</i>	<i>198 952</i>		
<b>Total liabilities</b>	<b>210 870</b>		
<b>Net assets</b>	<b>(32 317)</b>		
<b>Shareholder equity</b>			
Share capital	12 <sup>(a)</sup>		
Accumulated profits/(losses)	(32 317)		
<b>Total shareholder equity</b>	<b>(32 317)</b>		
<b>Accumulated profit/(loss) at start of year</b>	<b>(30 883)</b>		
<b>Movements:</b>			
Profit/(loss) for the year	(1 435)		
<b>Accumulated profit/(loss) at end of year</b>	<b>(32 317)</b>		

Note: (a) This figure is in fact \$12.00.

**Table I.1.20 Statement of cash flows for the year ended 30 June 2006 and 2007**

Description	Audited financial statements 2005–06	Audited financial statements 2006–07
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Inflows		
Receipts from customers	34 308	42 281
Interest received	318	409
Outflows		
Payments to suppliers and employees	(11 651)	(17 658)
Interest paid	(6 208)	(1 812)
Goods and services tax paid	(2 067)	(2 421)
<i>Net cash flows provided by operating activities</i>	<i>14 700</i>	<i>20 798</i>
<b>Cash flows from investing activities</b>		
Inflows		
Proceeds from sale of property, plant and equipment	46	
Outflows		
Acquisition of property, plant and equipment	(20 614)	(24 207)
<i>Net cash flows used in investing activities</i>	<i>(20 568)</i>	<i>(24 207)</i>
<b>Cash flows from financing activities</b>		
Inflows		
Proceeds from borrowings	3 759	18 702
Outflows		
Repayment of borrowings	0	
Dividends paid	0	
<i>Net cash flows provided by financing activities</i>	<i>3 759</i>	<i>18 702</i>
<b>Net increase/(decrease) in cash held</b>	<b>(2 108)</b>	<b>15 293</b>
Cash at beginning of reporting period	2 672	564
Cash at the end of the reporting period	564	15 858

## Summary of significant accounting policies

### Statement of compliance

The financial report is a general purpose financial report prepared in accordance with accounting standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the entity Darwin International Airport Pty Ltd (DIAPL).

The financial report complies with Australian Accounting Standards, which includes Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the directors on 10 December 2007.

### Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report has been prepared on the going-concern basis because of the support of the ultimate parent entity by not calling in the loans due to them from the entity.



In the application of AIFRS, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of AIFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2007 and the comparative information presented in these financial statements for the year ended 30 June 2006.

#### Economic dependency

A continuing material dependency exists with the parent entity. This support is by way of not calling in the loans due to the parent by DIAPL.

#### (a) Income tax

Income tax disclosed in the income statement comprises of current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantially enacted at balance date, and any adjustments to tax payable in respect of previous years.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or
- for the taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or
- when the deductible temporary difference is associated with investments in subsidiaries, associates and interest in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

(b) Tax consolidation legislation

The head entity, Airport Development Group Pty Ltd, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone entity. The head entity recognises the current tax liabilities (or assets) and the deferred tax assets arising from the unused tax losses and unused tax credits assumed from the controlled entities in the tax consolidated group.

Members of the tax consolidated group have entered into a tax funding arrangement under which the wholly-owned entities fully compensate the head entity for any current tax payable assumed and are compensated by the head entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the head entity under the tax consolidation legislation. The amounts receivable or payable under the tax funding arrangement are due upon receipt of the funding advice from the head entity, which is issued as soon as practical after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables and payables.

(c) Foreign currency translation

**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.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

**Aeronautical charges**

Aeronautical charges comprise:

- passenger based charges for scheduled regular public transport (rpt) passenger services
- landing based charges for unscheduled, general aviation or non-passenger services
- passenger based charges for the use of terminal facilities
- a safety and security charge levied on a per-passenger basis for government-mandated safety and security measures.

Aeronautical revenue is recognised in the period in which passengers and aircraft physically arrive at the airport.

**Trading income**

Trading income comprises concessionaire rent, overages and other charges received, including income from public car parks. Income from concessionaire overages is recognised in the period in which the sale to which it relates arises. Other rentals are recognised in the period for which the rental relates according to the lease documentation.

Income from public car parks is recognised on a cash basis.

**Property**

Property comprises income from company owned terminals, buildings and other leased areas. Lease income is recognised on a straight-line basis over the term of the lease.

**Trade and other receivables**

Trade receivables are recognised and carried at the original invoice amount.

Recoverability of trade debtors is reviewed on an ongoing basis. A provision for debts is raised where recoverability is deemed to be doubtful. Debts that are known to be unrecoverable are written off. Receivables from related parties are recognised and carried at the nominal amount due.

### Acquisition of assets

The cost method of accounting is used for all acquisition of assets regardless of whether shares or other 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.

### Impairment of assets

At each reporting date the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (d) Infrastructure, plant and equipment

#### Cost and valuation

The cost base assigned to infrastructure assets and plant and equipment is set out in note 10.

#### 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 DIAPL.

Depreciation and amortisation rates used are:

	2007	2006
Runways, taxiways and aprons	2.5%–4.29%	2.5%–4.29%
Roads and car parks	2.5%–20.0%	2.5%–20.0%
Fences and gates	7.5%–12.0%	7.5%–12.0%
Lighting and visual aids	10.0%	10.0%
Passenger terminal	2.13%–33.3%	2.13%–33.3%
Buildings	2.13%–33.3%	1.67%–33.3%
Plant and equipment	4.5%–33.3%	4.0%–33.3%
Vehicles	15.0%–20.0%	15.0%–20.0%
Computer equipment	15.0%–33.3%	15.0%–33.3%

**Leasehold improvements**

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

**Derecognition and disposal**

An item of infrastructure, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

**Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership transferred to the entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset or over the term of the lease. Lease payments for operating leases (other than prepaid rent—refer to paragraph (l)), where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred on a straight-line basis over the lease term.

**Prepaid rent**

The entity leases airport land from the Commonwealth of Australia, a portion of which is classified as a prepaid operating lease. The balance of the leased land is classified as investment property (refer to note (m)).

Upfront payments for operational land under lease from the Commonwealth of Australia are recognised as prepaid rent and the gross value is amortised over the period of the lease (including the option to renew) on a straight-line basis.

**Investment properties**

Investment property, principally comprising of land, buildings and fixed plant and equipment, is held for long-term rental yields and is not occupied by the entity. The property interest held by the entity in land and buildings is by way of an operating lease. The entity has classified certain areas of land and buildings as investment property held by the entity only to earn rentals and not for supplying aeronautical services or administrative services.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of the day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction of development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of the property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the entity as an owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under infrastructure, plant and equipment (paragraph (j)) up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement. When the entity completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

#### **Goodwill**

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but it is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the income statement and not subsequently reversed.

#### (e) Intangible assets

##### **Lease premium**

The lease premium was paid on the acquisition of the airport leases from the Australian Government and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the estimated useful life of the lease, being 99 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

##### **Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the company before the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Payables to related parties are carried at the principal amount.

##### **Provisions**

Provisions are recognised, when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the entity expects some or all of a provision to be reimbursed—for example, under an insurance contract—the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

##### **Interest bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

##### **Finance costs**

Finance costs, except for establishment costs, are recognised as expenses in the period in which they are incurred. Finance costs include:

- interest on bank overdrafts and loans
- senior debt agents fees
- ancillary costs incurred in connection with the ongoing conduct of borrowings.

The finance costs incurred in acquiring the borrowings (establishment costs) are offset against the principal liability and expensed over the term to maturity of the debt using an effective interest rate basis.

**Maintenance and repairs**

Maintenance, repair costs and minor renewals are charged as expenses as incurred.

**Employee benefits**

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising for wages and salaries, annual leave and any other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made for services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising from wages and salaries, non-monetary benefits, annual leave, long service leave, other leave benefits and other types of employee benefits are recognised against profits on a net basis in their respective categories.

**Superannuation commitments**

DIAPL contributes to AustralianSuper superannuation fund for all its employees.

AustralianSuper is a complying fund under the Commonwealth superannuation law. It is an accumulation fund and contributions by DIAPL satisfy the entity's superannuation guarantee obligation for its employees.

**Cash and cash equivalents**

Cash and cash equivalents include cash on deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(f) Goods and services tax**

Revenues, expenses and assets are recognised net of the amounts of goods and services tax except where the amount of GST incurred is not recoverable from the ATO. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

**Contributed equity**

Issued and paid up capital is recognised at the face value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**Rounding of amounts**

The financial report is presented in Australian dollars and all values are presented to the nearest dollar. Unless otherwise stated, amounts have not been rounded.

**(g) New accounting standards and interpretations**

In the current year the entity has adopted all the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. These did not result in any material financial impact on the financial statements of the entity.

The entity has elected to early adopt AASB 8 'Operating segments' and, accordingly, segment information has not been disclosed.

At the date of authorisation of the financial report, the following standards and interpretations were on issue and considered applicable to the entity but not yet effective:

Title	Summary	Impact on financial report	Application date of standard	Application date for company
AASB 7 'Financial instruments: disclosures' (and consequential amendments to other accounting standards resulting from its issue)	New standard replacing disclosure requirements of AASB 132.	Disclosure standard. No direct impact on the amounts included in the financial statements but will have some impact on financial instrument disclosures	1/1/2007	1/7/2007
AASB 101 'Presentation of financial instruments' – revised standard	Effect of release of AASB 7	As above	1/1/2007	1/7/2007
AASB Interpretation 10 'Interim financial reporting and impairment'	Prohibits reversal of certain impairment losses. AASB 136 'Impairment of assets' to take precedence over AASB134 'Interim financial reporting'	No change to accounting policy required.  No expected impact	1/11/2006	1/7/2007
AASB Interpretation 12 'Service concession arrangements' (and consequential amendments to other accounting standards resulting from its issue)	Clarifies how operators recognise the infrastructure as a financial asset and/or intangible asset—not as property, plant and equipment	Management have begun to assess the impact but believe that the entity does not fall within the scope of this standard. Will continue to monitor developments in this area.	1/1/2008	1/7/2008

Other than the matters noted above, the directors anticipate that the adoption of these standards and interpretations in future periods will have no material financial impact on the financial statements of the entity. These standards and interpretations will be first applied in the financial report of the entity that relates to the annual reporting period beginning after the effective date of each pronouncement.

#### (h) Company information

DIAPL is a company limited by shares that is incorporated and domiciled in Australia. Its ultimate parent entity is Airport Development Group Pty Ltd. The registered office and principal place of business is 1 Fenton Court Marrara NT 0812.

#### Correction of errors

##### *Correction of error in recording tax effect intangible assets in the previous financial year*

Following a review of the intangible assets 'lease premium' and 'prepaid rent' the taxable temporary differences have been reclassified as a deferred tax liability. Additionally, amortisation of prepaid rent has been reclassified as non-deductible for income tax purposes. These errors had the effect of overstating the deferred tax asset by \$408 465, understating the deferred tax liability by \$5 930 662, and overstating the equity by \$6 339 127 as at 30 June 2006.

The error also had the effect of overstating equity by \$6 339 127 as at 30 June 2005.

The error has been corrected by restating each of the affected financial line items for the prior year as described above.

## Melbourne airport

**Table I.1.21 Statement of financial performance for the year ended 30 June 2007**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Aeronautical revenue	159 623	159 623	
Aeronautical-related revenue	72 381		72 381
Grazing and tenant revenue	127		
Interest revenue—other entities	248		
Other non-aeronautical revenue	141,455		141 455
<i>Total revenue</i>	<i>373 834</i>	<i>159 623</i>	<i>213 836</i>
<b>Expenditure</b>			
Salaries and wages	19 496	14 213	5 283
Depreciation	35 502	22 523	12 979
Amortisation of intangibles	302		
Services and utilities	46 142	27 554	18 588
Property maintenance	11 378	7 214	4 164
Maintenance add backs		(127)	
Security costs			
Other costs	32 997	15 338	17 659
<i>Total expenditure</i>	<i>145 817</i>	<i>86 715</i>	<i>58 673</i>
<b>Operating profit/(loss)</b>	<b>228 017</b>	<b>72 908</b>	<b>155 163</b>
Change in fair value of investment property	75 841		
<b>Earnings before interest and tax (EBIT)</b>	<b>303 858</b>		
Interest	(82 503)		
<b>Earnings before tax (EBT)</b>	<b>221 355</b>		
Tax charge	(66 913)		
<b>Profit/(loss) after tax</b>	<b>154 442</b>		
Dividends paid	(84 052)		
<b>Retained earnings</b>	<b>70 390</b>		



**Table 1.1.22 Statement of financial performance for the year ended 30 June 2006**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Aeronautical revenue	144 357	144 357	
Aeronautical-related revenue	66 373		66 373
Grazing and tenant revenue	148		
Interest revenue—other entities	441		
Other non-aeronautical revenue	127 592		127 592
<i>Total revenue</i>	<i>338 911</i>	<i>144 357</i>	<i>193 965</i>
<b>Expenditure</b>			
Salaries and wages	18 494	12 518	5 976
Depreciation	38 054	21 125	16 929
Amortisation of intangibles	2 618		
Services and utilities	36 051	21 420	14 631
Property maintenance	10 167	6 494	3 673
Maintenance add backs		(148)	
Security costs	3 382	3 382	
Other costs	30 733	13 328	17 405
<i>Total expenditure</i>	<i>139 499</i>	<i>78 119</i>	<i>58 614</i>
<b>Operating profit/(loss)</b>	<b>199 412</b>	<b>66 238</b>	<b>135 351</b>
Abnormal items	0		
<b>Earnings before interest and tax (EBIT)</b>	<b>199 412</b>		
Interest	79 023		
<b>Earnings before tax (EBT)</b>	<b>120 389</b>		
Tax charge	36 153		
<b>Profit/(loss) after tax</b>	<b>84 236</b>		
Dividends paid	93 067		
<b>Retained earnings</b>	<b>(8 831)</b>		

**Table I.1.23 Statement of financial position for the year ended 30 June 2007**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Current assets</b>			
Cash			
Receivables	22 036	11 893	10 143
Inventories	442	415	27
Other current assets	6 639		
<i>Total current assets</i>	<i>29 117</i>	<i>12 308</i>	<i>10 170</i>
<b>Non-current assets</b>			
Goodwill	667 700		
Property, plant and equipment	786 235	536 209	250 026
Investment Property	856 826		
Other	1 240		
<i>Total non-current assets</i>	<i>2 312 001</i>	<i>536 209</i>	<i>1 106 852</i>
<b>Total assets</b>	<b>2 341 118</b>	<b>548 517</b>	<b>1 117 022</b>
<b>Current liabilities</b>			
Bank Overdraft	1 420		
Payables	72 796		
Creditors	449 010		
Provisions	3 516	2 380	1 136
<i>Total current liabilities</i>	<i>526 742</i>		
<b>Non-current liabilities</b>			
Payables	37 528		
Creditors	880 032		
Deferred tax liability	320 188		
Provisions	675	457	218
Other	6 382		
<i>Total non-current liabilities</i>	<i>1 244 805</i>		
<b>Total liabilities</b>	<b>1 771 547</b>		
<b>Net assets</b>	<b>569 571</b>		
<b>Shareholder equity</b>			
Share capital	100 000		
Reserves	5 445		
Accumulated profits/(losses)/re- tained profits	464 126		
<b>Total shareholder equity</b>	<b>569 571</b>		
<b>Balance at beginning of financial year</b>	<b>393 736</b>		
Net profit	154 442		
Dividend	(84 052)		
<b>Accumulated profit/(loss) at end of year/Retained profits</b>	<b>464 126</b>		

Note: Melbourne airport reported that it has elected to classify its property assets that are held to earn rentals and/or for capital appreciation separately as investment property. This is the first year that this accounting policy has been applied. Investment properties are initially recorded at cost and subsequently recorded at fair value. Aeronautical assets are not affected by this policy change.

**Table I.1.24 Statement of financial position for the year ended 30 June 2006**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Current assets</b>			
Cash	3 286		
Receivables	18 620	12 259	6 361
Inventories	631	595	36
Other current assets	5 136		
<i>Total current assets</i>	<i>27 673</i>	<i>12 854</i>	<i>6 397</i>
<b>Non-current assets</b>			
Goodwill	667 700		
Property, plant and equipment	862 350	497 486	364 864
Intangibles	27 662		
Other	3 534		
<i>Total non-current assets</i>	<i>1 561 246</i>	<i>497 486</i>	<i>364 864</i>
<b>Total assets</b>	<b>1 588 919</b>	<b>510 340</b>	<b>371 261</b>
<b>Current liabilities</b>			
Creditors	76 945		
Provisions	3 709	2 511	1 198
<i>Total current liabilities</i>	<i>80 654</i>		
<b>Non-current liabilities</b>			
Borrowings	1 258 716		
Creditors	56 223		
Deferred tax liability	115 617		
Other	6 160		
Provisions	567	384	183
<i>Total non-current liabilities</i>	<i>1 437 283</i>		
<b>Total liabilities</b>	<b>1 517 937</b>		
<b>Net assets</b>	<b>70 982</b>		
<b>Shareholder equity</b>			
Share capital	100 000		
Reserves	6 069		
Accumulated profits/(losses)	(35 087)		
<b>Total shareholder equity</b>	<b>70 982</b>		
<b>Balance at beginning of financial year</b>	<b>(48 573)</b>		
Net profit	84 236		
Dividend	22 317		
Other (describe if applicable)	(93 067)		
<b>Accumulated profit/(loss) at end of year</b>	<b>(35 087)</b>		

**Table I.1.25 Statement of cash flows for the year ended 30 June 2006 and 2007**

Description	Audited financial statements 2005–06	Audited financial statements 2006–07
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Inflows		
Receipts from customers	369 057	407 741
Interest received	441	248
Outflows		
Payments to suppliers and employees	(125 157)	(145 322)
Interest paid	(77 534)	(81 302)
Income tax paid	(52 618)	(45 849)
Goods and services tax remitted	0	0
<i>Net cash flows provided by operating activities</i>	<i>114 189</i>	<i>135 516</i>
<b>Cash flows from investing activities</b>		
Inflows		
Proceeds from sale of property, plant and equipment	43	616
Outflows		
Acquisition of property, plant and equipment	(77 733)	(89 120)
Payment for investment property		(16 969)
<i>Net cash flows used in investing activities</i>	<i>(77 690)</i>	<i>(105 473)</i>
<b>Cash flows from financing activities</b>		
Inflows		
Proceeds from borrowings	411 000	191 000
Outflows		
Repayment of borrowings	(344 000)	(123 000)
Payment of borrowing costs	(7 063)	
Dividends paid	(93 067)	(84 052)
Loans funds repaid entities in wholly-owned group	(686)	(18 697)
<i>Net cash flows provided by financing activities</i>	<i>(33 816)</i>	<i>(34 749)</i>
<b>Net increase/(decrease) in cash held</b>	<b>2 683</b>	<b>(4 706)</b>
Cash at beginning of reporting period	603	3 286
Cash at the end of the reporting period	3 286	(1 420)

## Summary of significant accounting policies

### Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act and the accounting standards interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS).

Compliance with the AIFRS ensures that the financial statements and notes of the company comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the directors on 27 August 2007.

### Basis of preparation

The financial report has been prepared on the basis of historical cost except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. Unless otherwise indicated all amounts are presented in Australian dollars.

In the application of AIFRS, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis for making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of AIFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

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

### Significant accounting policies

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

#### (a) Cash

Cash comprises cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

#### (b) Inventories

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

#### (c) Receivables

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

## (d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment.

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.

Depreciation is provided on property, including buildings, plant and equipment, roads, runways and other infrastructure but excluding land. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life.

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	3–15 years

Land leased as part of the airport acquisition has been valued at acquisition at fair value. The leased land are amortised on a straight-line basis over the period of the lease, which is 99 years.

## (e) Investment property

In previous periods, the company elected not to classify any of its property as investment property and presented all such assets within the property, plant and equipment line item of the balance sheet at cost less accumulated depreciation/amortisation.

Under the company's revised policy, property held to earn rentals and/or for capital appreciation is now separately presented in the balance sheet as investment property. Investment property is initially recorded at cost, including transaction costs. Subsequent to initial recognition, investment property is recorded at fair value. Gains or losses arising from a change in the fair value of this investment property are recognised in the profit or loss for the period in which they arise.

The directors believe that the revised accounting policy for investment property provides more relevant and reliable information about the financial position and performance of the company because of emerging industry practices since the implementation of AIFRS. The impact of the changes is set out in note 30.

## (f) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

## (g) Other intangible assets

All potential intangible assets acquired in a business combination, such as contract premium, are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be reliably measured. The contract premium is amortised on a straight-line basis over the life of the contract.

## (h) Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Capitalised borrowing costs

Interest costs directly attributable to assets under construction are capitalised as part of the cost of those assets up to the date of completion of each asset. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(j) Payables

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.

(k) Borrowings

Borrowings are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

Ancillary costs incurred by the company in establishing funding facilities are capitalised and amortised over the term of the facilities. These costs are netted off against the loan in the balance sheet.

(l) Provisions

Provisions are recognised when the company has a present obligation, as a result of a past event, it is probable that the company will be required to settle the obligation and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(m) Employee benefits

A liability is recognised for benefits accruing to employees for 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.

Liabilities recognised for wages and salaries, annual leave and long service leave expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at time of settlement.

Liabilities recognised for long service leave that is 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 for services provided by employees up to the reporting date.

## (n) Superannuation

The company makes contributions to accumulation funds on behalf of its employees. These contributions are treated as an expense when incurred.

## (o) Revenue recognition

- Aeronautical revenue—revenue from landing and terminal 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 investment property (as defined in 1(e)) throughout the airport is recognised on an accruals basis in accordance with terms of relevant lease agreements.
- Rent revenue—revenue from rental of non investment property is recognised on an accruals basis in accordance with terms of relevant lease agreements.
- Security, outgoings and other income—revenue received from recharging of security, outgoings and sundry other income is recognised on an accruals basis when the service or goods are provided.

## (p) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of GST, except:

- 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
- for receivables and payables which are recognised inclusive of GST.

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

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing activities which is recoverable from, or payable to, the taxation authority is classified as an operating cash flow.

## (q) Derivative financial instruments

The company enters into interest rate swaps. The swaps have been allocated against the underlying debt instrument and to this extent modify the interest rate risk of the underlying debt. Interest rate swaps are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss, unless the swap is designated and effective as a hedging instrument, in which event, the timing of recognition in profit or loss depends on the nature of the hedge relationship.

Further details of derivative financial instruments are disclosed in note 28 to the financial statements.

## (r) Income tax

**Current tax**—this is calculated by reference to the amount of income taxes payable or recoverable on the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and previous periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

**Deferred tax**—this is accounted for using the comprehensive balance sheet liability method for temporary differences arising from differences between carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.



Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle that carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority, and the company intends to settle its current tax assets and liabilities on a net basis.

**Current and deferred tax for the period**—these are recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity—in which case the deferred tax is also recognised directly in equity—or where it arises from the initial accounting for a business combination, in which case it is taken to account in the determination of goodwill or excess.

**Tax consolidation**—Australia Pacific Airports Corporation Limited (APAC) and all its wholly-owned Australian resident entities including the company are part of a tax consolidated group under Australian taxation law. APAC is the head entity in the tax-consolidated group. Tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the ‘group allocation’ approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by APAC (as head entity in the tax-consolidated group).

(s) Adoption of new and revised Accounting Standards

The company has elected to early adopt AASB8, ‘Operating segments’ and accordingly segment information has not been disclosed.

Based on investigations completed to date, the company has assessed that it does not fall within the scope of IFRIC 12 ‘Service concession arrangements’, due to the fact that the public sector does not regulate the services or prices charged by the airport. The company will continue to monitor developments in this area.

In the current year, the company has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. These did not result in any material financial impact on the financial statements of the company.

The directors anticipate that the adoption in future periods of accounting standards and interpretations currently on issue but not yet effective will have no material financial impact on the financial statements of the company.

(t) Use of estimates and judgments

In the preparation of the financial statements, the directors are required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported carrying values of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

**Investment Property**—This is held at fair value. Fair value is determined with reference to a third party valuation (as noted in note 10). When determining fair value, assumptions must be made about the yield which the investment property will generate in the future, including the outcome of future rent reviews, the rent which will be achieved for sites not yet tenanted, and future rental income growth. A suitable discount rate to calculate present value must also be selected.

**Goodwill**—when determining whether goodwill is impaired, it is necessary to estimate the value-in-use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected from the cash generating unit and a suitable discount rate to calculate present value. The directors have assessed that no impairment of goodwill has occurred during the year.

## Perth airport

**Table I.1.26 Statement of financial performance for the year ended 30 June 2007**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Aeronautical revenue	65 787	65 787	
Aeronautical-related revenue	21 609		21 609
Other non-aeronautical revenue	152 533		152 533
<i>Total revenue</i>	<i>239 929</i>	<i>65 787</i>	<i>174 142</i>
<b>Expenditure</b>			
Salaries and wages	13 879	7 072	6 807
Depreciation	10 628	7 049	3 579
Amortisation of intangibles	3 249		
Services and utilities	17 566	5 179	12 387
Leasing and maintenance	3 701	1 867	1 834
Counter Terrorism First Response	2 686	2 686	
Passenger screening	3 973	3 973	
Checked bag screening	2 754	2 754	
Other costs	27 833	10 897	16 936
<i>Total expenditure</i>	<i>86 269</i>	<i>41 477</i>	<i>41 543</i>
<b>Operating profit/(loss)</b>	<b>153 660</b>		
<b>Earnings before interest and tax (EBIT)</b>	<b>153 660</b>		
Interest	95 028		
<b>Earnings before tax (EBT)</b>	<b>58 632</b>		
Tax charge	23 805		
<b>Profit/(loss) after tax</b>	<b>34 827</b>		
Dividends paid	0		
<b>Retained earnings</b>	<b>34 827</b>		

**Table I.1.27 Statement of financial performance for the year ended 30 June 2006**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Aeronautical revenue	57 403	57 403	
Aeronautical-related revenue	18 603		18 603
Other non-aeronautical revenue	96 831		96 831
<i>Total revenue</i>	<i>172 837</i>	<i>57 403</i>	<i>115 434</i>
<b>Expenditure</b>			
Salaries and wages	13 349	7 309	6 040
Depreciation	9 872	6 747	3 125
Amortisation of intangibles	1 414		
Services and utilities	15 739	4 094	11 645
Leasing and maintenance	2 916	1 393	1 523
Australian Protective Services	3 881	3 881	
Passenger screening	3 409	3 409	
Checked bag screening	2 174	2 174	
Other costs	18 243	7 811	10 432
<i>Total expenditure</i>	<i>70 997</i>	<i>36 818</i>	<i>32 765</i>
<b>Operating profit/(loss)</b>	<b>101 840</b>		
<b>Earnings before interest and tax (EBIT)</b>	<b>101 840</b>		
Interest	77 506		
<b>Earnings before tax (EBT)</b>	<b>24 334</b>		
Tax charge	6 997		
<b>Profit/(loss) after tax</b>	<b>17 337</b>		
Dividends paid	0		
<b>Retained earnings</b>	<b>17 337</b>		

**Table I.1.28 Statement of financial position for the year ended 30 June 2007**

Description	Audited financial statements \$'000	Aeronautical services \$'000	Non-aeronautical services \$'000
<b>Current assets</b>			
Cash	9 093		
Receivables	19 540	8 216	11 323
Inventories	33		33
Assets held for sale	0		
Prepayments	0		
Accrued revenue	8 572	1 800	6 773
Other	3 778	184	3 594
<i>Total current assets</i>	<i>41 016</i>	<i>10 200</i>	<i>21 723</i>
<b>Non-current assets</b>			
Receivables	14 046	3 851	10 195
Investment properties	240 753		240 753
Property, plant and equipment	262 487	167 853	94 634
Goodwill	443 598		
Prepayment	30 166	17 597	12 569
Other financial assets	14 059		
Other intangible assets	11 306		
Other	0		
<i>Total non-current assets</i>	<i>1 016 415</i>	<i>189 302</i>	<i>358 151</i>
<b>Total assets</b>	<b>1 057 431</b>	<b>199 502</b>	<b>379 874</b>
<b>Current liabilities</b>			
Creditors	33 596		
Borrowings	0		
Other	225		225
Provisions	4 561	1 938	2 623
<i>Total current liabilities</i>	<i>38 382</i>	<i>1 938</i>	<i>2 848</i>
<b>Non-current liabilities</b>			
Borrowings	667 965		
Deferred tax liability	125 574		
Other	8 802		
Provisions	4 731		
<i>Total non-current liabilities</i>	<i>807 072</i>		
<b>Total liabilities</b>	<b>845 454</b>	<b>1 938</b>	<b>2 848</b>
<b>Net assets</b>	<b>211 977</b>	<b>197 564</b>	<b>377 026</b>
<b>Shareholder equity</b>			
Share capital	144 565		
Reserves	11 067		
Accumulated profits/(losses)	56 345		
<b>Total shareholder equity</b>	<b>211 977</b>		
<b>Accumulated profit/(loss) at start of year</b>	<b>21 518</b>		
<b>Movements</b>			
Profit/(loss) for the year	34 827		
<b>Accumulated profit/(loss) at end of year</b>	<b>56 345</b>		

**Table I.1.29 Statement of financial position for the year ended 30 June 2006**

Description	Audited financial statements \$'000	Aeronautical services \$'000	Non-aeronautical services \$'000
<b>Current assets</b>			
Cash	8 930		
Receivables	18 863	7 077	11 786
Inventories	85		85
Assets held for sale	11 337		11 337
Prepayments	43		43
Other	8 937	4 012	4 925
<i>Total current assets</i>	<i>48 195</i>	<i>11 089</i>	<i>28 126</i>
<b>Non-current assets</b>			
Receivables	28 486	17 794	10 692
Investment properties	158 430		158 430
Property, plant and equipment	234 013	161 019	72 994
Goodwill	443 598		
Other intangible assets	14 555		
Other	7 448	2 474	4 974
<i>Total non-current assets</i>	<i>886 530</i>	<i>181 287</i>	
<b>Total assets</b>	<b>934 725</b>	<b>192 376</b>	<b>275 266</b>
<b>Current liabilities</b>			
Creditors	26 180		
Borrowings	435 585		
Other	40 193		
Provisions	4 141	2 048	2 093
<i>Total current liabilities</i>	<i>506 099</i>	<i>2 048</i>	<i>2 093</i>
<b>Non-current liabilities</b>			
Borrowings	167 622		
Other	90 423		
Provisions	4 498	1 681	2 817
<i>Total non-current liabilities</i>	<i>262 543</i>	<i>1 681</i>	<i>2 817</i>
<b>Total liabilities</b>	<b>768 642</b>	<b>3 729</b>	<b>4 910</b>
<b>Net assets</b>	<b>166 083</b>	<b>188 647</b>	<b>270 356</b>
<b>Shareholder equity</b>			
Share capital	144 565		
Reserves	0		
Accumulated profits/(losses)	21 518		
<b>Total shareholder equity</b>	<b>166 083</b>		
<b>Accumulated profit/(loss) at start of year</b>	<b>2 959</b>		
<b>Movements</b>			
Profit/(loss) for the year	17 337		
Other	1 222		
<b>Accumulated profit/(loss) at end of year</b>	<b>21 518</b>		

**Table I.1.30 Statement of cash flows for the year ended 30 June 2006 and 2007**

Description	Audited financial statements 2005–06	Audited financial statements 2006–07
	\$000	\$000
<b>Cash flows from operating activities</b>		
Inflows		
Receipts from customers	136 752	178 268
Interest received	842	1 740
Outflows		
Payments to suppliers and employees	(54 097)	(109 932)
Interest paid	0	0
<i>Net cash flows provided by operating activities</i>	<i>83 497</i>	<i>70 076</i>
<b>Cash flows from investing activities</b>		
Inflows		
Proceeds from sale of property, plant and equipment	16 536	0
Other	0	0
Outflows		
Acquisition of property, plant and equipment	(31 681)	(45 432)
Other	(35)	7 695
<i>Net cash flows used in investing activities</i>	<i>(15 180)</i>	<i>(37 737)</i>
<b>Cash flows from financing activities</b>		
Inflows		
Proceeds from borrowings	5 000	522 988
Other	0	0
Outflows		
Repayment of borrowings	(24 550)	(460 126)
Borrowing costs	(29 352)	(74 643)
Primary debt holders		
Subordinated debt holders	(19 051)	(20 395)
Dividends paid	0	0
<i>Net cash flows provided by financing activities</i>	<i>(67 953)</i>	<i>(32 176)</i>
<b>Net increase/(decrease) in cash held</b>	<b>364</b>	<b>163</b>
Effect of exchange rate on cash	0	0
Cash at beginning of reporting period	8 566	8 930
Cash at the end of the reporting period	8 930	9 093

## Summary of significant accounting policies

### Basis of preparation

This special purpose financial report has been prepared in accordance with the regulatory information requirements under Part 7 of the *Airports Act 1996*, and s. 95ZF of the Trade Practices Act, as described in airports reporting guideline (June 2007) (the guideline') and with the measurement but not the disclosure requirements of applicable, accounting standards. It is prepared in accordance with the historical cost convention, except for certain assets, which, as noted, are at valuation.

The following is a summary of the material accounting policies adopted by the entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs except for investment properties and derivative financial instruments, for which the fair value basis of accounting has been applied.

### Going concern

Notwithstanding the deficiency in net current assets at balance date, these accounts have been prepared on a going concern basis. This deficiency has been caused by a reclassification of senior debt instruments from non current liabilities to current liabilities on the face of the balance sheet. The reason, for the reclassification, is that the senior debt is in the process of being re-financed and is expected to be repaid in the forthcoming financial year. In the event that the existing debt is repaid and replaced with new long term debt facilities, a short term bridging loan will be used to repay the existing debt until funds are received from the replacement debt. The replacement debt will then be classified appropriately as non-current liabilities.

In the event that the refinancing does not take place, the existing senior debt will be re-classified as long term liabilities.

### (a) Tax

#### (i) Income taxes

ADG is the head entity of the tax consolidated group, which comprises ADG and its 100 per cent owned Australian resident subsidiaries.

The current and deferred tax amounts for the tax-consolidated group are allocated among the entities in the group using a stand-alone taxpayer approach whereby each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be a separately taxable entity in its own right. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in Westralia Airports Corporation's (WAC) balance sheet and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by the head entity from the subsidiaries in the tax consolidated group are recognised in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by ADG as an equity contribution to or distribution from the subsidiary. Distributions firstly reduce the carrying amount of the investment in the subsidiary and are then recognised as revenue.

ADG recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only. The members of the tax-consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts.

The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity.

In preparing the accounts for the parent company for the current year, no amounts have been recognised as tax consolidation contributions adjustments.

**(ii) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- receivables and payables, which are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(b) Foreign currency translation**

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

**(c) Revenue recognition**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- a. the amount of revenue can be measured reliably
- b. it is probable that the economic benefits associated with the transaction will flow to the entity
- c. the stage of completion of the transaction at the reporting date can be measured reliably
- d. the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable. Specific recognition criteria are as follows:
  - (i) aeronautical charges comprises landing fees and terminal charges, based on the maximum take-off weight of aircraft or passenger numbers on aircraft, and a security charge for the recovery of costs incurred as a result of government-mandated security requirements
  - (ii) trading comprises concessionaire rent and other charges received
  - (iii) ground transport services comprises operation of public and leased car parks, car rental concessions, ground transport services and traffic management
  - (iv) property revenue comprises income from owned terminals, buildings, and long-term leases of land and other leased assets. Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned—see note (t) for the accounting policy for deferred revenue
  - (v) recharge property service costs comprise recharged service and utility expenditure
  - (vi) interest revenue comprises earnings on funds deposited with financial institutions and recognition is based on the effective interest rate method.

All revenue is stated net of the GST.



(d) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included with interest-bearing loans and borrowings in current liabilities on the balance sheet.

(e) Trade and other receivables

Trade receivables, which generally have 30- to 90-day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

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

(f) Inventories

Inventories have been stated at the lower of cost and net realisable value. The basis of accounting for inventories is on a first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(g) Assets held for sale

Assets held for sale comprise investment properties designated for sale. Assets held for sale are stated at fair value in accordance with the company policy on investment property. They are not amortised or depreciated. Losses arising from changes in the fair value adjustments arising from independent revaluations are charged to the income statement.

(h) Prepaid rent

Under AASB 117 upfront payments for operational land under lease are recognised as prepaid rent and the gross value is amortised over the period of the lease (including the optional renewal term) on a straight-line basis. This is because title to the land does not pass to the company at the conclusion of the 99-year lease.

(i) Investment properties

AASB 140 allows for a property interest held under an operating lease to be accounted for as an investment property if it would otherwise meet the definition of an investment property in AASB 140.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value as per the latest independent valuation that has been recognised in the accounts. If the property occupied by the company as an owner-occupied property becomes an investment property, the company accounts for such property in accordance with the policy

stated under prepaid rent up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement. When the company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

(j) Acquisition of assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other 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.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of acquisition. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(k) Infrastructure, plant and equipment

**(i) Cost and valuation**

The cost basis is used to attribute value to infrastructure, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

**(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. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. No depreciation is charged until the asset has been completed and brought to use.

Depreciation and amortisation rates used are as follows:

	2007	2006
Plant and equipment	5.00%–33.00%	5.00%–33.00%
Buildings	2.50– 15.00%	2.50%–15.00%
Fixed plant and equipment	5.00%–15.00%	5.00%–15.00%
Runways, taxiways and aprons	1.01%–6.67%	1.01%–6.67%
Other infrastructure assets	2.50%–20.00%	2.50%–20.00%

**(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 entity includes the cost of materials used in construction, direct labour on the project and consultancy and professional fees associated with the project.

**(vi) Derecognition and disposal**

An item of infrastructure, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

(l) Leases

**Company as a lessee**

Leases of fixed assets, where substantially all the risks and benefits are incidental to the ownership of the asset, but not the legal ownership transferred to the entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives—where it is likely that the entity will obtain ownership of the asset—or over the term of the lease.

Lease payments for operating leases—other than prepaid rent (refer to paragraph (h))—where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**Company as a lessor**

Leases in which the company retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Properties subject to operating leases are classified as investment properties.

(m) Intangibles—goodwill, contractual intangible assets and capitalised master plan costs

Goodwill acquired in a business combination is initially measured at cost—that is, the excess of the cost of the business combination over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities being acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Contractual intangible assets are assessed to be finite and amortised over the period of the lease or expiry of the licence where applicable.

All fees and costs incurred in the development of the airport and property master plan have been capitalised and are amortised on a straight-line basis over five years. This represents the statutory period over which the master plan is required to be prepared.

Contractual intangible assets and capitalised master plan costs are reviewed for impairment if events or changes in circumstances indicate that the carrying value may be impaired. Write-downs arising from impairments are charged to the income statement.

(n) Impairment of non-financial assets

At each reporting date, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the company before the end of the financial year which are unpaid and arise when the company becomes obliged to make future payments for the purchase of these goods and services. The amounts are unsecured (except for accrued interest on debt instruments) and are usually paid within 30 days of recognition.

(p) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in provision due to the passage of time is recognised as a borrowing cost.

(q) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

(r) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge), or
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The company documents, at the inception of the hedging transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in notes 15 and 20. Movements in the hedging reserve are shown in the statement of equity.

**(i) Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of the fair value hedge is recognised in the income statement within other income or other expense together with the gain or loss relating to the ineffective portion and changes in the fair value of the fair value hedge.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to the income statement over the period to maturity.

**(ii) Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense. Amounts accumulated in equity are recycled in the income statement in the period when the hedged item will affect the income statement.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

**(iii) Derivatives that do not qualify for hedge accounting**

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in finance costs.

**(s) Employee benefits**

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.

Liabilities arising for wages and salaries, annual leave and other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

A liability for long service leave is measured as the present value of expected future payments to be made for 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 guarantee and enterprise-bargaining obligations for employees' superannuation through contributions to resident complying accumulation 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. Company contributions to these defined contributions plans are charged against profits as incurred.

**(t) Deferred revenue**

Rentals received in advance for investment properties leased to tenants under long-term operating leases are credited to a deferred revenue account and released to the income statement on a straight-line basis over the lease term. Rentals received in advance for investment properties leased to tenants under long-term finance leases are recognised upfront in the period when all attaching conditions pursuant to the sale transaction have been satisfied.

**(u) Finance costs**

Finance costs are recognised as expenses in the period in which they are incurred. Borrowing costs include:

- interest on bank overdraft and long-term borrowings
- interest on long-term subordinated debt
- interest on bonds payable (including capitalised interest component)
- ancillary costs incurred in connection with the ongoing conduct of borrowings
- losses arising from changes in the fair value of derivative financial instruments that do not qualify for hedge accounting
- discounting adjustments on provisions.

(v) Transaction costs—funding facilities

Fees and costs incurred in establishing funding facilities are offset against the principal liability and amortised over the term to maturity of the relevant debt using an effective interest basis. Fees and costs incurred on borrowings yet to be established are deferred and amortised over the term to maturity once the facilities have been put in place. Fees and costs on existing borrowings are expensed to the income statement.

(w) 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 paragraph (k)(iv).

(x) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(y) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the entity.

**Key estimates and assumptions**

The entity assesses impairment at each reporting date by evaluating conditions specific to the entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The assumptions used in this estimation, for recoverable amount and the carrying amount of goodwill, are discussed in note 14.

Independent valuations of investment property have been provided by Knight Frank, and the directors have relied on these valuations in determining the fair value of the investment property.

As discussed in paragraph (s), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made for all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

**Key judgments**

For the purpose of recognising deferred tax assets created by deductible temporary differences and unused tax losses, the directors expect that there will be future taxable amounts that will be available to utilise those temporary differences and losses.

For the purpose of impairment testing of goodwill, the directors have relied on a valuation model that has been independently reviewed and believe that key assumptions used in the model are correct.

The estimation of the useful lives of infrastructure, plant and equipment has been based on historical experience. In addition, the condition of material assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are noted in paragraph (k).

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management and a provision is made on a case by case basis.

(z) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the entity's functional and presentation currency.

(aa) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(bb) Rounding of amounts

The company is of a kind referred to in class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the financial report. In accordance with this class order, amounts in the financial report have been rounded to the nearest thousand dollars.

(cc) New accounting standards and interpretations—statement of compliance

The Australian accounting standards and interpretations that have recently been issued or amended but which are not yet effective have not been adopted for the annual reporting period ending 30 June 2007.

The following amendments are applicable to the company but are not yet effective and have not been adopted for the annual reporting period ended 30 June 2007.

AASB Amendment	Affected standards	Nature of change to accounting policy and impact on the financial report	Application date of standard	Application date for company*
2005-10	Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 123 & AASB 1038)	<p>Amendments are a consequence of the issue of AASB 7 and ensure that all disclosures relating to financial instruments are removed from other standards and are all now within AASB 7</p> <p>AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the financial statements. However, the amendments will result in changes to financial instrument disclosures</p>	1 January 2007	1 July 2007
AASB 7	<p>Financial instruments: disclosures—</p> <p>AASB 7 replaces AASB 130 and the disclosure requirements of AASB 132</p>	As above	1 January 2007	1 July 2007
2007-2	<p>Amendments to Australian Accounting Standards arising from AASB Interpretation 12 (AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 &amp; AASB 139)</p>	<p>AASB 1 is amended to allow a first time adopter which is adopting Interpretation 12 (see below) for the first time to only apply the requirements of Interpretation 12 to a service concession arrangement essentially from the start of the earliest period presented (rather than full retrospective application), if it is impracticable for the entity to apply the Interpretation retrospectively to that arrangement. The accounting then required is set out in Interpretation 12.</p> <p>Management, after a preliminary assessment, is of the opinion that Interpretation 12 will not have a material impact on future financial reports.</p>	1 January 2008	1 July 2008
AASB 2007-6	<p>Amendments to Australian Accounting Standards arising from AASB 123 (AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 and AASB 138 and interpretations 1 &amp; 12)</p>	<p>Amending standard issued as a consequence of AASB 123 (revised) ‘Borrowing costs’.</p> <p>Management will assess the impact and adopt the amendment in the 2009/10 financial year.</p>	1 January 2009	1 July 2009



AASB Amendment	Affected standards	Nature of change to accounting policy and impact on the financial report	Application date of standard	Application date for company*
Interpretation 12	Service Concession Arrangements	<p>This interpretation clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.</p> <p>Management will assess the impact and to the extent that the Interpretation is applicable, adopt the amendment in the 2008/09 financial year.</p>	1 January 2008	July 2008
AASB Interpretation 129 (revised June 2007)	Service concession arrangements (disclosures)	<p>The revised interpretation was issued as a result of the issue of Interpretation 12 and requires specific disclosures about service concession arrangements entered into by an entity, whether as a concession provider or a concession operator.</p> <p>Management will assess the impact and to the extent that the Interpretation is applicable, adopt the amendment in the 2008/09 financial year.</p>		
AASB Interpretation 129 (revised June 2007)	Service concession arrangements (disclosures)	<p>The revised interpretation was issued as a result of the issue of Interpretation 12 and requires specific disclosures about service concession arrangements entered into by an entity, whether as a concession provider or a concession operator.</p> <p>Management will assess the impact and to the extent that the Interpretation is applicable, adopt the amendment in the 2008/09 financial year.</p>	1 January 2008	1 July 2008
AASB 101 (revised October 2006)	Presentation of financial statements	<p>Many of the disclosures from previous GAAP and all of the guidance from previous GAAP are not carried forward in the October 2006 version of AASB 101. The revised standard includes some text from IAS 1 that is not in the existing AASB 101 and has fewer additional Australian disclosure requirements than the existing AASB 101.</p> <p>AASB 101 is a disclosure standard so will have no direct impact on the amounts included in the financial statements. However, the amendments will result in changes to financial instrument disclosures.</p>	1 January 2007	1 July 2007

AASB Amendment	Affected standards	Nature of change to accounting policy and impact on the financial report	Application date of standard	Application date for company*
AASB 123 (revised June 2007)	Borrowing costs	<p>acquisition, construction or production of a qualifying asset. The revised version of AASB 23 requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset.</p> <p>Management will assess the impact and adopt the amendment in the 2009/10 financial year.</p>	1 January 2009	1 July 2009
Interpretation 9	Reassessment of embedded derivatives .	<p>Clarifies when an entity should assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative under AASB 139 only when there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required.</p> <p>Unless arrangements are entered into that contain embedded derivatives in future reporting periods, these amendments are not expected to have any impact on the financial report.</p>	1 June 2006	1 June 06

\* designates the beginning of the applicable annual reporting period.

Note 1. Statement of significant accounting policies (continued)—New accounting standards and interpretations; statement of compliance

## Sydney airport

**Table I.1.31 Statement of financial performance for the year ended 30 June 2007**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Aeronautical revenue	357 821	357 821	
Aeronautical-related revenue	100 708	17 346	83 362
Other non-aeronautical revenue	252 693		252 693
Other	139 837	98	139 739
<i>Total revenue</i>	<i>851 059</i>	<i>375 265</i>	<i>475 794</i>
<b>Expenditure</b>			
Salaries and wages	34 246	22 274	11 972
Depreciation	128 842	92 193	36 649
Impairment of non-current asset	1 488	1 206	282
Amortisation of intangibles	27 858	8 380	19 478
Services and utilities	37 494	18 580	18 914
Property maintenance	16 011	12 165	3 846
Security costs	37 081	36 776	305
Other costs	17 406	11 149	6 257
<i>Total expenditure</i>	<i>300 426</i>	<i>202 723</i>	<i>97 703</i>
<b>Operating profit/(loss)</b>	<b>550 633</b>	<b>172 542</b>	<b>378 091</b>
Abnormal items	0		
<b>Earnings before interest and tax (EBIT)</b>	<b>550 633</b>		
Interest	722 886		
<b>Earnings before tax (EBT)</b>	<b>(172 253)</b>		
Tax charge	9 163		
<b>Profit/(loss) after tax</b>	<b>(163 090)</b>		
Dividends paid	0		
<b>Retained earnings</b>	<b>(163 090)</b>		

**Table I.1.32 Statement of financial performance for the year ended 30 June 2006**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Aeronautical revenue	318 259	318 259	
Aeronautical-related revenue	95 929	16 796	79 133
Other non-aeronautical revenue	229 717		229 717
Other	82 484	85	82 399
<i>Total revenue</i>	<i>726 389</i>	<i>335 140</i>	<i>391 249</i>
<b>Expenditure</b>			
Salaries and wages	35 555	23 451	12 104
Depreciation	109 608	83 729	25 879
Amortisation of intangibles	27 759	8 312	19 447
Services and utilities	33 903	16 289	17 614
Property maintenance	15 149	11 320	3 829
Security costs	34 402	34 061	341
Other costs	16 087	10 566	5 521
<i>Total expenditure</i>	<i>272 463</i>	<i>187 728</i>	<i>84 735</i>
<b>Operating profit/(loss)</b>	<b>453 926</b>	<b>147 412</b>	<b>306 514</b>
Abnormal items	0		
<b>Earnings before interest and tax (EBIT)</b>	<b>453 926</b>		
Interest	720 209		
<b>Earnings before tax (EBT)</b>	<b>(266 283)</b>		
Tax charge	(40 579)		
<b>Profit/(loss) after tax</b>	<b>(225 704)</b>		
Dividends paid			
<b>Retained earnings</b>	<b>(225 704)</b>		

**Table I.1.33 Statement of financial position for the year ended 30 June 2007**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Current assets</b>			
Cash	103 388		
Receivables	1 721 300	37 863	1 683 437
Inventories	0		
Accrued revenue	0		
Other	0		
<i>Total current assets</i>	<i>1 824 688</i>		
<b>Non-current assets</b>			
Receivables	1 980 537	26 544	1 953 993
Prepayment/prepaid rent	0		
Investment property	2 477 116		2 477 116
Property, plant and equipment	1 943 801	1 515 379	428 422
Capital works in progress	113 022		
Intangibles	2 521 920	764 356	1 757 564
Other	2 982		
<i>Total non-current assets</i>	<i>9 039 378</i>	<i>2 306 279</i>	<i>6 617 095</i>
<b>Total assets</b>	<b>10 864 066</b>		
<b>Current liabilities</b>			
Creditors	624 719		
Borrowings	2 342 863		
Other	37 435	6 755	30 680
Provisions	7 696	5 002	2 694
<i>Total current liabilities</i>	<i>3 012 713</i>	<i>11 757</i>	<i>33 374</i>
<b>Non-current liabilities</b>			
Borrowings	6 363 217		
Other			
Deferred tax liability	284 834		
Provisions	1 321	859	462
<i>Total non-current liabilities</i>	<i>6 649 372</i>		
<b>Total liabilities</b>	<b>9 662 085</b>		
<b>Net assets</b>	<b>1 201 981</b>		
<b>Shareholder equity</b>			
Share capital	2 044 149		
Reserves			
Accumulated profits/(losses)	(842 168)		
<b>Total shareholder equity</b>	<b>1 201 981</b>		
<b>Accumulated profit/(loss) at start of year</b>	<b>(680 556)</b>		
Profit/(loss) for the year	(163 090)		
Other	1 478		
<b>Accumulated profit/(loss) at end of year</b>	<b>(842 168)</b>		

**Table I.1.34 Statement of financial position for the year ended 30 June 2006**

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	\$'000	\$'000	\$'000
<b>Current assets</b>			
Cash	86 196		
Receivables	193 573	24 810	168 763
Inventories	0		
Accrued revenue	20 297	10 987	9 310
Other	0		
<i>Total current assets</i>	<i>300 066</i>		
<b>Non-current assets</b>			
Receivables	650 352	21 440	628 912
Investments	995 000		
Property, plant and equipment	1 852 709	1 444 736	407 973
Intangibles	2 526 088	756 275	1 769 813
Other	185 543		
<i>Total non-current assets</i>	<i>6 209 692</i>		
<b>Total assets</b>	<b>6 509 758</b>		
<b>Current liabilities</b>			
Creditors	496 673		
Borrowings	2 342 863		
Other	22 919	9 134	13 785
Provisions	7 043	4 645	2 398
<i>Total current liabilities</i>	<i>2 869 498</i>		
<b>Non-current liabilities</b>			
Borrowings	1 990 000		
Other	285 267		
Provisions	1 400	923	477
<i>Total non-current liabilities</i>	<i>2 276 667</i>		
<b>Total liabilities</b>	<b>5 146 165</b>		
<b>Net assets</b>	<b>1 363 593</b>		
<b>Shareholder equity</b>			
Share capital	2 044 149		
Reserves			
Accumulated profits/(losses)	(680 556)		
<b>Total shareholder equity</b>	<b>1 363 593</b>		
<b>Accumulated profit/(loss) at start of year</b>	<b>(476 703)</b>		
Profit/(loss) for the year	(225 704)		
Other (adjustment on adoption of AIFRS)	19 903		
Other (actuarial gain on defined benefit plan)	2 844		
Other (recognition of deferred tax)	(896)		
<b>Accumulated profit/(loss) at end of year</b>	<b>(680 556)</b>		

**Table I.1.35 Statement of cash flows for the year ended 30 June 2006 and 2007**

Description	Audited financial statements 2005–06	Audited financial statements 2006–07
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Inflows		
Receipts from customers	626 556	797 879
Interest received	6 898	9 267
Dividends received	79 796	133 360
Outflows		
Payments to suppliers and employees	(71 584)	(206 324)
Interest paid	(610 385)	(665 970)
<i>Net cash flows provided by operating activities</i>	<i>31 281</i>	<i>68 212</i>
<b>Cash flows from investing activities</b>		
Inflows		
Proceeds from sale of property, plant and equipment	85	162
Outflows		
Acquisition of property, plant and equipment	(218 246)	(174 302)
Other	(9 448)	(8 307)
<i>Net cash flows used in investing activities</i>	<i>(227 609)</i>	<i>(182 447)</i>
<b>Cash flows from financing activities</b>		
Inflows		
Proceeds from borrowings (from other group entities)	680 000	4 373 217
Other		
Outflows		
Loans to other group entities	0	0
Acquisition of debt from other group entities	0	0
Repayment of borrowings	(129 537)	(2 759 675)
Dividends paid	(340 000)	(1 482 115)
<i>Net cash flows provided by financing activities</i>	<i>210 463</i>	<i>131 427</i>
<b>Net increase/(decrease) in cash held</b>	<b>14 135</b>	<b>17 192</b>
Cash at beginning of reporting period	72 061	86 196
Cash at the end of the reporting period	86 196	103 388

## Summary of significant accounting policies

### 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 1996* and s. 95ZF of the *Trade Practices Act 1974*—as laid out in the airports reporting guideline revised June 2007.

The financial report has been prepared on the basis of historical costs, except for the derivative financial instruments that have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. Unless otherwise indicated, all amounts are presented in Australian dollars.

### Adoption of new and revised Accounting Standards

In the current year, there are no new or revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) which became effective for the current annual reporting period that are relevant.

At the date of authorisation of the financial report, the following standards and interpretations were on issue but not yet effective:

- AASB 101 'Presentation of financial statements'—revised standard (effective for annual reporting periods beginning on or after 1 January 2007).
- AASB Interpretation 12 'Service concession arrangements' (effective for annual reporting periods beginning on or after 1 January 2008).

Management have begun the process to assess whether AASB Interpretation 12 will be applicable to SACL and its operations as an airport operator.

Other than the matters noted above, the directors anticipate that the adoption of these standards and interpretations in future periods will have no material financial impact on the financial statements of the company or the group.

The application of AASB 101 (revised) will not effect any of the amounts recognised in the financial statements, but will change the disclosures presently made in the financial report.

These standards and interpretations will be first applied in the financial report of the company that relates to the annual reporting period beginning after the effective date of each pronouncement.

### Going concern

The financial report has been prepared on the basis that the company is a going concern, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As at the financial year ended 30 June 2007, the entity has net current liabilities of \$1188 million (30 June 2006: \$2569 million). An independent valuation by KPMG as at 30 June 2007 reflected an increase in the Southern Cross Airports Corporation Holdings (SCACH) equity value since acquisition of approximately \$3655 million (2006: \$2870 million). This valuation increment, if applied in the financial statements of the consolidated entity, would more than absorb the deficiency in net assets in Sydney Airport Corporation Limited (SACL) and other companies in the wholly-owned group. In addition, the consolidated entity successfully completed a \$4.3 billion financing transaction during the year, including the refinance of some senior debt facilities and the establishment of new facilities for capital expenditure, liquidity and general working capital purposes. As at 30 June 2007, \$2349 million in committed facilities remain undrawn. As part of the financing arrangements, the company has received an unconditional guarantee from the parent and other members of the SCACH group under the security trust deed. Under the security trust deed, each guarantor unconditionally and irrevocably guarantees the due and punctual payment of the external borrowings.

Accordingly, the going concern basis of accounting is considered to be appropriate in the preparation of the financial report.



## Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk, liquidity risk and cash-flow interest-rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department under policies approved by the board of directors covering specific areas, such as foreign exchange risk, interest-rate risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity. Speculative trading is specifically prohibited by board policy. Treasury identifies, evaluates and hedges financial risks in close cooperation with the company's operating units.

## Credit risk

The company has significant concentrations of credit risk. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. It is the company's policy that all financial institution counterparties must have a Standard & Poor's rating of at least 'A' or Moody's long-term rating of 'A2'. The company has policies limiting the amount of credit exposure to any financial institution by both volume and term.

## Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed borrowing facilities and the ability to close out market positions. Due to the capital investment nature of the underlying business, group treasury aims to maintain flexibility in funding by maintaining committed borrowing lines available from a number of counterparties. A liquidity policy is in place to maintain liquidity including the following:

- working capital facility
- debt service cover, in the form of cash and an undrawn committed facility
- maintenance capital expenditure reserve.

## Cash flow and fair value interest rate risk

The company's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company is a part of the SCACH group policy which is in place to ensure that, in the medium term a minimum of 75 per cent of the group senior debt is either issued at a fixed rate or hedged through the use of interest rate swaps. At 30 June 2007, in the SCACH Group, 98.3 per cent (2006: 88.0 per cent) of senior drawn borrowings (excluding Sydney Kingsford Smith airport interest earning securities) were either fixed rate or hedged through interest rate swaps.

## Significant accounting policies

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

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

### (a) Borrowings

Borrowings are recorded initially at fair value, net of issue costs associated with the borrowing. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest rate method. Amortised cost is calculated taking into account any issue costs and any discount or premium on inception and on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and through the amortisation process.

**(b) Borrowings costs**

Where borrowings are specifically incurred for qualifying assets, the actual borrowing costs are capitalised to those assets. Where borrowings are not specifically incurred for 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. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(c) 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 with the exception of international passenger flights is generated from:

- (a) charges levied on aircraft runway movements (take-off and landing) where the invoiced amount is based on the maximum take-off weight of fixed wing aircraft (freight, regional and GA) and movements of rotary wing aircraft
- (b) charges levied on arriving and departing passengers (excluding infants and positioning crew) for domestic runway movements and terminal 2
- (c) time-based aircraft parking charges
- (d) charges on exclusive first right use of gates.

Aeronautical revenue for international flights is derived from:

- (a) a passenger service charge (incorporating runway, security and international terminal use charges) calculated per arriving and departing passenger, excluding transit and transfer passengers, infants and positioning crew
- (b) time-based aircraft parking charges.

Aeronautical revenue is recognised on a straight-line basis or based on the completion of the rendering of the services listed above.

## Aeronautical security recovery

Aeronautical security recoveries include charges for services provided on both international and domestic sectors. Security charges are not levied on regional passenger services (other than for terminal 2 passenger screening and checked bag screening services). Aeronautical security recoveries are for the following services:

- (a) international services include checked bag screening, passenger screening, counter terrorist first response and additional security measures. All charges are levied on a per passenger basis
- (b) domestic services include counter terrorist first response and additional security measures levied on a per passenger basis, and passenger screening and checked bag screening (terminal 2 only).

Aeronautical security recovery is recognised based on the completion of the rendering of the above-listed services.

## Aeronautical-related revenue

'Aeronautical-related' includes revenue for:

- check-in counter services
- recovery relating to parking infringement notices)
- public and staff car-parking activities
- aircraft light and emergency maintenance sites and buildings
- taxi holding and feeder services.

Aeronautical-related revenue is recognised on a straight-line basis or based on the completion of the rendering of the above-listed services.

Other non-aeronautical revenue

Non-aeronautical revenue represents the following classes of revenue:

- Retail revenue—comprising rental from tenants whose activities include duty free, food and beverage, other retail, banking and currency, and advertising.
- Property revenue—recognised on the invoiced amount of rent due from airport property, including terminals, buildings and other leased areas (other than revenue already recognised as aero-related revenue referred above).
- Commercial trading revenue—revenue from all other commercial streams, excluding revenue for time based charges from public and staff car-parking. Commercial trading revenue also includes revenue relating to valet parking services and concession charges from car rental.

**(d) Maintenance**

Major periodic maintenance expenditure on runways, taxiways and aprons is capitalised and written off over the period between major repairs, to the extent the maintenance enhances the economic benefit associated with the asset or the relevant component has been depreciated. This recognises that major maintenance will increase the value of the asset and therefore the cost is apportioned over the period of related benefit. Other maintenance costs are expensed as incurred.

**(e) Operating leases**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Contingent rental income is recognised in the periods in which it is earned.

**(f) Tax**

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable for the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as result of a business combination) which affects neither taxable income nor accounting profit.

Deferred income tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are released or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

**Current and deferred tax for the period**

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

**Tax consolidation**

The company and all the wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Southern Cross Airports Corporation Holdings Limited is the head entity of the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group.

The amounts recognised are calculated using the assumptions set out in the tax funding agreement, including the assumption that each member is not a member of the tax consolidated group. Current tax liabilities, assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company.

Due to the existence of a tax-funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to, or receivable by, the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

**Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the GST incurred on a purchase of goods and services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and for receivables and payables, which are recognised inclusive of GST.

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

The net amount of GST recoverable from or payable to the ATO is included as part of receivables or payables. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

**(g) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and in banks, money market investments readily convertible to cash within two working days and restricted short-term deposits, net of outstanding bank overdrafts.

**(h) Financial assets**

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held to maturity investments', 'available for sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

At balance date SACL had one category of financial assets, 'loans and receivables'.

**Loans and receivables**

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

Current receivables are allocated between aeronautical and non-aeronautical services based on the nature of the revenue streams that generate the receivables.

### Impairment of financial assets

Financial assets, other than those at fair value through the profit and loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit and loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. Investments in subsidiaries are held at cost.

#### (i) Property, plant and equipment

All classes of property, plant and equipment are stated at cost less accumulated depreciation and impairment.

#### Cost

Assets acquired are recorded at the cost of acquisition (or deemed cost on the transition to AIFRS), being the purchase consideration plus costs incidental to the acquisition. Assets constructed include all direct costs incurred. These costs include materials, labour, borrowing costs and other directly related expenditure.

#### 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, if relevant, over the remaining period of the lease. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

Depreciation periods of each class of asset are as follows.

	2007	2006
Leasehold buildings	5–60 years	5–60 years
Runways, taxiways and aprons	6–91 years	6–92 years
Other infrastructure	9–40 years	9–40 years
Operational plant and equipment	14–20 years	14–20 years
Other plant and equipment	3–60 years	3–60 years

#### Leases

Leases are classified at their inception as either operating or financial leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

#### Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

#### (j) Intangible assets

Intangible assets acquired separately are initially capitalised at cost. The intangible assets from the acquisition as of 30 June 1998 (corporatisation) have been restated under AGAAP, resulting in the fair value recognition of leasehold land and the airport operator licence as at the date of the transition from AGAAP to AIFRS (i.e. 1 July 2004).

The useful lives of the intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement.

Intangible assets are tested for impairment where an indicator of impairment exists, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

A summary of the policies applied to the company's intangible assets is as follows:

	<b>Leasehold land</b>	<b>Airport operator licence</b>
<b>Nature</b>	Right to use the land of Sydney airport	Right to operate Sydney airport
<b>Useful lives</b>	Finite	Finite
<b>Amortisation method used</b>	99 years from 28 June 1998 on straight-line basis	99 years from 28 June 1998 on straight-line basis
<b>Impairment test</b>	When an indicator of impairment exists	When an indicator of impairment exists

(k) Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in previous years. A reversal of an impairment loss is recognised in profit or loss immediately.

(l) Employee benefits

Provision is made for employee benefits and related on-costs accumulated when it is probable that settlement will be required and they are capable of being measured reliably. The benefits include wages and salaries, incentives, annual leave and long service leave. Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rates expected to apply at the time of settlement. 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 employees' incentives is made when the outflow of economic benefits is probable and the amount can be measured reliably. Incentives are included in directors' remuneration as applicable, once these benefits have vested with the employee.

**Defined contribution plans**

Contributions to defined contribution superannuation plans are expensed when incurred.

**Defined benefit plans**

For defined benefit superannuation plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each year end reporting date. Actuarial gains and losses are recognised in full, directly in retained earnings, in the period in which they occur, and are presented in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested—otherwise it is amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

**(m) Payables**

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

**(n) Comparatives**

Comparative information is not required under the regulatory information requirements Part 7 of the *Airports Act 1996* and s. 95ZF of the *Trade Practices Act 1974*, as set out in the airport reporting guideline.

## I.2. Airport operational statistics

### Adelaide airport

**Table I.2.1 Operational statistics for the years ended 30 June 1999 to 2007**

Description	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
<b>Passengers</b>									
Domestic passengers	3 798 598	3 983 376	4 212 961	3 874 178	4 145 966	4 643 199	5 028 303	5 395 241	5 787 704
International passengers <sup>(a)</sup>	245 100	263 098	275 948	239 465	215 306	255 283	324 866	358 135	452 985
International transit passengers	33 981	28 446	39 028	44 283	41 116	33 723	26 683	27 794	42 678
Domestic on-carriage	15 465	10 000	7 361	24 247	31 923	34 116	33 093	36 847	17 126
<b>Total passengers</b>	<b>4 093 144</b>	<b>4 284 920<sup>(b)</sup></b>	<b>4 535 298</b>	<b>4 182 173</b>	<b>4 434 311</b>	<b>4 966 321</b>	<b>5 412 945</b>	<b>5 818 017</b>	<b>6 300 493</b>
<b>Aircraft movements</b>									
Regular public transport	74 172	76 392	76 450	67 367	69 012	65 075	70 932	70 284	72 228
General aviation	36 802	25 774	24 850	28 838	27 924	28 612	28 173	27 999	29 838
<b>Total aircraft movements</b>	<b>110 974</b>	<b>102 166</b>	<b>101 300</b>	<b>96 205</b>	<b>96 936</b>	<b>93 687</b>	<b>99 105</b>	<b>98 283</b>	<b>102 066</b>
<b>Total tonnes landed</b>	<b>1 672 105</b>	<b>1 693 913</b>	<b>1 789 851</b>	<b>1 642 507</b>	<b>1 623 480</b>	<b>1 702 939</b>	<b>1 885 001</b>	<b>2 033 522</b>	<b>2 142 489</b>
<b>Average staff equivalents</b>									
Aeronautical services	50	35	48	75	50	57	62	71	67
Non-aeronautical services	31	40	39	29	36	41	49	50	58
<b>Total average staff equivalents</b>	<b>81</b>	<b>75</b>	<b>87</b>	<b>104</b>	<b>86</b>	<b>98</b>	<b>111</b>	<b>121</b>	<b>125</b>
<b>Area (hectares)</b>									
Aeronautical services	468	468	506	506	506	506	506	506	506
Non-aeronautical services	317	317	279	279	279	279	279	279	279
<b>Total area (hectares)</b>	<b>785</b>	<b>785</b>	<b>785</b>	<b>785</b>	<b>785</b>	<b>785</b>	<b>785</b>	<b>785</b>	<b>785</b>

Notes: (a) Excludes transit passengers.

(b) This figure was previously incorrectly reported as 4 284 563.



## Brisbane airport

**Table I.2.2 Operational statistics for the years ended 30 June 1999 to 2007**

Description	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
<b>Passengers</b>									
Domestic passengers	7 730 099	8 133 185	10 170 397	9 307 700	9 285 396	10 906 802	11 846 416	12 344 337	13 519 490
International passengers <sup>(a)</sup>	2 536 627	2 609 009	2 680 299	2 575 738	2 558 296	3 036 458	3 601 317	3 754 010	3 975 211
International transit passengers	279 181	253 347	232 626	237 597	299 616	250 506	249 628	204 487	232 162
Domestic on-carriage	166 922	205 854	201 102	199 079	196 978	179 359	187 056	110 629	116 703
<b>Total passengers</b>	<b>10 712 829</b>	<b>11 201 395</b>	<b>13 284 424</b>	<b>12 320 114</b>	<b>12 340 286</b>	<b>14 373 125</b>	<b>15 884 417</b>	<b>16 413 463</b>	<b>17 843 566</b>
<b>Aircraft movements</b>									
Regular public transport	131 316	130 714	143 468	128 768	127 014	133 406	148 242	150 616	154 002
General aviation	27 444	30 050	34 892	21 982	10 672	11 348	11 690	13 112	13 840
<b>Total aircraft movements</b>	<b>158 760</b>	<b>160 764</b>	<b>178 360</b>	<b>150 750</b>	<b>137 686</b>	<b>144 754</b>	<b>159 932</b>	<b>163 728</b>	<b>167 842</b>
<b>Total tonnes landed</b>									
<b>Total tonnes landed</b>	<b>5 020 245</b>	<b>5 069 217</b>	<b>5 659 109</b>	<b>5 126 455</b>	<b>4 987 386</b>	<b>5 472 674</b>	<b>6 118 498</b>	<b>6 158 473</b>	<b>6 321 908</b>
<b>Average staff equivalents</b>									
Aeronautical services	88	89	86	96	102	100	112	129	136
Non-aeronautical services	28	29	34	33	35	43	46	53	61
<b>Total average staff equivalents</b>	<b>116</b>	<b>118</b>	<b>120</b>	<b>129</b>	<b>137</b>	<b>143</b>	<b>158</b>	<b>181</b>	<b>197</b>
<b>Area (hectares)</b>									
Aeronautical services	2 195	2 195	1 840	1 840	1 840	1 840	1 912	1 755	1 986
Non-aeronautical services	505	505	860	860	860	860	788	945	714
<b>Total area (hectares)</b>	<b>2 700</b>	<b>2 700</b>	<b>2 700</b>	<b>2 700</b>	<b>2 700</b>	<b>2 700</b>	<b>2 700</b>	<b>2 700</b>	<b>2 700</b>

Note: (a) Excludes transit passengers.

## Canberra airport

**Table I.2.3 Operational statistics for the years ended 30 June 1999 to 2007**

Description	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
<b>Passengers</b>								
Domestic passengers	1 979 872	2 114 173	1 825 754	1 920 991	2 306 622	2 484 032	2 555 846	2 690 218
International passengers <sup>(a)</sup>	N/D	N/D	N/D	N/D	N/D	N/D	N/D	N/D
International transit passengers <sup>(a)</sup>	N/D	N/D	N/D	N/D	N/D	N/D	N/D	N/D
Domestic on-carriage <sup>(a)</sup>	N/D	N/D	N/D	N/D	N/D	N/D	N/D	N/D
<b>Total passengers</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>1 920 991</b>	<b>2 306 622</b>	<b>2 484 032</b>	<b>2 555 846</b>	<b>2 690 218</b>
<b>Aircraft movements</b>								
Regular public transport	38 870	47 924	N/A	N/A	N/A	N/A	34 488	35 312
Military/VIP							2 150	
General aviation	N/A	52 530	N/A	N/A	N/A	N/A	44 880	N/A <sup>(b)</sup>
<b>Total aircraft movements</b>	<b>N/A</b>	<b>100 454</b>	<b>101 374</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A<sup>(b)</sup></b>	<b>81 518</b>	<b>N/A</b>
<b>Total tonnes landed</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>855 432</b>	<b>N/A<sup>(b)</sup></b>	<b>N/A<sup>(b)</sup></b>	<b>N/A<sup>(b)</sup></b>
<b>Average staff equivalents</b>								
Aeronautical services	15	21	25	30	28	26	31	41
Non-aeronautical services	7	6	11	12	17	22	26	34
<b>Total average staff equivalents</b>	<b>22</b>	<b>27</b>	<b>36</b>	<b>42</b>	<b>45</b>	<b>48</b>	<b>57</b>	<b>75</b>
<b>Area (hectares)</b>								
Aeronautical services	264	210	286	286	286	286	241	241
Non-aeronautical services	173	227	151	151	151	151	196	196
<b>Total area (hectares)</b>	<b>437</b>	<b>437</b>	<b>437</b>	<b>437</b>	<b>437</b>	<b>437</b>	<b>437</b>	<b>437</b>

Notes: (a) Not disclosed by airlines.

(b) Not reliably recorded.

## Darwin airport

**Table I.2.4 Operational statistics for the years ended 30 June 1999 to 2007**

Description	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
<b>Passengers</b>									
Domestic passengers	831 821	N/A	N/A <sup>(b)</sup>	762 500	877 300	985 000	1 104 500	1 106 000	1 282 000
International passengers <sup>(a)</sup>	184 859	N/A	N/A <sup>(b)</sup>	195 600	152 600	137 000	159 600	183 000	178 000
International transit passengers	157 660	N/A	N/A <sup>(b)</sup>	95 200	56 500	60 000	121 400	152 000	194 000
Domestic on-carriage	45 192	N/A	N/A <sup>(b)</sup>	33 900	N/A	N/A	N/A	N/A	N/A
<b>Total passengers</b>	<b>1 219 532</b>	<b>N/A</b>	<b>N/A<sup>(b)</sup></b>	<b>1 087 200<sup>(c)</sup></b>	<b>1 086 400</b>	<b>1 182 000</b>	<b>1 385 500</b>	<b>1 441 000</b>	<b>1 654 000</b>
<b>Aircraft movements</b>									
Regular public transport	22 544	26 860	25 830	18 716	18 014	18 152	18 278	17 704	19 358
General aviation	58 844	57 760	59 664	49 044	40 590	44 312	48 726	53 630	55 906
<b>Total aircraft movements</b>	<b>81 388</b>	<b>84 620</b>	<b>85 494</b>	<b>67 760</b>	<b>58 604</b>	<b>62 464</b>	<b>67 004</b>	<b>71 334</b>	<b>75 264</b>
<b>Total tonnes landed</b>	<b>637 582</b>	<b>720 333</b>	<b>801 706</b>	<b>592 028</b>	<b>527 167</b>	<b>539 039</b>	<b>621 163</b>	<b>661 953</b>	<b>800 682</b>
<b>Average staff equivalents</b>									
Aeronautical services	16.5	17.4	17.7	17	24	27	30	30	40
Non-aeronautical services	12.5	13.1	13.3	13	12	14	12	12	15
<b>Total average staff equivalents</b>	<b>29</b>	<b>30.5</b>	<b>31.0</b>	<b>30</b>	<b>36</b>	<b>41</b>	<b>42</b>	<b>42</b>	<b>55</b>
<b>Area (hectares)</b>									
Aeronautical services	128.7	128.7	128.7	128.7	129	129	129	129	129
Non-aeronautical services	182.2	182.2	182.2	182.2	182	182	182	182	182
<b>Total area (hectares)</b>	<b>310.9</b>	<b>310.9</b>	<b>310.9</b>	<b>310.9</b>	<b>311</b>	<b>311</b>	<b>311</b>	<b>311</b>	<b>311</b>

- Notes: (a) Excludes transit passengers.  
 (b) Darwin notes that passenger numbers have not been provided because of non-provision by the airlines and confidentiality requirements.  
 (c) Passenger numbers are estimated.



## Perth airport

**Table I.2.6 Operational statistics for the years ended 30 June 1999 to 2007**

Description	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
<b>Passengers</b>									
Domestic passengers	3 264 459	3 385 825	3 560 565	3 160 085	3 720 353	4 271 810	4 677 705	5 107 657	5 868 219
International passengers <sup>(a)</sup>	1 539 550	1 595 701	1 660 275	1 651 069	1 612 551	1 766 538	1 977 262	2 027 223	2 221 298
International transit passengers	124 946	124 679	28 065	21 833	40 906	21 286	302	3 596	1 809
Domestic on-carriage	39 363	49 141	15 706	4 238	3 221	2 989	N/A	0	0
<b>Total passengers</b>	<b>4 969 318</b>	<b>5 155 346</b>	<b>5 264 611</b>	<b>4 837 225</b>	<b>5 377 031</b>	<b>6 062 623</b>	<b>6 655 269</b>	<b>7 138 476</b>	<b>8 091 326</b>
<b>Aircraft movements</b>									
Regular public transport	61 046	60 868	57 680	49 494	49 451	51 230	56 118	56 820	59 273
General aviation	37 434	34 028	27 648	24 946	26 485	27 546	30 546	35 258	40 131
<b>Total aircraft movements</b>	<b>98 480</b>	<b>94 896</b>	<b>85 328</b>	<b>74 440</b>	<b>75 936</b>	<b>78 776</b>	<b>86 664</b>	<b>92 078</b>	<b>99 404</b>
<b>Total tonnes landed</b>									
	<b>2 560 638</b>	<b>2 740 651</b>	<b>2 682 492</b>	<b>2 412 934</b>	<b>2 533 222</b>	<b>2 643 859</b>	<b>2 877 588</b>	<b>3 121 022</b>	<b>3 635 782</b>
<b>Average staff equivalents</b>									
Aeronautical services	69	61	69	61	60	63	68	76	73
Non-aeronautical services	25	25	30	57	61	64	65	63	70
<b>Total average staff equivalents</b>	<b>94</b>	<b>86</b>	<b>99</b>	<b>118</b>	<b>121</b>	<b>127</b>	<b>133</b>	<b>139</b>	<b>143</b>
<b>Area (hectares)</b>									
Aeronautical services	1 280	1 280	1 280	1 280	1 280	1 280	1 280	1 280	1 280
Non-aeronautical services	825	825	825	825	825	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>	<b>2 105</b>	<b>2 105</b>	<b>2 105</b>	<b>2 105</b>	<b>2 105</b>

Note: (a) Excludes transit passengers.

## Sydney airport

**Table I.2.7 Operational statistics for the years ended 30 June 1999 to 2007**

Description	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
<b>Passengers</b>									
Domestic passengers	14 162 607	15 405 739	17 304 786	15 454 981	15 832 168	17 452 860	18 644 314	19 268 550	20 829 068
International passengers <sup>(a)</sup>	7 407 506	8 048 190	8 722 667	8 037 750	7 817 003	8 550 355	9 234 583	9 533 633	9 968 614
International transit passengers	577 686	517 080	487 536	461 467	448 753	557 466	560 282	468 519	424 989
Domestic on-carriage	306 069	346 522	409 050	370 813	355 037	422 426	409 253	306 283	181 224
<b>Total passengers</b>	<b>22 453 868</b>	<b>24 317 531</b>	<b>26 924 039</b>	<b>24 325 011</b>	<b>24 452 961</b>	<b>26 983 107</b>	<b>28 848 432</b>	<b>29 576 985</b>	<b>31 403 895</b>
<b>Aircraft movements</b>									
Regular public transport	254 323	262 171	290 492	232 726	230 106	243 404	254 053	252 326	253 694
General aviation	26 978	30 939	26 847	22 003	22 410	23 342	32 431	30 323	27 840
<b>Total aircraft movements</b>	<b>281 301</b>	<b>293 110</b>	<b>317 339</b>	<b>254 729</b>	<b>252 516</b>	<b>266 746</b>	<b>286 484</b>	<b>282 649</b>	<b>281 534</b>
<b>Total tonnes landed</b>									
	<b>12 466</b>	<b>12 925</b>	<b>13 892</b>	<b>12 328</b>	<b>11 915 000</b>	<b>12 842 000</b>	<b>14 116 000</b>	<b>14 162 000</b>	<b>14 214 000</b>
<b>Average staff equivalents</b>									
Aeronautical services	338	352	346	300	283	204	209	202	211
Non-aeronautical services	89	122	136	108	118	84	77	80	83
<b>Total average staff equivalents</b>	<b>427</b>	<b>474</b>	<b>482</b>	<b>408</b>	<b>401</b>	<b>288</b>	<b>286</b>	<b>282</b>	<b>294</b>
<b>Area (hectares)</b>									
Aeronautical services	718.6	669.4	669.4	669.4	671	671	671	708	708
Non-aeronautical services	167.9	216.7	228.7	236.0	236	236	236	199	199
<b>Total area (hectares)</b>	<b>886.5</b>	<b>886.1</b>	<b>898.1</b>	<b>905.4</b>	<b>907</b>	<b>907</b>	<b>907</b>	<b>907</b>	<b>907</b>

Note: (a) Excludes transit passenger

### 1.3. Airport car-parking charges

Schedules of aeronautical and aeronautical-related charges are contained within individual airport results in sections 3 to section 9.

## Adelaide airport

**Table 1.3.1(a) Car-parking charges (public)**

<b>Public car park tariff</b>	<b>Duration</b>	<b>Charge per unit \$ (incl. GST)</b>
<b>01/02/06 to 28/06/07</b>		
<b>Hourly rates – Short Term</b>		
	0-60 minutes	4.00
	1 – 2 hours	7.00
	2-3 hours	9.00
	3-4 hours	12.00
	4-5 hours	14.00
	5-6 hours	16.00
	6-7 hours	18.00
	7-8 hours	20.00
	8-9 hours	22.00
	9-10 hours	24.00
	10-24 hours	25.00
<b>Daily rates</b>		
	1 day	15.00
	2 days	30.00
	3 days	40.00
	4 days	50.00
	5 days	60.00
	6 days	70.00
	7 days	80.00
	8 days	90.00
	9 days	110.00
	10 days	120.00

**Table I.3.1(b) Car-parking charges (public)**

<b>Public car park tariff</b>	<b>Duration</b>	<b>Short Term – Charge per unit \$ (incl. GST)</b>	<b>Long Term – Charge per unit \$ (incl. GST)</b>
<b>29/06/07 to 30/06/07</b>			
<b>Hourly rates</b>	1 Hour	4.00	5.00
	2 Hours	7.00	8.00
	3 Hours	9.00	10.00
	4 Hours	12.00	13.00
	5 Hours	14.00	15.00
	6 Hours	16.00	17.00
	7 Hours	18.00	19.00
	8 Hours	20.00	20.00
	9 Hours	22.00	20.00
	10 Hours	24.00	20.00
	11 Hours	30.00	20.00
	12 Hours	30.00	20.00
	24 Hours	30.00	20.00
	48 Hours	60.00	35.00
	72 Hours	90.00	45.00
	96 Hours	120.00	55.00
	120 Hours	150.00	60.00
	144 Hours	180.00	70.00
168 Hours	210.00	75.00	
192 Hours	240.00	80.00	
216 Hours	270.00	85.00	
240 Hours	300.00	90.00	



## Brisbane airport

**Table I.3.2(a) Car-parking charges (international)**

*From 01/07/06 to 30/06/07*

<b>Hours</b>	<b>Rate</b> \$ (incl. GST)
0 to 0.5	5.00
0.5 to 1	8.00
1 to 2	10.00
2 to 3	12.00
3 to 4	14.00
4 to 5	16.00
5 to 6	18.00
6 to 7	20.00
Maximum	22.00

**Table I.3.2(b) Car-parking charges (domestic–short term)**

*From 01/07/06 to 30/06/07*

<b>Hours</b>	<b>Rate \$</b> (incl. GST)
0 to 0.5	5.00
0.5 to 1	8.00
1 to 2	10.00
2 to 3	12.00
3 to 4	14.00
4 to 5	16.00
5 to 6	18.00
6 to 7	20.00
7 to 8	22.00
8 to 9	24.00
9 to 10	26.00
10 to 11	28.00
11 to 12	30.00
12 to 13	32.00
13 to 14	34.00
14 to 15	36.00
15+	36.00

**Table I.3.2(c) Car-parking charges (domestic—long term)**
*From 01/07/06 to 30/06/07*

Hours	Rate \$ (incl. GST)
1 day or part thereof	22.00
2 days or part thereof	39.00
3 days or part thereof	56.00
4 days or part thereof	73.00
5 days or part thereof	82.00
6 days or part thereof	91.00
7 days or part thereof	91.00
8 days or part thereof	100.00
9 days or part thereof	109.00
10 days or part thereof	118.00
11 days or part thereof	127.00
12 days or part thereof	136.00
13 days or part thereof	145.00
14 days or part thereof	145.00
15 days or part thereof	154.00
16 days or part thereof	163.00
17 days or part thereof	172.00
18 days or part thereof	181.00
19 days or part thereof	190.00
20 days or part thereof	199.00
21 days or part thereof	199.00
22 days or part thereof	208.00
23 days or part thereof	217.00
24 days or part thereof	226.00
25 days or part thereof	235.00
26 days or part thereof	244.00
27 days or part thereof	253.00
28 days or part thereof	253.00
29 days or part thereof	262.00
30 days or part thereof	271.00
31 days or part thereof	280.00
Every day thereafter	9.00
Every seventh day free	–

**Table I.3.2(d) Taxi holding and feeder services**
*Per vehicle trip*

Vehicle categories	Size	Price \$ (incl. GST)
Large bus	Above 30 passengers	8.00
Medium bus	13 to 29 passengers	6.00
Vans	6 to 12 passengers	4.00
Limousine	Below 6 passengers	2.00
Courtesy car	Below 6 passengers	2.00
Taxi fee	From 1 April 2003	2.00

## Canberra airport

**Table I.3.3 Car-parking charges**

*From 01/12/06 to 30/06/07*

<b>Short stay car park rates</b>	<b>\$/time/car space</b>
0–½ hour	1.50
½–1 hour	2.00
1–1½ hours	3.00
1½–2 hours	4.00
2–3 hours	6.00
3–4 hours	7.50
4–5 hours	10.00
5–24 hours	22.00
24–48 hours	23.50 – 44.00
thereafter \$15 per 24 hours	22.00
<b>Long stay parking rates</b>	
0–5 hours	As per short stay
5–24 hours	15.00
24–48 hours	17.00 – 30.00
48–72 hours	32.00 – 45.00
72–76 hours	45.00 – 52.00
thereafter \$7 per 24 hours (from 23.06.05)	7.00
Weekend special	27.00

## Darwin airport

**Table I.3.4 Car-parking charges**

*From 15/12/06 to 30/06/07*

<b>Service/infrastructure covered</b>	<b>Basis of charge</b> (e.g. sq. metre)	<b>Charge per unit</b> \$ (incl. GST)
<b>Public car-parking</b>	up to 30 minutes	2.00
	31–60 minutes	4.00
	1 hour to 2 hours	6.00
	2 hours to 3 hours	7.00
	3 hours to 4 hours	8.00
	4 hours to 5 hours	9.00
	5 hours to 24 hours	10.00
<b>Daily rate</b>	2 to 7 days	10.00
	>8 days per day	7.00

## Melbourne airport

**Table I.3.5 Car-parking charges**

*From 01/07/06 to 30/06/07*

<b>Service/infrastructure covered</b>	<b>Basis of charge (e.g. sq. metre)</b>	<b>Charge per unit \$ (incl. GST)</b>
<b>Public car-parking</b>	up to 20 minutes	2
	21–40 minutes	6
	41–60 minutes	10
	1 hour to 2 hours	18
	2 hours to 3 hours	18
	3 hours to 4 hours	30
	4 hours to 10 hours	30
	10 hours to 24 hours	42
<b>Long-term rate</b>	1 day	25
	2 days	35
	3 days	40
	4 days	50
	5 days	60
	6 days	65
	7 days	69
	8 days	80
	9 days	85
	10 days	90
	11–15 days	95
16 days plus	99	
<b>Undercover long term</b>	day 1	40
	day 2	80
	day 3	85
	day 4	90
	day 5	95
	day 6	100
	day 7	110
	day 8	120
	day 9	130
	day 10	140
	day 11	150
	day 12	160
	day 13	170
	day 14	180
	day 15	190
	day 16	200

*From 01/07/06 to 30/06/07*

<b>Service/infrastructure covered</b>	<b>Basis of charge</b> (e.g. sq. metre)	<b>Charge per unit</b> \$ (incl. GST)
	per day thereafter	10
<b>Business parking</b>		
	day 1	42
	day 2	84
	day 3	125
	day 4	155
	day 5	185
	day 6	215
	day 7	245
	day 8	275
	day 9	305
	day 10	335
	day 11	365
	weekend special	45

## Perth airport

**Table I.3.6 Car-parking charges**

*From 01.07.06 to 30.06.07*

<b>Service/infrastructure covered</b>	<b>Basis of charge</b> (e.g. sq. metre)	<b>Charge per unit</b> \$ (incl. GST)
<b>Public car-parking</b>	first 5 minutes	free
	5 minutes to 30 minutes	3.70
	30 minutes to 1 hour	5.20
	1 hour to 2 hours	7.00
	2 hours to 3 hours	8.00
	3 hours to 4 hours	9.00
	4 hours to 5 hours	10.00
	5 hours to 6 hours	11.00
	over 6 hours	17.00
<b>Daily rate—domestic</b>	first 3 days—per day	17.00
	each day after 3 days	2.00
<b>Daily rate—international</b>	first 2 days—per day	17.00
	each day after 2 days	2.00

## Sydney airport

**Table I.3.7 Car-parking rates**

<b>Public car park tariff</b>	<b>Duration</b>	<b>Charge per unit \$ (incl. GST)</b>
<b>Domestic terminal public car park</b>	First 30 minutes	7
	31–60 minutes	13
	1–2 hours	20
	2–3 hours	24
	3–4 hours	42
	4–5 hours	42
	5–24 hours	42
<b>International terminal public car park</b>	First 30 minutes	7
	31–60 minutes	13
	1–2 hours	20
	2–3 hours	24
	3–4 hours	27
	4–5 hours	30
	5–24 hours	40
	1–2 days	69
	2–3 days	79
	3–4 days	89
	4–5 days	99
	5–6 days	109
	6–7 days	119
	additional per day after 7 days	12
	<b>Domestic Long term carpark (c)</b>	per day
up to 7 days		104
per day after 7 days		11

Notes: (a) Taxis \$2; hire cars \$2.50; buses (up to 14-seater), \$3 ; buses (15–29 seater), \$5; and buses (30+ seater), \$10—all including GST). Charges are for arrivals only; no charge applies on departures.

(b) Annual rentals for leased sites and buildings are based on a commercially agreed rate per square metre (m<sup>2</sup>).

(c) \$15/day surcharge applies for undercover parking.



## 2. Quality of service appendix

### 2.1. Indicators of airport quality of service

#### Objective measures

The ACCC requested the measures in the table below from airports and Airservices Australia, in light of the airports regulations and the government objectives for monitoring. The measures in column (1) are base data largely related to the size or scale of the airport, while the indicators in column (2) are derived from the base data to give a better indicator of relative adequacy of facilities—that is, relative to the number of passengers or aircraft.

Apart from the runway data which was sought from Airservices Australia, the data was sought from the airport operators. In some cases, it was not possible to obtain this data, as indicated in the relevant sections of this report.

Facility	(1) Base data	(2) Objective indicators
<b>Runway system</b>	Number of arrivals/departures per hour: morning peak evening peak monthly average day of week average  Runway system capacity  Arriving/departing aircraft delay: morning peak evening peak monthly average day of week average  Number of arriving/departing aircraft delayed by length of delay	
<b>Aerobridges</b> for arrivals	Number of aerobridges international terminal domestic terminal Number of passengers arriving from international aircraft via aerobridges Number of arriving international aircraft using aerobridges	per cent of international passengers arriving via aerobridges
for departures	Number of passengers departing in international aircraft via aerobridges	per cent of international passengers departing via aerobridges
<b>Apron System</b> Parking for aircraft	Number of aircraft parking bays Number of aircraft parking bays per arriving aircraft at peak hour	
<b>Check-in</b>	Number of hours with more than 80 per cent of desks in use    Number of hours any desks are open  Number of desks	per cent of hours with more than 80 per cent of desks in use
<b>Government inspection</b> (at international terminals)	Number of inbound immigration desks	Number of inbound immigration desks per arriving passenger during peak hour
... inbound	Number of baggage inspection desks	Number of baggage inspection desks per arriving passenger during peak hour
... outbound	Number of outbound immigration desks	Number of outbound immigration desks per departing passenger during peak hour
<b>Security clearance</b>	Number of security clearance systems	Number of security clearance systems per departing passenger during peak hour
<b>Gate lounges</b>	Number of seats in gate lounge  Square metres of lounge area  Seats per departing passenger during peak hour	Lounge area per departing passenger during peak hour

Facility	(1) Base data	(2) Objective indicators
<b>Baggage processing</b>	Capacity of outbound baggage handling system	Average throughput of the outbound baggage system
... outbound baggage systems	Number of bags handled Number of hours system is in use Number and duration of planned/unplanned interruptions to outbound baggage handling system	
inbound baggage systems	Capacity of inbound baggage handling system  Number and duration of planned/unplanned interruptions to inbound baggage handling system	
	<b>Baggage trolleys</b>	
<b>Baggage trolleys</b>	Number of baggage trolleys	Number of baggage trolleys  Number of baggage trolleys per [arriving/ departing] passenger during peak hour
<b>Signage and wayfinding</b>	Number of FID screens	Number of information points Number of FID screens per [arriving/ departing] passenger during peak hour
<b>Other—traffic</b>	Total number of arriving passengers from international aircraft  Total number of departing passengers in international aircraft  Number of arriving/departing passengers during peak hour <sup>1</sup>	Average number of arriving/departing passengers during peak hour
<b>Car-parking</b>	Number of days car park is open  Number of parking spaces available to the public  Total annual throughput of car park  Average daily throughput of car park  Number of parking spaces available to staff	Average daily throughput/number of spaces

Note on peak hour: Advice provided to the ACCC by airport operators recommended the use of an average peak measure as a quality of service performance indicator, which is recommended to be defined as the peak hour in the average day of the peak month. The ACCC also recognises that there are other peak measures such as thirtieth busiest hour per month or ninety-fifth percentile traffic levels that may be used by airports to approximate peak hour passenger traffic levels in airport terminals.

## Passenger perception surveys

Airports were expected to conduct passenger surveys eliciting passengers' satisfaction with each of the facilities in the following table at each terminal managed by the airport operator.

<b>Service</b>	<b>Satisfaction with ...</b>
<b>Check-in</b>	Check-in waiting time Average waiting time per passenger during peak hour (number of minutes)
<b>Government inspection</b>	
<b>Inbound</b>	Waiting time in inbound immigration area Waiting time in inbound baggage inspection area
<b>Outbound</b>	Waiting time in outbound immigration area
<b>Security clearance</b>	Quality of security search process
<b>Gate lounges</b>	Quality and availability of seating in lounge area Crowding in lounge area
<b>Baggage processing</b>	Waiting time for inbound baggage arrival Information display regarding inbound baggage location Circulation space for baggage pick up
<b>Baggage trolleys</b>	Findability of baggage trolleys
<b>Signage and wayfinding</b>	FID (flight information display) screens Signage and wayfinding
<b>Washrooms</b>	Standard of washroom facilities
<b>Car-parking</b>	Standard of car park facilities Availability of car-parking spaces Time taken to enter car park
<b>Airport access</b>	Congestion at kerbside taxi drop-off and pick-up Facilities for kerbside taxi drop-off and pick-up
<b>Taxis</b>	Standard of facilities for taxis Waiting time to get a taxi

## Airline user survey

The ACCC’s survey of airlines using monitored airports asked questions about each airline’s satisfaction with the following items:

Facility	Satisfaction with ...
<b>Airside</b>	
Runways	1. Standard; 2. Availability
Taxiways	1. Standard; 2. Availability
Apron system	1. Standard; 2. Availability
Gates (including hardstand)/aircraft facilities (including parking bays)	1. Standard; 2. Availability
Ground service equipment storage sites	1. Standard; 2. Availability
<b>Terminal</b>	
Aerobridges	1. Standard; 2. Availability
Check-in facilities including counters, IT systems and queuing areas	1. Standard; 2. Availability
Baggage processing facilities	1. Standard; 2. Availability
<b>Management</b>	
Overall system for addressing quality of service concerns	

- Notes:
1. Standard—the standard/condition of the facility supplied, and condition in which it is generally maintained.
  2. Availability: the amount of the service made available to an airline relative to demands for the service. May include whether facilities are available or restricted due to congestion, positioning, maintenance, or repairs, the accessibility or usefulness of the facility/service provided, and the efficiency of the system to allocate usage.
  3. Management and consultation provided by airport operator for the listed services—relates to airport operator’s responsiveness and approach when dealing with quality of service issues with the airline, including addressing new and recurring quality concerns, and keeping airlines informed of imminent changes.

## 2.2 Base data for objective indicators

This appendix sets out the base data for objective indicators. The indicators of adequacy derived from the base data are shown earlier in each airport's section.

### Airport traffic

Table 2.2.1 sets out the key traffic figures at price-monitored airports. The table shows the average peak hour times at each airport, number of passengers at peak hour, and the total number of passengers for the year. Owing to the flexibility in determining what the average peak hour is, the measures may not be strictly comparable between airports.

**Table 2.2.1 Number of passengers at peak hour, and total annual number of passengers, 2006–07**

Airport	Terminal	Arriving/ departing	Peak hour time	Number of passengers in peak hour	Year total passengers, 2006–07
Adelaide	International	Arriving	1900–2000	500	238 103
		Departing	0600–0700	620	214 882
	Domestic	Arriving	1900–2000	720	2 659 201
		Departing	0600–0659	900	
Brisbane	International	Arriving	0700–0759	1 679	2 285 151
		Departing	0900–0959	1 448	2 271 087
	Domestic	Arriving	1800–1859	516	991 014
		Departing	0600–0659	476	
Canberra	Domestic	Arriving	1700–1800	N/P	N/P
		Departing	0630–0730	N/P	
Darwin	International	Arriving	0430–0530	364	92 000
		Departing	0700–0800	277	840 000
	Domestic	Arriving	0015–0115	592	625 000
		Departing	1300–1400	601	
Melbourne	International	Arriving	0803–0902	1 427	2 330 725
		Departing	0019–0118	1 410	2 252 870
	Domestic	Arriving	1514–1613	975	3 600 710
		Departing	2049–2148	1 129	
Perth	International	Arriving	1400–1459	886	1 132 056
		Departing	1600–1659	719	1 083 114
	Domestic	Arriving	2200–2259	499	746 073
		Departing	2300–2359	473	N/P
Sydney	International	Arriving	0600–0659	2 803	5 847 277
		Departing	1100–1159	1 725	5 736 457
	Domestic	Arriving	1800–1859	2 008	10 414 500
		Departing	2000–2059	1 640	

## Airport scale of provision of service

The following table shows some indicators of the number or size of key facilities at each airport. This data indicates the scale of provision of service, but cannot be taken as indicators of the adequacy or quality of facilities. The adequacy of facilities depends on the level of demand which they are required to meet. Quality is also a reflection of the condition of facilities, wear and tear and so on.

### Airside facilities

Table 2.2.2 shows the provision of aircraft parking bays and aerobridges at terminals operated by the airport.

**Table 2.2.2 Airside facilities, 2006–07**

<b>Airport</b>	<b>Terminal</b>	<b>Number of aircraft parking bays</b>	<b>Number of aerobridges</b>
<b>Adelaide</b>	International/Domestic <sup>(a)</sup>	27	14
<b>Brisbane</b>	International	13	10
	Domestic	9	2
<b>Canberra</b>	Domestic	13	2
<b>Darwin</b>	International/Domestic	12 RPT	3
	Other	90 GA	0
<b>Melbourne</b>	International	20	11
	Domestic	20	11
<b>Perth</b>	International	9	5
	Domestic	15	2
<b>Sydney</b>	International	44	30
	Domestic	31	13

Note: (a) Adelaide airport advised aerobridges are available for all international and domestic departure and arrival with the use of ‘swing gates’ to isolate international operations. The balance of the time, the whole terminal is available for domestic and regional operations. Given the passenger mix at Adelaide airport is approximately 5 per cent international and 90 per cent domestic, Adelaide airport have only reported the figures for domestic use unless otherwise specified.

## Terminal facilities

**Table 2.2.3 The number of terminal facilities available at each terminal operated by the airport**

Airport	Terminal	Number of check-in desks	Number of security clearance systems	Number of seats in gate lounges	Area of gate lounges, square metres	Number of outbound bags handled	Number of baggage trolleys	Number of FIDs	Number of information points
Adelaide <sup>(a)</sup>	International	46	2	1610	9890	276 199	700	94	3
	Domestic		3			2 219 060			
Brisbane	International	63	10	1 522	8 600	2 431 148	2 000	211	9
	Domestic	12	2	427	3 522	731 478	400	31	4
Cannberra	Domestic	10	1	440	1 591	N/P	109	19	1
	International	24	1	225	729	airline operated	250	70	52
Darwin <sup>(b)</sup>	Domestic		2	366 up to 591	566 up to 1 053 <sup>(b)</sup>	airline operated			
	International	72	6	2 180	5 231	2 558 628	2 400	76	1
Melbourne	Domestic	33	5	1 142	3 195	N/A	150	40	0
	International	39	13	536	5 474	1 047 173	940	59	1
Perth	Domestic	16	5	436	2 400	737 163	190	28	1
	International	192	16	4 259	6 785	6 365 356	4 932	697	5
Sydney	Domestic	44	9	1 689	4 457	4 462 947	500	305	1

**Notes:** (a) Adelaide airport opened a multi-user integrated terminal, T1, in 2005–06 with international and regional operations transferring to T1 in October and December respectively. Domestic operations transferred in February 2006. T1 has common outbound check-in, baggage handling and security screening to international, domestic and regional passenger services. Arriving international passengers are separately processed through the border agency mandated procedures.

(b) During 2004–05 Darwin airport completed the construction of its 'swing lounge', which operates such that during peak domestic periods where there are no international flights, the entire terminal facility (including the international area) is opened up for domestic passengers. Therefore, during domestic peak hours, the international setting and lounge area is opened up for domestic use.

## Car-parking

Table 2.2.4 shows the number of short and long-term car-parking spaces at each airport. Some are identified as terminal specific.

**Table 2.2.4 Car-parking facilities, price monitored airports, 2006–07**

Airport	Terminal	Number of short-term car park spaces	Number of long-term car park spaces	Number of staff car park spaces
<b>Adelaide</b>	Total airport	829	450	1 138
<b>Brisbane</b>	International	951	N/A	968
	Domestic	842	4 100	1 755
<b>Canberra</b>	Domestic	409	1 012	186
<b>Darwin</b>	Total airport	555	N/A <sup>(a)</sup>	240
<b>Melbourne</b>	Total airport	3 315	11 913	1 676
<b>Perth</b>	International	1 077	N/A	446
	Domestic	1 072	1 442	545
<b>Sydney</b>	International	1 374	N/A	N/A
	Domestic	3 433	N/A	N/A
	Long term	N/A	4 577	N/A
	Staff	N/A	N/A	1 256

**Note:** (a) Darwin airport advised that long-term car-parking is available in the short-term car park.



## Adelaide airport

As a phase II airport, Adelaide airport has provided quality of service information since 2000–01.

Table 2.2.5 (see the following page) shows the objective measures at the international terminal at Adelaide airport for 2000–01 to 2006–07, where available.

**Table 2.2.5 Objective measures for the international terminal at Adelaide airport**

Indicator	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
Number of aircraft parking bays		5	5	5	4	0	0
Number of aerobridges		1	1	0	0	0	0
Number of passengers arriving from international aircraft via aerobridges			84 741	112 317	0	142 141	238 103
Total number of arriving passengers from international aircraft			112 988	149 576	168 168	205 113	238 103
Number of arriving passengers			112 988	149 576	168 168	205 113	238 103
Number of arriving international aircraft using aerobridges			858	624	0	900	1 528
Number of passengers departing in international aircraft via aerobridges			76 738	132 718	0	135 865	214 882
Total number of departing passengers in international aircraft			102 318	176 958	156 698	189 869	214 882
Total number of check-in desks	12	12	12	12	12	0	0
Number of hours with more than 80 per cent of check-in desks staffed			821	585	585	0	0
Total number of hours any check-in desks are open			3 285	2 340	2 340	0	0
Number of inbound immigration desks			10	10	10	12	12
Number of inbound baggage inspection desks	1	1	12	12	12	14	14
Number of outbound immigration desks			5	5	5	8	8
Number of security clearance systems	1	2	2	2	2	1	2
Number of seats in gate lounges		333	333	340	340	0	0
Square metres of lounge area			608	610	610	0	0
Capacity of outbound baggage handling system, bags per hour			360	360	360	0	0
Number of outbound bags handled			141 447	171 948	266 387	322 777	276 199
Number of hours outbound baggage system is in use			3 285	2 340	2 340	0	0
Number of planned interruptions to outbound baggage system			0	0	0	0	0
Total number of hours of planned interruption to outbound baggage system			0	0	0	0	0
Number of unplanned interruptions to outbound baggage system			0	0	0	0	0
Number of hours of unplanned interruption to outbound baggage system			0	0	0	0	0
Number of hours inbound baggage handling system is in use			1 326	1 326	1 326	0	0
Number of planned interruptions to inbound baggage system			0	0	0	0	0
Total number of hours of planned interruption to inbound baggage system			0	0	0	0	0
Number of unplanned interruptions to inbound baggage system			0	0	0	0	0
Total number of hours of unplanned interruption to inbound baggage system			0	0	0	0	0

Indicator	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
Number of working accessible baggage trolleys <sup>(b)</sup>			230	240	240	800	700
Number of FID (flight information display) screens <sup>(b)</sup>	3	7	6	6	6	94	94
Number of information points <sup>(b)</sup>	3	7	2	1	1	3	3
Time of average peak hour for arriving passengers			0700	0600–0700	N/P	0900–0959	1900–2000
Time of average peak hour for departing passengers			0930	1400–1500	N/P	1200–1259	0600–0700
Total number of passengers arriving during average peak hour			460	481	480	171	500
Total number of passengers departing during average peak hour			460	431	430	195	620

- Notes: (a) Adelaide airport opened a multi-user integrated terminal, T1, in 2005–06 with international and regional operations transferring to T1 in October and December respectively. Domestic operations transferred in February 2006. T1 has common outbound check-in, baggage handling and security screening to international, domestic and regional passenger services. Arriving international passengers are separately processed through the border agency mandated procedures.
- (b) International and domestic passengers both have access to these facilities as part of the operation of T1 and as such this represents the total services and facilities for the airport from 2005–06 onwards.

Table 2.2.6 shows the objective measures at Adelaide airport for the domestic terminal for 2002–03 to 2006–07.

**Table 2.2.6 Objective measures for the domestic terminal at Adelaide airport**

Indicator	2002–03	2003–04	2004–05	2005–06	2006–07
Number of aircraft parking bays	13	13	13	27	27
Number of aerobridges	0	0	0	14	14
Number of arriving passengers	438 678	2 295 585	2 628 690	2 488 110	2 659 201
Total number of check-in desks	12	12	15	46	46
Number of hours with more than 80 per cent of check-in desks staffed	3 285	3 395	3 395	1 512	1 512
Total number of hours any check-in desks are open	5 475	5 658	5 658	6 205	6 205
Number of security clearance systems	2	2	2	3	3
Number of seats in gate lounges	240	240	240	1 600	1 610
Square metres of lounge area	1 200	1 200	1 200	9 890	9 890
Capacity of outbound baggage handling system, bags per hour	360	360	360	3 000	3 000
Number of hours outbound baggage system is in use	5 475	5 658	5 658	6 205	6 205
Number of planned interruptions to outbound baggage system	0	0	0	0	0
Number of unplanned interruptions to outbound baggage system	0	0	0	1	12
Number of hours of unplanned interruption to outbound baggage system, including extra hours where interruptions longer than planned	0	0	0	1.5	82.7
Number of hours inbound baggage handling system is in use	4 927	4 927	4 927	6 205	6 205
Number of planned interruptions to inbound baggage system	0	0	0	0	0
Number of unplanned interruptions to inbound baggage system	0	0	0	0	1
Number of working accessible baggage trolleys	110	110	110	800	700
Number of FID (flight information display) screens	7	25	17 <sup>(a)</sup>	94	94
Number of information points	1	2	2	3	3
Time of average peak hour for arriving passengers	0	1900–2000	1900–2000	1800–1859	1900–2000
Time of average peak hour for departing passengers	0	0600–0700	0600–0700	0600–0659	0600–0700
Total number of passengers arriving during average peak hour	500	507	546	621	720
Total number of passengers departing during average peak hour	500	465	501	837	900

Notes: (a) In 2004–05 there were 25 FID screens operating in the domestic terminal; however, only 17 are managed by the airport.

- (b) Adelaide airport opened a multi-user integrated terminal, T1, in 2005–06 with international and regional operations transferring to T1 in October and December respectively. Domestic operations transferred in February 2006. T1 has common outbound check-in, baggage handling and security screening to international, domestic and regional passenger services. Arriving international passengers are separately processed through the border agency mandated procedures.

Table 2.2.7 shows the number of short and long-term car-parking spaces at Adelaide airport.

**Table 2.2.7 Objective measures for car-parking at Adelaide airport**

<b>Short-term car park— international terminal</b>	<b>2002–03</b>	<b>2003–04</b>	<b>2004–05</b>	<b>2005–06</b>	<b>2006–07</b>
Number of days short-term car park is open	365	365	365	365	365
Number of spaces available <sup>(a)</sup>	450	430	450	N/A	N/A
Total annual throughput	108 000	144 701	197 739	N/A	N/A
<b>Short-term car park—domestic terminal</b>					
Number of days short-term car park is open	365	365	365	365	365
Number of spaces available	740	740	815	860	829
Total annual throughput	800 000	910 831	941 579	1 182 374	1 116 908
<b>Long-term—total airport</b>					
Number of days long-term domestic car park is open				365	365
Number of spaces available				420	450
<b>Total annual throughput</b>				<b>19 320</b>	<b>60 976</b>
<b>Staff car-parking</b>					
Number of parking spaces for staff				1 265	1 138

## Brisbane airport

Table 2.2.8 (see next page) shows the objective measures for the international terminal at Brisbane airport for the period 1997–98 to 2006–07, where available.

**Table 2.2.8 Objective measures for the international terminal at Brisbane airport**

Indicator	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
Number of aircraft parking bays	11	11	11	13	13	13	13	13	13	13
Number of aerobridges	8	8	8	8	10	10	10	10	10	10
Number of passengers arriving from international aircraft via aerobridges						1 640 770	1 858 143	2 137 062	2 133 609	2 252 446
Total number of arriving passengers from international aircraft						1 789 641	1 859 853	2 145 203	2 139 778	2 285 151
Number of arriving passengers						1 789 641	1 859 853	2 145 203	2 139 778	2 285 151
Number of arriving international aircraft using aerobridges						N/P	9 564	11 348	11 417	12 015
Number of passengers departing in international aircraft via aerobridges						1 581 981	1 859 603	2 141 617	2 125 394	2 243 861
Total number of departing passengers in international aircraft						1 728 424	1 861 049	2 142 426	2 133 835	2 271 087
Total number of check-in desks	54	54	54	54	54	54	54	63	63	63
Number of hours with more than 80 per cent of check-in desks staffed						3	9	236	101	117
Total number of hours any check-in desks are open						6 575	7 394	7 461	7 468	8 181
Number of inbound immigration desks	26	26	26	26	26	26	26	26	26	22
Number of inbound baggage inspection desks	19	19	19	20	24	24	26	30	28	28
Number of outbound migration desks	20	20	20	20	20	20	20	20	20	20
Number of security clearance systems	3	3	3	3	4	4	9	10	10	10
Number of seats in gate lounges	1 216	1 246	1 246	1 246	1 522	1 522	1 522	1 522	1 522	1 522
Square metres of lounge area						N/P	9 667	8 600	8 600	8 600
Capacity of outbound baggage handling system, bags per hour	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000
Number of outbound bags handled						1 527 901	1 855 937	2 264 353	2 334 161	2 431 148
Number of hours outbound baggage system is in use						5 840	6 022	6 205	5 775	6 205

Indicator	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Number of planned interruptions to outbound baggage system						N/P	0	0	0	0
Total number of hours of planned interruption to outbound baggage system						N/P	0	0	0	0
Number of unplanned interruptions to outbound baggage system						N/P	3 619	2 226	8 368	7 717
Number of hours of unplanned interruption to outbound baggage system						N/P	302	186	235	117
Capacity of inbound baggage handling system, bags per hour	9 000	9 000	9 000	9 000	9 000	9 000	9 000	9 000	9 000	9 000
Number of inbound bags handled								1 962 255	1 950 095	2 073 671
Number of hours inbound baggage handling system is in use						N/P	2 493	2 628	5 626	5 767
Number of planned interruptions to inbound baggage system						N/P	0	0	0	0
Number of unplanned interruptions to inbound baggage system						N/P	331	370	1 037	1 275
Total number of hours of unplanned interruption to inbound baggage system						N/P	27.6	31	31	48
Number of working accessible baggage trolleys						N/P	1 500	1 432	1 600	2 000
Number of FID (flight information display) screens						N/P	211	211	211	211
Number of information points						N/P	9	9	9	9
Time of average peak hour for arriving passengers						0700-0800	0700-0800	0700-0759	0700-0759	0700-0759
Time of average peak hour for departing passengers						0800-0900	0800-0900	0800-0859	0800-0859	0900-0959
Total number of passengers arriving during average peak hour						1 116	1 347	1 297	1 419	1 679
Total number of passengers departing during average peak hour						859	873	1 033	1 104	1 448

Table 2.2.9 shows the objective measures for the international and domestic terminals at Brisbane airport for 2003–04 to 2006–07.

**Table 2.2.9 Objective measures for domestic terminal facilities at Brisbane airport**

Indicator	2003–04	2004–05	2005–06	2006–07
Number of aircraft parking bays	9	9	9	9
Number of aerobridges	2	2	2	2
Number of arriving passengers	234 268	1 753 450	816 734	991 014
Total number of check-in desks	12	12	12	12
Number of security clearance systems	2	2	2	2
Number of seats in gate lounges	427	427	427	427
Square metres of lounge area	3 744	3 522	3 522	3 522
Capacity of outbound baggage handling system, bags per hour	3 000	3 000	3 000	3000
Number of outbound bags handled			555 286	731 478
Number of hours outbound baggage system is in use		4 927	5 062	5 183
Number of planned interruptions to outbound baggage system	0	0	0	0
Number of unplanned interruptions to outbound baggage system	9	405	2 861	5 450
Number of hours of unplanned interruption to outbound baggage system, including extra hours where interruptions longer than planned	4	34	57	154
Capacity of inbound baggage handling system, bags per hour	1 700	1 700	1 700	1 700
Number of inbound baggage handling systems in use		2 190	2 325	2 628
Number of planned interruptions to inbound baggage system	0	0	0	0
Number of working accessible baggage trolleys	40	350	350	400
Number of FID (flight information display) screens	29	31	31	31
Number of information points	4	4	4	4
Time of average peak hour for arriving passengers	1800–1900	1800–1859	1800–1859	1800–1859
Time of average peak hour for departing passengers	0800–0900	0800–0859	1800–1859	0600–0659
Total number of passengers arriving during average peak hour	380	551	445	516
Total number of passengers departing during average peak hour	337	522	400	476



Table 2.2.10 shows the objective measures for the car park facilities at Brisbane airport for 2002–03 to 2006–07.

**Table 2.2.10 Objective measures for car-parking at Brisbane airport**

<b>Short-term car park—international terminal</b>	<b>2002–03</b>	<b>2003–04</b>	<b>2004–05</b>	<b>2005–06</b>	<b>2006–07</b>
Number of days short-term car park is open	365	365	365	365	365
Number of spaces available	1 000	950	950	950	951
Total annual throughput	612 740	661 163	752 553	751 727	707 119
<b>Short-term car park—domestic terminal</b>					
Number of days short-term car park is open	365	365	365	365	365
Number of spaces available	985	938	938	938	842
Total annual throughput	1 160 903	1 157 220	1 176 229	1 141 060	1 156 324
<b>Long-term car park—domestic terminal</b>					
Number of days long-term domestic car park is open	365	365	365	365	365
Number of spaces available	2 350	1 500	3 600	4 100	4 100
Total annual throughput	142 621	189 828	213 685	315 239	378 167
<b>Staff car-parking</b>					
Number of parking spaces for staff	2 263	2 277	2 349 <sup>(a)</sup>	2 723	2 723

Note: In 2004–05 this figure was incorrectly reported as 1641 as it excluded international staff car-parking spaces.

## Canberra airport

Table 2.2.11 (see next page) shows the objective measures for the domestic terminal at Canberra airport for the period 2000–01 to 2006–07, where available.

**Table 2.2.11 Objective measures for domestic terminal at Canberra airport**

Indicator	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
Number of aircraft parking bays	12	13	13	13	13	13	13
Number of aerobridges			2	2	2	2	2
Number of arriving passengers			960 496	Unknown	Unknown	Unknown	Unknown
Total number of check-in desks	4	4	8	10	10	10	10
Number of hours with more than 80 per cent of check-in desks staffed			Unknown	Unknown	Unknown	Unknown	Unknown
Total number of hours any check-in desks are open			Unknown	Unknown	Unknown	Unknown	Unknown
Number of security clearance systems	1	1	1	0	1	1	1
Number of seats in gate lounges	64	332	356	376	440	440	440
Square metres of lounge area			1 591	1 591	1 591	1 591	1 591
Number of planned interruptions to outbound baggage system			0	0	0	0	0
Total number of hours of planned interruption to outbound baggage system			0	0	0	0	0
Number of unplanned interruptions to outbound baggage system			0	0	2	1	0
Number of hours of unplanned interruption to outbound baggage system			0	0	1.5	1	0
Number of planned interruptions to inbound baggage system			0	0	0	0	0
Total number of hours of planned interruption to inbound baggage system			0	0	0	0	0
Number of unplanned interruptions to inbound baggage system			0	0	0	0	0
Total number of hours of unplanned interruption to inbound baggage system			0	0	0	0	0
Number of working accessible baggage trolleys			100	100	100	99	109
Number of FID (flight information display) screens	5	7	9	19	19	19	19
Number of information points	1	1	1	1	1	1	1
Time of average peak hour for arriving passengers			0750–0845	0750–0845	0750–0850	1700–1800	1730–1830
Time of average peak hour for departing passengers			0815–0915	0815–0915	0815–0915	0630–0730	0630–0730
Total number of passengers arriving during average peak hour			Unknown	Unknown	Unknown	Unknown	Unknown
Total number of passengers departing during average peak hour			Unknown	Unknown	Unknown	Unknown	Unknown

Table 2.2.12 shows the objective measures for car-parking at Canberra airport for 2002–03 and 2006–07.

**Table 2.2.12 Objective measures for car-parking at Canberra airport**

<b>Short-term car park</b>	<b>2002–03</b>	<b>2003–04</b>	<b>2004–05</b>	<b>2005–06</b>	<b>2006–07</b>
Number of days short-term car park is open, financial year	365	365	365	365	365
Number of short-term parking spaces available to the public, 30 June	266	359	377	347	409
Total annual throughput of short-term car park, financial year	Unknown	487 847	511 169	493 705	498 710
<b>Long-term car park</b>					
Number of days long-term car park is open, financial year	365	365	365	365	365
Number of long-term parking spaces available to the public, 30 June	790	697	687	847	1 012
Total annual throughput of long-term car park, financial year	Unknown	91 242	85 816	98 119	115 232
<b>Staff car park</b>					
Number of parking spaces for staff	122	136	155	156	186

## Darwin airport

Table 2.2.13 (see next page) shows the objective measures for the international terminal at Darwin airport for 1999–2000 to 2006–07. Please note that Darwin airport is a single integrated terminal catering for both international and domestic traffic. Some objective measures noted below apply to the terminal as a whole.

**Table 2.2.13 Objective measures for the international terminal at Darwin airport**

Indicator	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
Number of aircraft parking bays (international and domestic)	10	10	10	10	10	10	12	12
Number of aerobridges (international and domestic)	3	3	3	3	3	3 <sup>(a)</sup>	3	3
Total number of arriving passengers from international aircraft				77 000	68 400	80 100	92 800	92 000
Number of arriving passengers				77 000	68 400	80 100	92 800	92 000
Total number of departing passengers in international aircraft				75 000	68 300	78 400	89 000	84 000
Total number of check-in desks (international and domestic)				22	24	24	24	24
Number of hours with more than 80 per cent of check-in desks staffed				N/P	N/P	N/P	N/P	N/P
Total number of hours any check-in desks are open		4	4	N/P	N/P	N/P	N/P	N/P
Number of inbound immigration desks				8	8	8	8	8
Number of inbound baggage inspection desks	1	1	1	11	11	11	8	8
Number of outbound migration desks				6	5	5	5	5
Number of security clearance systems	1	1	1	1	1	1	1	1
Number of seats in gate lounges	224	224	224	225	225	225	225	225
Square metres of lounge area				707	707	729	729	729
Number of working accessible baggage trolleys (international and domestic)				150	165	173	250	250
Number of FID (flight information display) screens		5	7	2	2	39	39	70
Number of information points		1	1	1	1	18	18	52
Time of average peak hour for arriving passengers				0400–0500	0400–0500	0400–0500	0400–0500	0430–0530
Time of average peak hour for departing passengers				0500–0600	0500–0600	0500–0600	0430–0530	0700–0800
Total number of passengers arriving during average peak hour				220	160	260	315	364
Total number of passengers departing during average peak hour				220	160	200	390	277

Note: Darwin airport advised that it has always had three aerobridges. In the past, it has reported separately for international and domestic terminals. Darwin airport now considers it more appropriate to report the number of aerobridges based on a single terminal facility where most, if not all, facilities are available and utilised for both international and domestic services.

Table 2.2.14 shows the objective measures for the domestic terminal at Darwin airport for 2002–03 to 2006–07.

**Table 2.2.14 Objective measures for the domestic terminal at Darwin airport**

Indicator	2002–03	2003–04	2004–05	2005–06	2006–07
Number of arriving passengers	425 000	475 800	535 700	531 200	625 000
Number of hours with more than 80 per cent of check-in desks staffed	Airline operated	Airline operated	Airline operated	Airline operated	Airline operated
Total number of hours any check-in desks are open	Airline operated	Airline operated	Airline operated	Airline operated	Airline operated
Number of security clearance systems	1	2	2	2	2
Number of seats in gate lounges	397	397	285 to 591 <sup>(a)</sup>	285 to 591 <sup>(a)</sup>	366 to 591 <sup>(a)</sup>
Square metres of lounge area	922	1 053	1 053 to 1 598 <sup>(a)</sup>	1 053 to 1 598 <sup>(a)</sup>	1 053 to 1 598 <sup>(a)</sup>
Capacity of outbound baggage handling equipment, bags per hour	N/P	1 100	1 100	2 400	2 400
Number of outbound bags handled	Airline operated	Airline operated	Airline operated	Airline operated	Approx 760 000
Number of hours outbound baggage system is in use	Airline operated	Airline operated	Airline operated	Airline operated	Approx 7 600
Capacity of inbound baggage handling equipment, bags per hour	N/P	N/P	N/P	1 200	1 200
Number of inbound bags handled	Airline operated	Airline operated	Airline operated	Airline operated	Airline operated
Number of hours inbound baggage system is in use	Airline operated	Airline operated	Airline operated	Airline operated	Airline operated
Number of FID (flight information display) screens	20	20	39 <sup>(b)</sup>	39 <sup>(b)</sup>	70 <sup>(b)</sup>
Number of information points	17	17	18 <sup>(b)</sup>	18 <sup>(b)</sup>	52 <sup>(b)</sup>
Time of average peak hour for arriving passengers	0010–0110	0030–0130	0010–0110	0030–0130	1215–1315
Time of average peak hour for departing passengers	0100–0200	0130–0230	0100–0200	0110–0210	1300–1400
Total number of passengers arriving during average peak hour	470	675	675	678	592
Total number of passengers departing during average peak hour	470	675	675	678	601

- Notes: (a) During 2004–05, Darwin airport completed the construction of its 'swing lounge'. This means that during peak domestic periods, when there are no international flights, the entire terminal facility (including the international area) is opened up for domestic passengers. Therefore, during domestic peak hours, the international seating and lounge area is opened up for domestic use.
- (b) Total for the international and domestic terminal.

Table 2.2.15 shows the objective measures for car-parking at Darwin airport for 2002–03 and 2006–07.

**Table 2.2.15 Objective measures for car-parking at Darwin airport**

<b>Short-term car park</b>	<b>2002–03</b>	<b>2003–04</b>	<b>2004–05</b>	<b>2005–06</b>	<b>2006–07</b>
Number of days short-term car park is open	365	365	365	365	365
Number of short-term parking spaces available to the public	556	556	556	444	555
Total annual throughput of short-term car park	220 000	245 300	281 700	300 000	236 788
<b>Long-term car park<sup>(a)</sup></b>					
Number of days long-term car park is open	365	365	365	365	365
Number of long-term parking spaces available to the public	12	12	12	0	0
Total annual throughput of long-term car park	N/P	N/P	N/P	N/P	N/P
<b>Staff car-parking</b>					
Number of parking spaces for staff	177	177	177	177	240

Note: Refers to the locked compound available for dedicated long-term car-parking. Darwin airport advised that long-term car-parking is also available in the short-term car park.

## Melbourne airport

Table 2.2.16 (see next page) shows the objective measures for the international terminal at Melbourne airport for the period between 1997–98 and 2006–07.

**Table 2.2.16 Objective measures for the international terminal at Melbourne airport**

Indicator	1997-98	1999-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Number of aircraft parking bays	14	14	15	14	14	14	14	20	20	20
Number of aerobridges	10	10	10	10	10	10	11	11	11	11
Number of passengers arriving from international aircraft via aerobridges						1 730 118	1 966 293	2 241 630	2 226 977	2 323 732
Total number of arriving passengers from international aircraft						1 737 067	1 969 899	2 264 826	2 272 426	2 330 725
Number of arriving passengers						1 737 067	1 969 899	2 264 826	2 272 426	2 330 725
Number of arriving international aircraft using aerobridges						9 941	11 243	13 120	11 853	11 197
Number of passengers departing in international aircraft via aerobridges						1 645 389	1 911 057	2 115 030	2 152 578	2 246 111
Total number of departing passengers in international aircraft						1 650 341	1 915 590	2 143 435	2 183 142	2 252 870
Total number of check-in desks	72	72	72	72 <sup>(a)</sup>	72 <sup>(a)</sup>	72	72	72	72	72
Number of hours with more than 80 per cent of check-in desks staffed						8	23	43	13	26
Total number of hours any check-in desks are open						7 859	7 221	7 256	7 382	7 546
Number of inbound immigration desks	26 <sup>(b)</sup>	26	26	26	26	26	26	24	24	24
Number of inbound baggage inspection desks	16	16	16	16	16	16	16	16	20	20
Number of outbound migration desks	18	18	18	18	18	18	18	18	18	18
Number of security clearance systems	6	6	6	6	7 <sup>(c)</sup>	3 <sup>(d)</sup>	3	4	5	6
Number of seats in gate lounges	2 289	2 363	2 172	1 984	2 034	2 323	2 110	2 079	2 263	2 180
Square metres of lounge area						4 031	4 031	4 031	5 231	5 231
Capacity of outbound baggage handling system, bags per hour	3 060	3 060	3 060	3 060	3 060	3 060	3 060	3 060	3 060	3 060
Number of outbound bags handled						1 963 094	2 121 317	2 383 091	2 510 273	2 558 628
Number of hours outbound baggage system is in use						7 665	7 686	7 686	7 665	7 665



Indicator	1997–98	1999–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
Total number of hours of planned interruption to outbound baggage system						226	244	328	408	531
Number of hours of unplanned interruption to outbound baggage system						269	135	171	90	46
Capacity of inbound baggage handling system, bags per hour	N/A	2 720	2 720	2 720	2 720	2 720	2 720	2 720	2 720	3 400
Number of hours inbound baggage handling system is in use						N/P	5 983	5 983	4 754	4 754
Number of planned interruptions to inbound baggage system						N/P	N/A	N/A	N/A	N/A
Total number of hours of planned interruption to inbound baggage system						N/P	19.5	21.3	35	15
Total number of hours of unplanned interruption to inbound baggage system						N/P	9.3	8.8	15	2
Number of working accessible baggage trolleys						1 500	1 500	2 350	2 365	2 400
Number of FID (flight information display) screens						67	67	67	73	76
Number of information points						1	1	1	1	1
Time of average peak hour for arriving passengers						0700	0748–0848	0653–0752	0605–0704	0803–0902
Time of average peak hour for departing passengers						0900	1740–1840	0917–1016	1452–1551	0019–0118
Total number of passengers arriving during average peak hour						986	1 383	1 484	1 662	1 427
Total number of passengers departing during average peak hour						1 155	1 277	1 655	1 452	1 410

- Notes: (a) This figure has been mistakenly reported in previous *ACCC Quality of service—price monitored airports monitoring reports* as 84, which included 12 service desks. Melbourne airport advised that the correct figure is 72.
- (b) This figure has been mistakenly reported in previous *ACCC Quality of service—price monitored airports monitoring reports* as 16. Melbourne airport advised that the correct figure is 26.
- (c) This figure was mistakenly reported as six in the *ACCC Quality of service—price monitored airports monitoring report 2002–03*. Melbourne airport advised that the correct figure is seven.
- (d) This figure was mistakenly reported as six in the *ACCC Quality of service—price monitored airports monitoring report 2002–03*. Melbourne airport advised that the correct figure is three.

Table 2.2.17 shows the objective measures for the domestic terminal at Melbourne airport for 2002–03 and 2006–07.

**Table 2.2.17 Objective measures for the domestic terminal at Melbourne airport**

Indicator	2002–03	2003–04	2004–05	2005–06	2006–07
Number of aircraft parking bays	10	16	20	20	20
Number of aerobridges	8	8	10	11	11
Number of arriving passengers	1 989 876	2 695 391	3 140 295	3 333 946	3 600 710
Total number of check-in desks	22	27	33	38	33
Number of security clearance systems	2	4	4	4	5
Number of seats in gate lounges	853	851	963	963	1 142
Square metres of lounge area	2 325	3 195	3 195	3 195	3 195
Total number of hours of planned interruption to inbound baggage system	20	N/P <sup>(a)</sup>	N/P	N/P	N/P
Total number of hours of unplanned interruption to inbound baggage system, including extra hours where interruptions longer than planned	5	N/P <sup>(a)</sup>	N/P	N/P	N/P
Number of working accessible baggage trolleys	150	150	150	159	150
Number of FID (flight information display) screens	38	38	38	38	40
Time of average peak hour for arriving passengers	N/P	1712–1812	1859–1958	1910–2009	N/P
Time of average peak hour for departing passengers	N/P	0743–0843	1904–2003	2001–2100	N/P
Total number of passengers arriving during average peak hour	N/P	999	1 039	1 214	975
Total number of passengers departing during average peak hour	N/P	923	991	1 220	1 129

Note: (a) Melbourne airport advised that the number of hours of planned and unplanned interruptions to the inbound baggage system was not collected in 2003–04 due to in-line check bag screening works.

Table 2.2.18 (see next page) shows the objective measures for car-parking at Melbourne airport from 1997–98 to 2006–07.

**Table 2.2.18 Objective measures for car-parking at Melbourne airport**

	1997–98	1998–99	1999–2000	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
<b>Short-term car-parking</b>										
Number of days short-term car park is open, financial year	365	365	365	365	365	365	365	365	365	365
Number of short-term parking spaces available to the public, 30 June	2 729	2 763	2 760	3 100	3 100	3 088	2 522	3 553	3 744	3 315
Total annual throughput of short-term car park, financial year		2 472 875	2 553 540	2 645 520	2 377 610	2 481 173	2 667 214	2 718 507	2 752 085	2 594 081
<b>Long-term car-parking</b>										
Number of days long-term car park is open, financial year	365	365	365	365	365	365	365	365	365	365
Number of long-term parking spaces available to the public, 30 June	3 439	3 439	4 189	4 789	4 789	4 928	5 623	6 859	11 077	11 913
Total annual throughput of long-term car park, financial year		247 835	266 815	303 315	327 040	349 737	412 973	417 667	511 680	539 416
<b>Staff car-parking</b>										
Number of parking spaces for staff						1 092	1 300	1 300	1 410	1 676

## Perth airport

Table 2.2.19 shows the objectives measures for the international terminal at Perth airport for the period between 1997–98 and 2006–07, where available.

Table 2.2.19: Objective measures for the international terminal at Perth airport

Indicator	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Number of aircraft parking bays	7	7	7	7	7	7	9	9	9	9
Number of aerobridges	5	5	5	5	5	5	5	5	5	5
Number of passengers arriving from international aircraft via aerobridges						930 506	896 814	1 000 184	1 030 151	1 132 056
Total number of arriving passengers from international aircraft						959 883	902 093	1 005 870	1 035 814	1 138 090
Number of arriving passengers						959 883	902 093	1 005 870	1 036 836	1 138 090
Number of arriving international aircraft using aerobridges						5 129	4 678	5 167	5 147	5 564
Number of passengers departing in international aircraft via aerobridges						880 669	858 938	966 044	984 848	1 077 091
Total number of departing passengers in international aircraft						911 765	864 445	971 392	990 271	1 083 114
Total number of check-in desks	24	24	24	24	24	30	30	29	39	39
Number of hours with more than 80 per cent of check-in desks staffed						179	67	160	1	2.16
Total number of hours any check-in desks are open						52 097	52 743	66 708	100 684	107 937
Number of inbound immigration desks	16	16	16	16	16	16	18	18	18	18
Number of inbound baggage inspection desks	20	20	20	20	20	28	28	28	28	28
Number of outbound migration desks	10	10	10	10	10	10	10	10	10	10
Number of security clearance systems	2	2	2	3	3	3 <sup>(a)</sup>	3 <sup>(a)</sup>	4	3 <sup>(b)</sup>	3
Number of seats in gate lounges	435	359	357	355	355	445	445	512	536	536
Square metres of lounge area						1 921	1 850	3 186	4 792	5 474
Capacity of outbound baggage handling system, bags per hour	5 760	5 760	5 760	5 760	5 760	5 760	5 760	5 760	2 400	2 400
Number of outbound bags handled						1 045 623	1 005 084	1 214 529	N/A <sup>(c)</sup>	1 047 173
Number of hours outbound baggage system is in use						8 823	8 828	8 648	7 300	7 300
Number of planned interruptions to outbound baggage system						N/P	8	8	0	1
Total number of hours of planned interruption to outbound baggage system						N/P	90	60	0	2

Indicator	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
Number of unplanned interruptions to outbound baggage system						N/P	2	3	4	3
Number of hours of unplanned interruption to outbound baggage system						N/P	8	30.2	10	2.5
Capacity of inbound baggage handling system, bags per hour	N/A	N/A	8 640	8 640	8 640	8 640	8 640	8 640	8 640	962
Number of inbound bags handled						N/P	N/A	N/A	N/A	N/A
Number of hours inbound baggage handling system is in use						N/P	1 956	3 098	3 012	3 588
Number of planned interruptions to inbound baggage system						N/P	12	4	3	12
Total number of hours of planned interruption to inbound baggage system						N/P	66	22	216	216
Number of unplanned interruptions to inbound baggage system						N/P	1	0	1	0
Total number of hours of unplanned interruption to inbound baggage system						N/P	24	0	8	0
Number of working accessible baggage trolleys						700	750	650	568	940
Number of FID (flight information display) screens						58	58	74	59	59
Number of information points						1	1	1	1	1
Time of average peak hour for arriving passengers						1500–1600	1400–1500	1400–1459	1500–1559	1400–1459
Time of average peak hour for departing passengers						0700–0800	1500–1600	1600–1659	1600–1659	1600–1659
Total number of passengers arriving during average peak hour						708	782	956	829	886
Total number of passengers departing during average peak hour						794	790	972	684	719

- Notes: (a) Perth airport advised the ACCC that it incorrectly reported the number of security clearance systems in the international terminal in 2002–03 and 2003–04 as being two. This has now been corrected to three.
- (b) In 2006–07 Perth airport revised this figure in light of clarification of the definition of a security clearance system
- (c) Perth airport advised that a newly installed baggage screening system does not currently record this information.

Table 2.2.20 shows the objective measures for the domestic terminal at Perth airport for the year 2006–07.

**Table 2.2.20 Objective measures for the domestic terminal at Perth airport<sup>129</sup>**

Indicator	2003–04	2004–05	2005–06	2006–07
Number of aircraft parking bays	7	15	15	15
Number of aerobridges	2	2	2	2
Number of arriving passengers	587 417 <sup>(a)</sup>	658 513	667 900	746 073
Total number of check-in desks	16	16	16	16
Number of hours with more than 80 per cent of check-in desks staffed	183	24	79	134
Total number of hours any check-in desks are open	10 669	36 179	48 823	29 222
Number of security clearance systems	1	3	2 <sup>(b)</sup>	2
Number of seats in gate lounges	510	431	357	436
Square metres of lounge area	1 877	2 900	1 653	2 400
Capacity of outbound baggage handling system, bags per hour	4 230	4 230	4 230	660
Number of outbound bags handled	772 950	782 533	702 859	737 163
Number of hours outbound baggage system is in use	6 752	6 752	5 840	6 307
Number of planned interruptions to outbound baggage system	4	4	4	9
Total number of hours of planned interruption to outbound baggage system	60	30	35	35
Number of unplanned interruptions to outbound baggage system	20	6	1	0
Number of hours of unplanned interruption to outbound baggage system, including extra hours where interruptions longer than planned	70	30	5	0
Capacity of inbound baggage handling system, bags per hour	4 013	4 013	4 013	720
Number of inbound bags handled	753 942	575 235	N/A <sup>(c)</sup>	N/A
Number of hours inbound baggage handling system is in use	1 449	1 882	1 860	2 733
Number of planned interruptions to inbound baggage system	4	4	4	4
Total number of hours of planned interruption to inbound baggage system	60	22	25	35
Number of unplanned interruptions to inbound baggage system	2	4	0	0
Total number of hours of unplanned interruption to inbound baggage system, including extra hours where interruptions longer than planned	55	60	0	0
Number of working accessible baggage trolleys	300	385	210	190
Number of FID (flight information display) screens	16	24	26	28
Number of information points	1	1	1	1
Time of average peak hour for arriving passengers	1400–1500	2200–2259	2200–2259	2200–2259
Time of average peak hour for departing passengers	1400–1500	2300–2359	2300–2359	2300–2359
Total number of passengers arriving during average peak hour	414	714	494	499
Total number of passengers departing during average peak hour	366	608	460	473

Notes: (a) Perth airport advised the ACCC that it incorrectly reported the number of arriving passengers in 2003–04 as being 1 182 492. This has now been corrected to 587 417.

(b) In 2006–07 Perth airport revised this figure in light of clarification of the definition of a security clearance system

(c) Figures are unavailable as Virgin Blue and Skywest do not keep records for this information. Figures provided in 2004–05 were based on an estimation of sample week/day.

129 Perth airport leases operating space and facilities to Qantas Airways and therefore the facilities provided in that domestic terminal airline is not included in this table.

Table 2.2.21 shows the objective measures for car-parking at Perth airport for 2002–03 to 2006–07.

**Table 2.2.21 Objective measures for car-parking at Perth airport**

<b>Short-term car park—international terminal</b>	<b>2002–03</b>	<b>2003–04</b>	<b>2004–05</b>	<b>2005–06</b>	<b>2006–07</b>
Number of days short-term car park is open, financial year	365	365	365	365	365
Number of short-term parking spaces available to the public, 30 June	1 077	1 077	1 077	1 077	1 077
Total annual throughput of short-term car-park, financial year	685 316	640 673	679 657	667 143	666 008
<b>Short-term car park—domestic terminal</b>					
Number of days short-term car park is open, financial year	365	365	365	365	365
Number of short-term parking spaces available to the public, 30 June	1 030	1 195	1 645	1 072	1 072
Total annual throughput of short-term car park, financial year	916 494	1 002 611	949 879	947 025	996 837
<b>Long-term car park</b>					
Number of days long-term car park is open, financial year			365	365	365
Number of long-term parking spaces available to the public, 30 June			614	1 542	1 462
Total annual throughput of long-term car park, financial year			N/A	74 986	86 682
<b>Staff car-parking</b>					
Number of car-parking spaces for staff		927	931	991	991



## Sydney airport

Table 2.2.22 (see next page) shows the objective measures reported for the international terminal at Sydney airport for 1998–99 to 2006–07 where available.

**Table 2.2.22 Objective measures for the international terminal at Sydney airport**

Indicator	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
Number of aircraft parking bays	24	39	39	39	39	39	39	44	44
Number of aerobridges	8	27	27	27	32	27	27	26	30
Number of passengers arriving from international aircraft via aerobridges					4 177 487	4 380 135	5 535 045	4 893 689	5 724 072
Total number of arriving passengers from international aircraft					4 241 104	4 446 838	5 559 921	4 917 356	5 847 277
Number of arriving passengers					4 241 104	4 446 838	5 559 921	4 917 356	5 847 277
Number of arriving international aircraft using aerobridges					22 481	24 402	26 859	27 732	26 953
Number of passengers departing in international aircraft via aerobridges					3 934 138	4 458 054	5 346 987	4 765 406	5 593 900
Total number of departing passengers in international aircraft					3 994 049	4 525 943	5 367 150	4 922 560	5 736 457
Total number of check-in desks	130	192	214	214	194	194	192	192	192
Number of hours with more than 80 per cent of check-in desks staffed					0	N/P	0	0	N/P
Total number of hours any check-in desks are open					507 480	589 649	464 038	468 072	565 798
Number of inbound immigration desks	62	62	62	62	62	62	64	64	64
Number of inbound baggage inspection desks	35	45	62	114	87	26	46	46	46
Number of outbound migration desks	54	54	54	54	54	54	54	54	50
Number of security clearance systems	7	11	12	12	20	20	17	17	16
Number of seats in gate lounges	2 167	3 196	4 109	4 109	4 109	4 109	4 109	4 259	4 259
Square metres of lounge area					6 335	6 335	6 335	6 785	6 785
Capacity of outbound baggage handling system, bags per hour	4 940	6 270	6 270	6 270	6 270	6 270	6 270	6 270	6 270
Number of outbound bags handled					5 224 192	5 818 744	6 032 949	6 935 442	6 365 356
Number of hours outbound baggage system is in use					6 570	6 588	6 570	6 570	6 935
Number of planned interruptions to outbound baggage system					0	0	0	0	0

Indicator	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
Number of unplanned interruptions to outbound baggage system					63	34	37	33	25
Number of hours of unplanned interruption to outbound baggage system					52	104	97	85.8	123.7
Capacity of inbound baggage handling system, bags per hour	7 350	11 325	11 325	11 325	11 340	11 340	11 340	11 340	11 340
Number of inbound bags handled					5 215 366	4 471 546	4 630 269	4 398 756	5 265 624
Number of hours inbound baggage handling system is in use					6 570	6 588	6 570	6 570	6 205
Number of planned interruptions to inbound baggage system					0	0	0	0	0
Number of unplanned interruptions to inbound baggage system					10	23	4	5	0
Total number of hours of unplanned interruption to inbound baggage system					8	69	51	16.8	8.7
Number of working accessible baggage trolleys					3 980	3 400	4 725	4 932	4 932
Number of FID (flight information display) screens					1 050	1 050	870	790	697
Number of information points					4	4	5	5	5
Time of average peak hour for arriving passengers					0800–0900	0700	0600	0600	0600
Time of average peak hour for departing passengers					0900–1000	0900	0900	0900	1100
Total number of passengers arriving during average peak hour					2 432	2 154	2 750	2 019	2 803
Total number of passengers departing during average peak hour					1 597	1 458	1 651	2 240	1 725

Table 2.2.23 shows the objective measures for the domestic terminal which Sydney airport operates for 2002–03 to 2006–07.

**Table 2.2.23 Objective measures for the domestic terminal at Sydney airport**

Indicator	2002–03	2003–04	2004–05	2005–06	2006–07
Number of aircraft parking bays	27	27	27	27	31
Number of aerobridges	13	13	13	13	13
Number of arriving passengers	7 974 100	8 727 230	9 322 157	9 634 275	10 414 500
Total number of check-in desks	33	39	39	44	44
Number of hours with more than 80 per cent of check-in desks staffed	N/A	N/P	6 207	7 013	N/A
Total number of hours any check-in desks are open	N/A	240 597	244 289	276 046	250 325
Number of security clearance systems	6	10	10	10	9
Number of seats in gate lounges	1 630	1 630	1 630	1 689	1 689
Square metres of lounge area	4 457	4 457	4 457	4 457	4 457
Capacity of outbound baggage handling system, bags per hour	3 500	3 500	3 500	3 500	3 500
Number of outbound bags handled	1 391 101	3 276 885	3 470 462	4 217 575	3 996 998
Number of hours outbound baggage system is in use	4 794	6 588	6 570	6 570	6 935
Number of planned interruptions to outbound baggage system	N/A	N/A	0	0	0
Number of unplanned interruptions to outbound baggage system	40	27	33	29	27
Number of hours of unplanned interruption to outbound baggage system	23	15	29.5	75.4	137.7
Capacity of inbound baggage handling system, bags per hour	3 533	3 533	3 533	3 533	3 533
Number of inbound bags handled	1 380 000	1 183 183	3 470 462	4 217 575	4 462 947
Number of hours inbound baggage handling system is in use	4 794	6 588	6 570	6 570	6 205
Number of planned interruptions to inbound baggage system	N/P	N/P	0	0	0
Number of unplanned interruptions to inbound baggage system	11	6	1	0	1
Total number of hours of unplanned interruption to inbound baggage system	6	3	0.1	0	3.1
Number of working accessible baggage trolleys	300	300	590	500	500
Number of FID (flight information display) screens	450	450	430	421	305
Number of information points	N/P	N/P	1	1	1
Time of average peak hour for arriving passengers	1800	1800	1800	1500	1800
Time of average peak hour for departing passengers	0800	0800	0800	1200	2000
Total number of passengers arriving during average peak hour	N/P	1 038	1 000 <sup>(a)</sup>	1 390	2 008
Total number of passengers departing during average peak hour	N/P	1 038	1 100 <sup>(a)</sup>	1 192	1 640

Note: (a) This figure has been mistakenly reported in previous *ACCC Quality of service—price monitored airports monitoring reports* as not provided.

Table 2.2.24 shows the objective measures for car-parking at Sydney airport for 1998–99 to 2006–07.

**Table 2.2.24 Objective measures for car-parking at Sydney airport**

Short-term car-parking—international terminal	1998–99	1999–2000	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
Number of days short-term car park is open	365	365	365	365	365	365	365	365	365
Number of short-term parking spaces available to the public <sup>(a)</sup>	4 127	4 539	4 935	5 039	2 000	1 700	1 560	1 817	1 374
Total annual throughput of short-term car park <sup>(b)</sup>	1 838 112	2 883 865	2 804 809	1 803 883	1 477 661	1 603 263	1 659 294	1 629 107	1 626 255
<b>Short-term car park—domestic terminal</b>									
Number of days short-term car park is open					365	365	365	365	365
Number of short-term parking spaces available to the public					2 678	2 700	3 045	3 366	3 433
Total annual throughput of short-term car park					1 093 745	1 123 178	1 164 731	1 140 253	1 174 823
<b>Long-term car park</b>									
Number of days long-term car park is open	365	365	365	365	365	365	365	365	365
Number of long term parking spaces available to the public	1 320	1 867	2 692	2 692	2 688	2 688	4 361	4 593	4 577
Total annual throughput of long-term car park	59 564	70 445	81 046	80 582	90 278	142 264	169 410	168 698	180 155
<b>Staff car park</b>									
Number of parking spaces for staff					1 698	1 485	1 202	1 256	1 256

Notes: Please note annual throughput refers to paid public exits only and does not include staff exits.

- (a) For 1998–99 to 2001–02, the number of short-term parking spaces relates to a total figure for the international and domestic terminal.  
 (b) For 1998–99 to 2001–02, the annual throughput of short-term car-parking refers to a total figure for the international and domestic terminal.

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Callers who are deaf or have a hearing or speech impairment can contact the ACCC through the National Relay Service [www.relayservice.com.au](http://www.relayservice.com.au)

TTY or modem users—phone 1333 677 and ask for 1300 302 502.

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