



Sydney Airports Corporation Limited

1. Public Compliance Commitment

Contents

Introduction

Commitment to comply.....	1.3
Cost changes.....	1.4
Supplier program	1.4
Implementation and compliance costs.....	1.5
Impact of New Tax System changes	1.5
Customer information	1.6
Complaints handling procedure	1.6
Price display and pricing policy	1.6
Compliance program	1.7
Liaison with the Australian Competition & Consumer Commission.....	1.7
Reporting and Information Provision.....	1.7

Introduction

Sydney Airports Corporation Limited (“Sydney Airports”) is making a public commitment to comply with the law governing The New Tax System and with the Australian Competition & Consumer Commission (ACCC) GST Pricing Guidelines.

Detailed planning and preparation for The New Tax System started more than a year ago and giving such an assurance to our customers and other stakeholders is a most important part of the whole process.

Sydney Airports’ core business is the management and operation of Sydney (Kingsford-Smith) Airport which itself comprises four business units:

Aviation:	Provision of runways and terminals infrastructure
Retail:	Duty free, food and beverage and specialty shop concessions
Property:	Aviation and commercial property leasing
Commercial Trading:	Carparking, car rental and advertising concessions

Infrastructure businesses such as airports have relatively high fixed capital costs and relatively low variable operating costs. Such economic characteristics have a significant bearing on the net cost reductions arising from indirect tax reform. Furthermore, Sydney Airports’ customers and suppliers are predominantly corporate in structure and will be registered for GST. The impact of GST on such business entities will therefore be neutral, insofar as they will accrue credits for the GST they pay.

Commitment to comply

As part of this commitment, Sydney Airports will:

- comply with the Trade Practices Act, in particular Part VB of the Act relating to price exploitation;
- not engage in price exploitation in relation to the New Tax System;
- comply with the ACCC’s price exploitation guidelines, as expanded in this commitment;
- pass on to consumers any net cost savings arising from the New Tax System changes;
- advertise and display the GST-inclusive price in a manner that is not misleading or deceptive, and;
- ensure it has an effective GST compliance program.

Cost changes

Sydney Airports is committed to passing on to its customers net cost savings arising from the New Tax System. Cost savings are expected from the reduction and abolition of wholesale sales tax and other indirect taxes. These savings are likely to be limited in scope, given the relatively high fixed capital costs and the relatively low variable operating cost characteristics of the business.

We commissioned a detailed analysis from Arthur Andersen to identify and forecast the estimated cost savings arising from the New Tax System and the time frame within which these savings could be captured and passed on to customers.

As evidence of our commitment in this area, Sydney Airports will pass on to its customers, from 1 July 2000, cost savings which have yet to be realised. This act of good faith presumes that we will receive these savings from our own suppliers.

We will continue to monitor our supplier base very closely to ensure we capture the savings anticipated and will pass on to customers any additional savings that accrue.

We are committed to ongoing review of any cost savings being passed on to our customers, to ensure they reflect actual figures or improved estimates as they become available. In addition, prices will be reviewed on at least an annual basis to ensure actual net cost savings arising from the New Tax System are properly and promptly passed on to customers.

Supplier program

In addition to our commitment to pass on net cost savings to our customers, Sydney Airports has implemented a program to ensure its suppliers do the same.

This program includes particular focus on product suppliers who are expected to realise the greatest cost savings which, in turn, will ensure our customers receive the maximum benefit of the tax system changes.

As part of the program, we will seek compliance statements from our suppliers in relation to anticipated cost savings in respect of ongoing supplies under existing contracts and purchase orders, and in future, in respect of supplies by way of tenders and quotations from 1 July 2000.

The program will also involve regular monitoring and review of the supplier base and ongoing communication with our customers to determine the level of savings expected.

Implementation and compliance costs

Sydney Airports will be GST ready by July 2000.

We have carefully monitored the incremental compliance costs associated with implementing the tax changes. Through our GST implementation project, we have been able to identify, on a time-spent basis, net additional compliance costs actually and efficiently incurred to date as “start up” costs. In addition, processes have been put in place to record ongoing additional compliance costs, actually and reasonably incurred.

This has been done to ensure our processes are accurate and transparent, with a view to ensuring our customers receive the maximum net cost saving benefits of the tax system changes.

In accordance with ACCC Guidelines, these costs will be offset against the reduction and removal of other taxes under the New Tax System. Sydney Airports currently has minimal Wholesales Sales Tax compliance costs. Ongoing net compliance costs are expected to be relatively small.

Impact of New Tax System changes

Sydney Airports agrees that:

- all benefits arising from the reduction and abolition of certain taxes under the new Tax System will be passed on to customers, and;
- any price increases resulting from the New Tax System will be kept to a minimum.

To fulfil that commitment, we are setting an example to our suppliers by passing on anticipated savings to our customers from July 1 2000, which have not yet accrued to Sydney Airports. We will then seek to recoup these anticipated savings from our suppliers in order to maintain our margins.

We will continue to analyse the potential impact of the GST on the prices offered to customers for the services we provide to them. This will be calculated by:

- determining whether GST applies to the goods or services provided by Sydney Airports;
- establishing the cost savings which will result from the reduction and removal of some existing taxes under the New Tax System;
- estimating the compliance costs Sydney Airports will incur in the first year of the GST and on an ongoing basis, and;
- not increasing our budgeted dollar margin.

Over time, there are other market factors involved in our pricing adjustments which will also need to be taken into account. Any price changes, whether increases or decreases, and underlying explanations will be communicated to customers as soon as practicable.

GST payable on goods and services purchased by international passengers will be refundable at designated Customs booths in the Sydney Airport International Terminal.

Customer information

Sydney Airports is committed to transparent communications with its customers on the effects of the New Tax System and the level of savings expected to accrue to different business areas.

Because our customer base is relatively contained, we are able to communicate with them both formally through direct mail and newsletters and more informally through day to day contact in the normal course of business.

We will, where possible, provide clients and retailers with information on their obligations to assist them to comply with new tax laws. In addition, we are providing specialist GST compliance training to employees in areas particularly impacted by the New Tax System, such as aviation, retail, property, commercial trading, information technology and finance.

Complaints handling procedure

Sydney Airports already has a comprehensive complaints handling procedure, which ensures customer complaints are handled quickly and appropriately.

In case of a customer complaint, the first point of contact will be the business relationship manager for that particular customer within Sydney Airports, followed by the GST Co-ordinator. The relatively small management team, coupled with the single site operation of Sydney (Kingsford-Smith) Airport, ensures efficient and effective response to customer complaints. If the customer remains unsatisfied, they have prompt access to the Chief Executive Officer.

Sydney Airports is committed to the fair treatment of all complaints and to providing a written response to a complaint within 14 days of its receipt.

Price display and pricing policy

Sydney Airports is committed to showing the GST inclusive price in a manner that is not misleading or deceptive. All invoices will clearly indicate the amount of GST and the GST-inclusive price on a line item basis. Given most of Sydney Airports' customers will be registered for GST, disclosure of the GST exclusive price will also be important.

As previously stated, Sydney Airports is committed to passing on net cost savings resulting from the New Tax System to its customers, in accordance with the law and in line with ACCC guidelines. From time to time, as part of normal business practice, our prices will change to reflect market levels in line with the terms and conditions of the various contractual relationships.

Compliance program

Sydney Airports has a comprehensive compliance and customer management program, which incorporates the New Tax system. This includes:

- Appointment of a Senior Executive to be responsible for compliance in the organisation
- Staff that are trained in their responsibilities and customer rights
- Systems to review our performance regularly, as regards meeting customer enquiry, capturing cost savings and passing cost savings to customers
- A comprehensive complaints handling procedure, which ensures they are considered and responded to quickly and appropriately
- A compliance program based on the provisions of the Australian Standard 3806-1998

Liaison with the Australian Competition & Consumer Commission

Sydney Airports is committed to complying with the legal obligations of the New Tax System. As part of this commitment, we have appointed a liaison officer, who will be the first point of contact for the ACCC. During the planning and implementation stages it is the GST project manager. From 1 July 2000 it will be Sydney Airports' Tax Manager.

We will continue our consultative process with the ACCC regarding our obligations in relation to compliance with part VB of the Trade Practices Act and in other matters to ensure Sydney Airports meets its good corporate citizen responsibilities.

Reporting and information provision

Sydney Airports will provide a six-monthly report to the ACCC in relation to the calculation of price changes associated with the New Tax System.

The report will assess the estimated and actual figures for the previous six months as a basis for setting prices for the following 12 months. It will be in a format agreed with the ACCC, updating the information provided to it on a confidential basis at the time of this commitment.

Tony Stuart
Chief Executive Officer
Sydney Airports Corporation Limited