

2017-18  
Annual Report



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Enterprise Analysis and Reporting Manager  
Airservices Australia  
GPO Box 367  
Canberra City ACT 2601  
Telephone (02) 6268 4374  
Fax (02) 6268 4233

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# Letter of transmittal



Chairman

GPO Box 367, Canberra ACT 2601  
25 Constitution Avenue, Canberra ACT 2601

t: 02 6268 4189

[www.airservicesaustralia.com](http://www.airservicesaustralia.com)  
ABN 59 698 720 886

The Hon Michael McCormack MP  
Deputy Prime Minister  
Minister for Infrastructure, Transport and Regional Development  
Parliament House  
CANBERRA ACT 2600

Dear Deputy Prime Minister

## **Airservices Annual Report 2017-18**

On behalf of the Board of Airservices Australia, I am pleased to submit to you the Airservices Australia Annual Report for the financial year 2017-18 as required under section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

During 2017-18 we were accountable to the Australian Parliament and to the Australian Government through your portfolio as the Minister for Infrastructure, Transport and Regional Development.

The Board, as the accountable authority of Airservices Australia, is responsible for preparing and submitting this report to you. It was endorsed at our meeting on 27 September 2018.

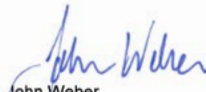
The report has been prepared in accordance with the requirements of the *Air Services Act 1995*, the PGPA Act, the PGPA Rule 2014 (PGPA Rule), and other relevant legislation.

This report outlines the achievements and milestones met by Airservices, and includes a review of operations and financial statements for the year ending 30 June 2018.

The performance statement has been prepared to demonstrate our performance over the 2017-18 period against the *Airservices 2017-18 Corporate Plan*. It reports against our key performance measures and initiatives articulated within the Plan. The appropriateness of the performance statement was reviewed by Airservices Board Audit and Risk Committee at its meeting on 26 September 2018.

In the Board's opinion, the annual performance statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act and section 16F of the PGPA Rule.

Yours sincerely



John Weber  
Chairman  
27 September 2018

# Chairman's report

The aviation industry is in the midst of substantial change. Australian air traffic is steadily increasing, airport infrastructure investment is occurring faster than it has for some time and new technologies are transforming our industry. The opportunity to make a meaningful contribution to the safety and efficiency of the aviation industry during this period makes it an exciting time to be part of Airservices.

In this context, I am privileged to present Airservices 2017–18 Annual Report, my first as Chairman. It demonstrates how the organisation continues to serve Australia, the aviation industry and the millions of travellers who traverse our skies, in pursuit of safety excellence and the efficient delivery of services, while also making progress towards emerging new horizons.

The organisation's achievements during 2017–18 form part of the legacy of our recently retired Chair, Sir Angus Houston. Under Sir Angus' leadership Airservices has become a more capable, efficient and credible organisation.

The most significant achievement is no doubt laying the foundations for the harmonisation of civil and military air traffic management in Australia. The significance of OneSKY and the contribution it will make to the aviation industry and the nation cannot be underestimated.



The transformation journey that Airservices has been on in recent years is about ensuring that we can discharge our air safety responsibility as efficiently and effectively as possible, for our customers and their customers.

Maintaining a vigilant focus on discharging that duty today, while ensuring that the organisation has the capability and agility to discharge it into the future, will be a focus of my leadership.

Airservices operates at no cost to government. While the organisation has never been in a more sound position, financially strong and providing valued, safe and environmentally sound services to the aviation industry, we cannot underestimate the complexity of the years ahead. Like other industries, aviation is being disrupted by new entrants, changing customer behaviour and the opportunities of data.

We must also cater for a major new airport, several new runways in capital cities, ongoing growth in passenger numbers and a policy and regulatory environment that will need to adapt as the industry changes.

As this Annual Report attests, Airservices is in a strong position to tackle the emerging challenges of the aviation industry with confidence, while remaining vigilant in our responsibility to deliver safe skies – the fundamental reason we exist.

I look forward to working with the Board, management and staff of Airservices as we navigate this future together.



**JOHN WEBER**  
Chairman

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“The transformation journey that Airservices has been on in recent years is about ensuring that we can discharge our air safety responsibility as efficiently and effectively as possible, for our customers and their customers.”

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# Chief Executive Officer's report

Airservices ever-present responsibility is to ensure the safety of Australian skies. To continue to discharge this role effectively, we cannot stand still. The aviation industry is changing rapidly, and we must evolve with it.

Our challenge this year was to maintain the positive momentum created during our Accelerate transformation program and capture the value of our resultant capability growth for our customers by delivering safe, more efficient and innovative services for all who operate in our skies. Our challenge was also to demonstrate to the industry, and particularly our customers, that we can deliver the benefits of large-scale projects in a fiscally responsible way.

This annual report demonstrates our progress and provides examples of our achievements throughout the year. It also signifies the preparations we are making to continue our safety critical role in a very different aviation future.

Entering into an agreement with the Department of Defence for the harmonisation of civil and military air traffic control in Australia was a significant achievement this year. A global first, OneSKY will be the air traffic management platform of the future. It will unlock over a billion dollars of economic benefits for Australia, allowing us to more efficiently manage Australia's airspace and safely cater for significant predicted traffic growth and airport infrastructure investment over the next decade. Progress under our multi-year implementation timetable is on track.



In recognition of the need for disciplined program execution for such a major undertaking, and to ensure that we deliver on the promised customer benefits, we established a Customer Service Enhancement Group. As we mature our approach to customer engagement and become more focused on delivering tangible customer benefits and value for money, our customers' experience is already changing.

Innovation through technology is a constant theme in our business to secure safety and customer value in such a rapidly changing and sophisticated environment. During the year we developed a concept of operations for long range air traffic flow management. This initiative will better integrate international flights into our network, resulting in less fuel burn and more predictable arrivals into major airports. We also made progress with the Airport Collaborative Decision Making initiative, which will harmonise operations across all major Australian airports to improve efficiency at and between those airports for the benefit of all travellers.



While these milestones are evidence of our progress, we are very cognisant of the importance of underlying organisational capability to deliver them safely and efficiently. We have made sure that our people, culture, values, systems and processes support us to deliver safety and environmental outcomes with agility. We established new organisational values during the year that better reflect our people and the organisation that we are today. We also recently transitioned our infrastructure as a service capability to a secure cloud – the biggest transition to cloud services in Australian Government history.

As always, we remain conscious of the customers whose contributions fund our organisation. This year we achieved the service outcomes we exist to deliver, more efficiently. We reduced our operating costs by a further 2.3 per cent and at the same time handled increased air traffic, delivering an 11 per cent productivity improvement for the year.

What is most pleasing with these results is that, based on the forecasts in our *2018–2019 Corporate Plan*, we were able to commit to our customers that we will hold our prices at 2015 levels for at least another five years. This achievement is particularly significant given the size and scale of the investment program to which we are committed.

For the year ahead, we are considering how Airservices will continue to meet its important safety mandate as our industry continues its rapid pace of change. The impact of new airspace entrants, ongoing traffic growth and significant airport infrastructure investment are just some of the challenges for which we must prepare. It is core to our safety responsibility that we plan for the future, and position ourselves well to assure ongoing, safe service delivery and customer value.



**JASON HARFIELD**  
Chief Executive Officer

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“Innovation through technology is a constant theme in our business to secure safety and customer value in such a rapidly changing and sophisticated environment.”

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# Airservices year in review

In 2017–18, we built on our transformation to become a more customer-centric organisation, focused on delivering our services in a way that creates value for our customers while maintaining and enhancing aviation safety.

Airservices provides safe, secure, efficient, environmentally responsible air navigation and aviation rescue fire fighting services for the aviation industry and community on behalf of our owner, the Australian Government.



**3,534\***  
Employees (total)



**1,067\***  
Operational air traffic controllers



**843\***  
Operational aviation rescue fire fighters

\* As at 30 June 2018



**2**  
Air traffic control centres managing 11% of the earth's airspace



**29**  
Airports with air traffic control towers



**26**  
Airports with aviation rescue fire fighting services

In 2017-2018, Australian skies were busier and safer than ever.

SYD → MEL  
BNE → SYD

2 of the top 10  
busiest routes globally

OAG Punctuality League 2018: Full-year data 2017



**+4M** Air traffic  
movements



**0** Significant attributable  
safety occurrences



**+160M** Passenger  
movements



**452** Aircraft incidents  
responded to by our aviation  
rescue fire fighters

We delivered efficient and environmentally responsible services that were valued by our customers.

**36 seconds**  
median arrival  
airborne delay

Aviation rescue  
fire fighting service  
readiness at  
**99.9%**

Maintained  
prices at  
**2015** levels

**\$2M+**  
in fees waived  
for not-for-profit  
aeromedical  
operators

We made customer-centric decisions and continuously improved our business.

**+** \$74.5M  
NET PROFIT AFTER TAX

**↑** 3.4%  
GROWTH IN REVENUE\*

**↻** \$125M  
INVESTMENT IN CAPITAL PROGRAMME

**↓** 2.3%  
FALL IN EXPENSES\*

**↻** 8.5%  
RETURN ON ASSETS

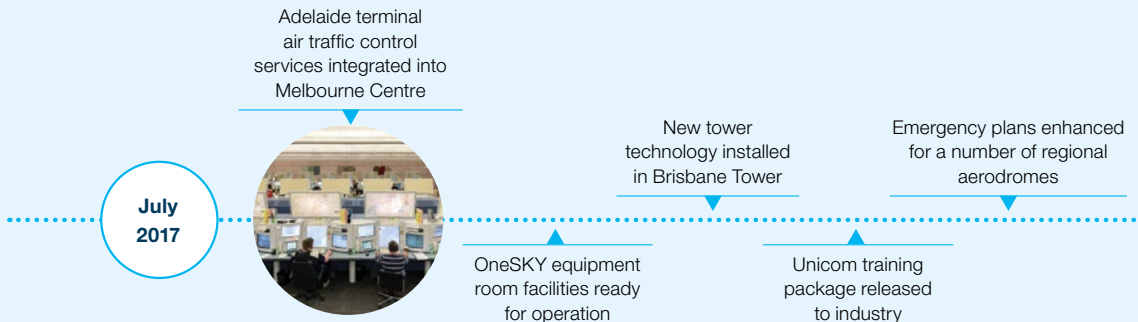
**↓** 11.0%  
REDUCTION IN OPERATING COST PER IFR FLIGHT HOUR\*

**↓** 18.0%  
REDUCTION IN LOST TIME INJURY FREQUENCY RATE\*

**↓** 58.0%  
DECREASE IN INTERNAL PROJECT COSTS\*

\*Compared to 2016-17

## Year at a glance



# We embraced innovation and invested in technology.

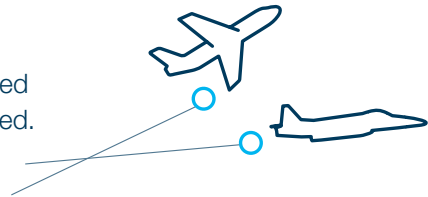


The transition of our corporate information technology to a managed service in the secure cloud is the largest in Australian Government history.

Invested in future benefits



With the signing of the OneSKY contracts, harmonised civil and military air traffic control in Australia is assured.



OneSKY contracts signed to deliver harmonised civil military air traffic control in Australia

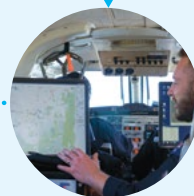


Transitioned information technology services to secure cloud

Implementation plan for the introduction of Long Range Air Traffic Flow Management

Finalised commercial arrangements for the introduction of Airport-Collaborative Decision Making

Trial of space based positioning systems to safely guide aircraft to their destination



June 2018





# 01 Corporate overview

## Purpose

Our purpose is to provide safe, secure, efficient and environmentally responsible air navigation and aviation rescue fire fighting services that are valued by the aviation industry.

We are funded through levies on our customers and capital raised from debt markets. Our prices are set by the Airservices Board after extensive consultation with industry, and are subject to oversight by the Australian Competition and Consumer Commission. Airservices does not receive any government funding.

Safety is our number one priority. We are proud that global benchmarking consistently places Airservices as one of the top air navigation service providers for safety in the world.

To ensure that we continue to be recognised as an industry leader, we deliver environmentally responsible services that are valued by our customers and supported by customer-centric investment in innovation and commercially rigorous decision making.

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“Safety is our number one priority. We are proud that global benchmarking consistently places Airservices as one of the top air navigation service providers for safety in the world.”

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## Enabling legislation

Airservices was established by the *Air Services Act 1995* (Cth), and is designated as a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act).

Our functions under the Air Services Act include:

- providing facilities for the safe navigation of aircraft within Australian-administered airspace
- promoting and fostering civil aviation in Australia and overseas
- providing air traffic services, aviation rescue fire fighting services, aeronautical information, radio navigation and telecommunications services.

In undertaking our functions, we must regard the safety of air navigation as our most important consideration, and protect the environment as far as practicable from the effects of aircraft operations.

A range of other legislation informs our operations. More information is available at [www.airservicesaustralia.com/acts-and-regulations](http://www.airservicesaustralia.com/acts-and-regulations).

## Corporate governance

We are governed by a Board whose members are appointed by the Minister for Infrastructure, Transport and Regional Development, the Hon. Michael McCormack MP<sup>1</sup>. Our Board consists of eight non-Executive Directors, including the Chairman, Deputy Chair and one Executive Director who is the Chief Executive Officer (CEO), appointed by the Board. The Board is committed to best practice in corporate governance.

The Board decides the objectives, strategies and policies of Airservices and ensures that it fulfils its statutory functions in a proper, efficient and effective manner. The Board regularly evaluates its own performance and the performance of its committees.

Further information about Board membership, meetings and committees is available in Appendix 1.

<sup>1</sup> Previous ministers include the Hon. Barnaby Joyce MP 20 December 2017 – 26 February 2018; and the Hon. Darren Chester MP 8 February 2016 – 20 December 2017.

## Strategic direction

Our 2017–18 *Corporate Plan* outlines the initiatives and performance outcomes we seek to achieve over a five year period in support of our vision and purpose.

The corporate plan was produced in accordance with the Air Services Act and the PGPA Act.

Our publications are available at [www.airservicesaustralia.com/publications/corporatepublications](http://www.airservicesaustralia.com/publications/corporatepublications).

## Minister's Statement of Expectations and Airservices Statement of Intent

The Government provided the Airservices Board with its Statement of Expectations on 9 May 2017 for the period 22 May 2017 to 30 June 2019.

Both the Statement of Expectations and Airservices Statement of Intent are included in Appendix 2.

## Ministerial directions and Government policy orders

Our Minister can issue directions that inform the performance of our functions. Four ministerial directions were current in 2017–18, relating to:

- handling aircraft noise complaints at Sydney and other federal airports (issued 29 May 1996)
- progressive implementation of the Sydney Long Term Operating Plan (issued 30 July 1997)
- responsibilities in relation to the environmental effects of aircraft (issued 3 May 1999)
- providing approach radar services at specific airports (issued 31 August 2004).

Airservices must comply with government issued policy orders. During the 2017–18 reporting period, no government policy orders applied to Airservices.

## Our locations

Our head office is in Canberra. At 30 June 2018, we employed 3,534 people across Australia, including:

- 1,067 operational air traffic controllers, working from two air traffic services centres in Melbourne and Brisbane, two terminal control units and 29 towers at international and regional airports
- 843 operational aviation rescue fire fighters and station managers, supporting our services at 26 of Australia's biggest airports.

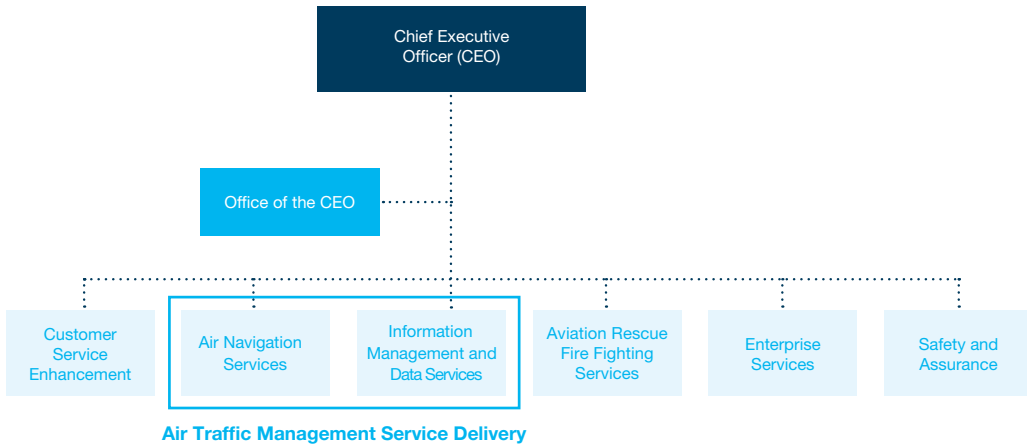
Further details about our workforce is included in Appendix 3, and more information about our facilities is available at [www.airservicesaustralia.com/about/our-facilities](http://www.airservicesaustralia.com/about/our-facilities).



## Organisational structure

Our CEO and executive team lead Airservices. Our operating model focuses on our two service delivery lines: air traffic management and aviation rescue fire fighting services.

Figure 1: Airservices Australia's organisational structure at 30 June 2018





# 02 Our financial performance

## Annual result

Our 2017-18 financial performance Net Profit After Tax (NPAT) of \$74.5 million, and 11.1 per cent return on equity, were both ahead of forecast. This is a positive financial result which is underpinned by the reset cost base delivered in prior years and a continued focus on driving business improvements.

## Income and expenses

Airways revenue increased by 3.4 per cent to \$1.08 billion due to continued growth in the international sector, particularly from north-east Asia with the addition of new routes between Australia and China. In contrast, domestic airways revenue remained relatively flat, due to the ongoing impact of reduced mining activity and tightening of capacity.

Expenses of \$1.0 billion were 2.3 per cent lower than the previous year, mainly due to staff costs which were \$46.4 million lower, due to the impact of restructuring activities in the previous year. This was partially offset by an increase in supplier costs of \$33.0 million due to additional site testing planned under our Per- and Poly-fluoroalkyl substances (PFAS) management program.

## Capital investment and gearing

In 2017-18, we invested \$125 million in our capital program. Funding was derived from operating cash flows and existing borrowings. At 30 June 2018, our gearing level of 40 per cent was within our medium-term target range of 40 per cent to 50 per cent.

## Financial outlook

Airservices strong financial performance is projected to continue through 2018-19 with revenue growth across a more efficient cost base driving returns. Pricing will continue to be held at current rates with revenue growth driven by the expansion of international services particularly across North Asia. Revenues from domestic airline operations are not expected to grow significantly however following consecutive years of contraction some signs of improvement across this market are emerging.

Some expenditure growth is forecast over the next 12 months to fund the expansion of air traffic control and aviation rescue and fire-fighting services for new regional east coast locations and parallel runways operations. However, with the improved efficiency and cost effectiveness these services will be funded within current pricing arrangements with no pricing increases forecast into the future.



# 03 Annual performance statement

This annual performance statement is prepared in line with paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act) for the 2017–18 financial year. It accurately presents Airservices performance in accordance with section 39(2) of the Act.

## Our purpose

Our purpose is to provide safe, secure, efficient and environmentally responsible air navigation and aviation rescue fire fighting services that are valued by the aviation industry.

## Performance outcomes

This section provides our results and highlights major achievements in 2017–18 against five performance criteria—safety, business operations efficiency, organisational capacity, industry outcomes and financial stewardship. These align to the strategic performance outcomes in the *2017–18 Corporate Plan*.

It also provides an analysis of our overall performance against our key performance indicators (KPIs) over the financial year, and demonstrates how we are fulfilling our purpose.

A table reporting on the enterprise initiatives set out in our *2017–18 Corporate Plan* is also included in this section.

## Performance criterion—Safety

The safety of Australia's air navigation system is our most important consideration. We are committed to enhancing our safety performance, and we continue to improve our operations to strengthen our safety performance, and optimise advances in technology.

Results	2015-16	2016-17	2017-18	
	Result	Result	Target	Result
<b>KPI</b>				
<b>Significant Attributable Safety Occurrences— Air Navigation Services</b>				
<i>Any loss of separation or runway incursion where the Risk Assessment Tool score is Category A.</i>	0	0	0	0
<small>Source: Page 25 of the 2017-18 Corporate Plan</small>				
<b>Significant Attributable Safety Occurrences—Aviation Rescue Fire Fighting Services</b>				
<i>Any aircraft incident on a runway in which the response did not meet the regulated response time of three minutes.</i>	1	0	0	0
<small>Source: Page 25 of the 2017-18 Corporate Plan</small>				
<b>Lost time injury frequency rate (LTIFR)</b>				
<i>A lost time injury is an occurrence that resulted in time lost from work of one day shift or more, permanent disability or fatality. The rate measures the number of lost time injuries per million hours worked.</i>	5.8	5.6	3.5	4.6
<small>Source: Page 25 of the 2017-18 Corporate Plan</small>				

### Analysis

We achieved the key safety target for our air navigation and aviation rescue fire fighting services.

The effective delivery of our services depends on our people. We achieved an 18 per cent improvement in our LTIFR by focusing on early reporting and intervention, and aiding staff in returning to duties. While this is a significant improvement, we did not achieve our target, and we will focus on further improvement in 2018-19.

### Achievements

Optimising our use of technology helps us make Australian skies safer for our customers. During 2017-18, we:

- delivered a satellite-based precision approach capability in Melbourne with a ground-based augmentation system, assisting the industry with fewer weather disruptions, more efficient descents, and improved airport capacity
- established two automated dependent surveillance broadcast (ADS-B) receivers in the Browse Basin in Western Australia to increase the safety of operations supporting the local gas and oil industry
- finalised the rollout plan for additional ADS-B receivers to improve surveillance at 11 regional airports
- conducted a trial of satellite-based augmentation system technology, guiding aircraft using advanced satellite positioning, and demonstrating the safety and efficiency benefits of precision approaches at regional aerodromes
- activated three additional sites on our weather camera portal to provide pilots with real-time access to information on weather conditions. The portal now monitors 17 aerodromes across the country.

Industry collaboration also plays an important role in ensuring the safety of Australia's airspace. We:

- worked with regional and general aviation airports to boost their emergency management and planning (see case study—Aerodrome Emergency Plans)
- supported our neighbours, Indonesia and Papua New Guinea, in improving their internal capabilities and service resilience, to enhance air safety in the region.

# Case study

## Aerodrome emergency plans

### Enhancing safety through collaboration

During 2017–18, we demonstrated our commitment to improving aviation safety through industry collaboration and leadership by working with regional airports to enhance their local emergency response arrangements in the absence of fire fighting services.

We identified a number of regional aerodromes, including major regional hubs and busy general aviation airports, where a dedicated aviation rescue fire fighting service is not currently provided, and reached out to assist with aviation emergency planning.

Our experienced fire fighters and officers assisted with reviewing airport emergency plans, ensuring roles and responsibilities are clear, and improving methods for testing capability and capacity. We also helped with emergency exercise design, exploring ways to test individual components of emergency plans and working with other key agencies identified in these emergency plans.

In applying our own ARFFS capability and experience, the training and expertise provided by our staff has enhanced emergency planning and response arrangements, positively contributed to our industry through strengthening relationships, and has given our highly trained staff broader opportunities to contribute to their communities.

## Performance criterion—Business Operations Efficiency

Our aviation industry is dynamic—rapidly adopting new technology and innovating to provide more efficient aviation services to the public. Airservices must continue to evolve with it. During the year, we introduced technology to make our business and operations more efficient and deliver better services to our customers.

Results	2015-16	2016-17	2017-18	
	Result	Result	Target	Result
<b>KPI</b>				
<b>Productivity</b>				
<i>The total operating cost per instrument flight rules (IFR) flight hour (\$/hour)</i>	\$405	\$367	Downward trend in real terms	\$325

Source: Page 26 of the 2017-18 Corporate Plan

### Analysis

During 2017-18, we serviced more traffic (5 per cent growth in flight hours) while continuing to reduce our underlying operating cost base, delivering an 11 per cent increase in productivity.

### Achievements

Infrastructure investment improves service quality for our customers while increasing our operational efficiency. Our major achievements for the year included:

- consolidating the Adelaide Terminal Control Unit to Melbourne
- installing the Integrated Tower Automation Suite (INTAS) into the Brisbane air traffic control tower
- signing OneSKY contracts and supporting agreements that will harmonise civil and military air traffic control in Australia
- commissioning the OneSKY equipment rooms.

During the year, we introduced smart technology and changed our work processes, including:

- transitioning to infrastructure as a service (IAAS) to reduce information communications technology (ICT) costs while increasing quality, availability, flexibility and security (see case study—Transitioning to managed services and a secure cloud)
- introducing an asset management framework that has significantly improved the governance and management of our investment program
- introducing a preventative maintenance optimisation program for fire vehicle maintenance that minimises vehicle downtime and reduces operating costs by \$1 million
- trialling the use of drones to inspect our large structural assets in remote locations, reducing the health and safety risk to our people while increasing the availability of skilled maintenance staff.



# Case study

## Transitioning to managed services and a secure cloud

### **Building a sustainable organisation for the future**

To support the delivery of value through service excellence and innovation, we have changed the way we provide information technology services, introducing more agility via a secure, fully managed service with redundancy.

In 2017, following a competitive procurement process, Airservices engaged ASG Group as its IAAS partner to deliver our corporate information technology services as a managed service. It provides these services via Vault Cloud, a platform certified by the Australian Signals Directorate (ASD).

In early 2018, Airservices started moving to the new model by identifying all corporate systems—including architecture, system reliances and capacity requirements—to ensure that the new service would meet our requirements. Detailed planning, testing and trial runs were undertaken over several months to ensure that people, processes and technology were ready for the transition.

The transition is largely complete, with all systems previously hosted in our Canberra offices relocated to both the Canberra Data Centre and the Vault Cloud platform. The full transition of systems to the cloud will be completed by the end of 2018.

It is the largest move to the cloud in Australian Government history and demonstrates the maturity of ASD-approved, secure, hosted cloud platforms.

The transition to this new service delivery model provides us with a number of benefits, including a reduction in our overall information technology operating costs, improved service quality and availability, increased service flexibility and enhanced information security.

## Performance criterion—Organisational Capacity

Building a diverse and engaged workforce is critical to delivering the expectations set by our customers. As the industry evolves, the capability of our people is fundamental to delivering our services effectively and efficiently. During the year, we worked to ensure that we had the culture, strategy and processes in place to deliver sustainable high performance.

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Results	2015-16	2016-17	2017-18	
	Result	Result	Target	Result
<b>KPI</b>				
<b>People engagement survey—values focused</b>				
<i>Expressed as a percentage of satisfaction and specific values-related results.</i>	68%	74%	77%	73%
<small>Source: Page 26 of the 2017-18 Corporate Plan</small>				
<b>Diversity and inclusion index</b>				
<i>Expressed as a percentage of the extent to which employees feel that the work environment is inclusive of all employees and supports diversity.</i>	58%	68%	70%	62%
<small>Source: Page 26 of the 2017-18 Corporate Plan</small>				

### Analysis

Our people engagement result was relatively stable compared to 2016-17, but did not achieve our target. Our diversity and inclusion index fell from 2016-17.

Building a more inclusive workplace will be a key focus in 2018-19. We will achieve this with the help of our diversity action plan, which will promote inclusiveness, wellbeing and performance in the workplace.

### Achievements

We are a diverse and inclusive workplace with opportunities for development and growth, and rewarding careers in the aviation industry. In 2017-18, we:

- refreshed our corporate values to reflect the organisation that we are today and highlight what is important to our people
- delivered the *Airservices People Strategy (2017-2025)*, which articulates our workforce drivers, issues, risks and strategies
- reformed our Diversity and Inclusion Council, making it a mechanism for driving enterprise initiatives to build a genuinely inclusive workforce
- developed our leadership capability via coaching, assessment workshops and enterprise leadership forums
- grew our Indigenous workforce (one quarter of our aviation rescue fire fighter graduates in 2018 identify as Indigenous), including members of our Indigenous trainee program.

# Case study

## Responding to our customers

It is imperative that our organisation and our people have the capacity and agility to understand and respond to our customers' needs to create value for all airspace users, ensuring that our service delivery is not an operational or economic impediment to the growth of the aviation industry.

The organisational reforms *Accelerate* positioned us well for the future. In 2017-18, we further evolved our focus from internal efficiency to industry contribution—to what our customers value and expect, to our operating environment and the challenges and opportunities of technology and trends in aviation and air safety globally.

This was the catalyst for establishing our Customer Service Enhancement (CSE) group, which is focused on ensuring that we have a more customer-centric approach to our decision making to drive the delivery of customer benefits.

In allowing our operations to focus on continued safe and efficient delivery of our core services, CSE drives our service enhancement activities to a defined value proposition, articulating the benefits to our people and ensuring we deliver tangible benefits to our customers.

This includes the delivery of the most modern and advanced air traffic management platform in the world—the civil and military air traffic management system (CMATS). For our customers and airspace users, CMATS will offer more access to efficient routes, enabling them to spend less time in the air, saving fuel and reducing the environmental impact of air travel. For the Australian economy, the benefits of CMATS are more than \$1 billion.

## Performance criterion—Industry Outcomes

Our role in Australian aviation is unique. As the provider of air navigation services, we are well positioned to work effectively with industry, other government agencies and our regional neighbours, to enhance cooperation and improve aviation safety and efficiency for our nation. During the year, we engaged with our customers to understand their needs and priorities for service improvement. This included a focus on implementing initiatives to improve operational efficiency for aircraft, efficient use of airspace and minimising traffic delays.

Results	KPI	2015–16	2016–17	2017–18	
		Result	Result	Target	Result
<b>Arrival airborne delay (high-volume operations)</b>					
<i>The median (and 75<sup>th</sup> percentile) excess time incurred during the arrival airborne phase of flight in reference to the estimated time of arrival for high-volume operations.</i>		0.4	0.6	0.6	0.6
<i>Brisbane, Melbourne, Perth and Sydney are defined as high-volume operating environments.</i>		3.1	3.5	3.5	3.5
<small>Source: Page 26 of the 2017–18 Corporate Plan</small>					
<b>Industry advocacy score</b>					
<i>Measures our customer advocacy as determined by the net promoter score.</i>		n/a	-39	-39	-36
<small>Source: Page 26 of the 2017–18 Corporate Plan</small>					

### Analysis

In 2017–18, we met our target for arrival airborne delay against a backdrop of growing traffic by working closely with industry to continuously review data and identify opportunities for improvement.

The 2018 industry advocacy survey results demonstrate a modest improvement in our weighted average score from -39 last year to -36, with our customers acknowledging our action to shift to a more customer-focused organisation.

### Achievements

In 2017–18, we focused on improving the quality of engagement with our customers and industry partners to deliver the benefits of our investment. Our key achievements include:

- finalising the commercial arrangements for providing A-CDM technology (see case study—Airport Collaborative Decision Making)
- implementing new standard instrument arrival and departure flight procedures at three airports, improving the safety and efficiency of our operations into the aerodrome
- developing a concept of operations for digital aerodrome services that will use technology to provide more agile and efficient service delivery options
- finalised the implementation plan for introducing long-range air traffic flow management (LR ATFM), which will better integrate international aircraft into our network management and increase airport efficiency.

# Case study

## Airport Collaborative Decision Making (A-CDM)

### Harmonising air traffic management

As the aviation industry grows, we have continued to invest in technology that allows us to provide valued services to our customers. A-CDM is one such technology-based, whole-of-industry initiative where we collaborated with airports and airlines.

This state-of-the-art information-sharing platform will instantly synchronise data for air traffic controllers and operations staff at airports. This will harmonise the way airports, aircraft operators, ground-handling organisations and air traffic controllers work, and facilitate collaborative decision making.

A-CDM will provide a shared picture of aircraft movements in arrival, turnaround and departure phases. It will improve operational efficiencies and aircraft predictability, and save the aviation industry more than \$52 million over the next decade.

Airservices is the world's first air navigation service provider to lead a multi-location A-CDM implementation. We have taken a lead role in implementing the system for our customers, who requested a single solution to harmonise operations across all major airports.

## Performance criterion—Financial Stewardship

We are responsible for understanding and managing our financial impact on our customers, the Australian Government and the economy. This responsibility underpins our ability to achieve our purpose. In the face of an ever-changing operating environment, we continue to focus on financial sustainability to give our customers certainty about the way we manage our business.

### Results

KPI	2015-16	2016-17	2017-18	
	Result	Result	Target	Result
<b>Net Profit After Tax</b>				
<i>Net profit after tax</i>	-\$127.3 million	\$34.0 million	\$59.2 million	\$74.5 million
<small>Source: Page 25 of the 2017-18 Corporate Plan</small>				
<b>Return on assets (RoA)</b>				
<i>Airservices annual earnings as a percentage of assets</i>	-6.4%	5.6%	6.5%	8.5%
<small>Source: Page 25 of the 2017-18 Corporate Plan</small>				

### Analysis

In 2017-18, we exceeded our financial performance targets and delivered a significant return on assets.

### Achievements

NPAT is \$74.5 million (\$15.3 million or 25.8% above target), mainly due to a combination of increased international revenue and harvesting savings from our new asset management practices earlier than planned.

RoA continues to remain strong as asset values trend downwards due to lower investment and improved profitability.

We continued to hold prices at 2015 levels in 2017-18. Our increased revenue and effective cost management strategies have allowed us to deliver on our commitment of real price decreases and improved value to our customers.

Our strong financial position enabled us to waive more than \$2 million in ongoing annual charges for five not-for-profit aeromedical operators. We also reiterated our commitment to general aviation by continuing to waive charges for low-volume general aviation operators.

# Case study

## Promoting a healthy aviation industry

### **Continuing to support our customers and the community**

As Australia's air navigation services provider, we are responsible for championing a healthy aviation industry in Australia. We take this responsibility seriously and have worked hard to improve our service offering and internal efficiency.

We are focused on delivering and sharing the benefits of being more sustainable and customer-focused for all Australian airspace users.

In 2017-18, our continued improvements in service delivery and financial stewardship enabled us to keep our prices at 2015 levels while delivering major investments for the industry.

We also offered support to five not-for-profit aeromedical operators by waiving more than \$2 million in annual charges. These operators include Angel Flight, CareFlight, LifeFlight, Little Wings and the Royal Flying Doctor Service (RFDS), which provide essential services to Australians in rural and remote communities.

The RFDS has indicated that the savings on annual navigation charges fund the equivalent of 235 patient retrieval flights or 15 extra nurses, or operating its 24-hour telehealth service. Access to these vital services can mean the difference between life and death for people in remote parts of the country.

In addition, we continue to provide services to 3,000 low-volume general aviation operators at no cost, through our light aircraft charging option.

## Report against enterprise initiatives

The following table provides an overview of our performance against the enterprise initiatives outlined in our 2017–18 Corporate Plan. As most of our initiatives are multi-year, the results key shows the status as a summary of the overall result, based on deliverables achieved in 2017–18.

### Results key:

Fully met	100 per cent of deliverables for 2017–18 were achieved
Substantially met	50–99 per cent of deliverables for 2017–18 were achieved, with some minor exceptions
Partially met	Less than 50 per cent of deliverables for 2017–18 were achieved

Initiative	Measurement	Outcome
1.1 Future Airspace Management <small>Source: Page 14 of the 2017–18 Corporate Plan</small>	1. Integrate Adelaide Terminal Control Unit into the Melbourne Centre 2. Finalise the three-year schedule of additional locations for ADS-B 3. Lower Class E services in continental airspace across Australia 4. Trial Class E arrival airspace services at a regional airport 5. Implement new Standard Instrument Departures (SIDs) and Standard Arrival Routes (STARs) at Hobart, Launceston, Mackay and Rockhampton 6. Complete remote (virtual) tower concept of operations, with initial pilot location focusing on service continuity and strengthening redundancy	<b>Partially met</b> Adelaide Terminal Control Unit was successfully integrated into Melbourne on 8 July 2017. The locations for additional ADS-B sites were approved in February 2018. A concept of operations for Class E Services was developed in 2017–18. We identified the need for a broader review of future airspace management to take into account changes to technology, airspace users, and airport infrastructure, which will progress in 2018–19. SIDs and STARs for Rockhampton, Mackay and Hobart were commissioned in 2017. The Hobart SIDs and STARs are being reviewed due to community concern. Due to this, implementation at Launceston did not proceed in 2017–18. The concept of operations for remote towers was completed.
2.1 Customer-centric services <small>Source: Page 17 of the 2017–18 Corporate Plan</small>	1. Install the Integrated Tower Automation System in Brisbane Tower 2. Develop a range of risk mitigation ARFFS service options 3. Initial pilot of a Unicom service at a regional aerodrome	<b>Fully met</b>
2.2 Airport Collaborative Decision Making (A-CDM) <small>Source: Page 18 of the 2017–18 Corporate Plan</small>	1. Developing an industry-agreed operating and governance framework for A-CDM capability 2. Final investment decision 3. Finalising procurement and commercial arrangements with the successful capability supplier	<b>Fully met</b>
2.3 Long range air traffic flow management (LR ATFM) <small>Source: Page 19 of the 2017–18 Corporate Plan</small>	1. Identify a preferred technology partner 2. Scope the introduction of LR ATFM capability for Melbourne	<b>Fully met</b>



Initiative	Measurement	Outcome
<p>3.1 OneSKY</p> <p>Source: Page 22 of the 2017-18 Corporate Plan</p>	<ol style="list-style-type: none"> <li>1. OneSKY Equipment Rooms</li> <li>2. Installation and commissioning of the new Phase 1 Voice Communication System (VCS)</li> <li>3. Begin construction of CMATS Air Traffic Services Centres (ATSC)</li> <li>4. Commencement of OneSKY integration into service delivery</li> </ol>	<p><b>Partially met</b></p> <p>OneSKY equipment rooms were commissioned. Installation of the Phase 1 VCS was completed at three of the four sites, with the fourth site scheduled for completion early in 2018-19. Commissioning at all sites is due to occur in 2018-19.</p> <p>Following a review of requirements for the ATSCs in 2017-18, construction is due to commence in 2018-19.</p> <p>The transition and integration into service delivery will commence with the commissioning of VCS capability.</p>
<p>3.2 People</p> <p>Source: Page 23 of the 2017-18 Corporate Plan</p>	<ol style="list-style-type: none"> <li>1. Finalisation of whole-of-enterprise Airservices Workforce Plan 2017-2022</li> <li>2. Refresh of leadership development and whole-of-enterprise corporate training</li> <li>3. Execution of end-to-end leadership succession management process</li> <li>4. Finalisation of review of recruitment servicing model and processes</li> </ol>	<p><b>Fully met</b></p>



# 04 Financial statements

for the year ended 30 June 2018

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## Audit report



### INDEPENDENT AUDITOR'S REPORT

**To the Minister for Infrastructure, Transport and Regional Development**

#### Opinion

In my opinion, the financial statements of Airservices Australia for the year ended 30 June 2018:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of Airservices Australia as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of Airservices Australia, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by Directors, Chief Executive Officer and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and forming part of the financial statements, comprising a summary of significant accounting policies and other explanatory information.

#### Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Airservices Australia in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Other Information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of Airservices Australia the Directors are responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual

financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing Airservices Australia's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Directors are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Lesla Craswell  
Executive Director

Delegate of the Auditor-General  
Canberra

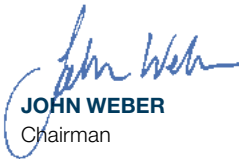
27 September 2018

## Statement by Directors, Chief Executive Officer and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that Airservices Australia will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the directors.



**JOHN WEBER**  
Chairman

Canberra, 27 September 2018



**JASON HARFIELD**  
Chief Executive Officer



**PAUL LOGAN**  
Chief Financial Officer

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## Statement of Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
<b>CONTINUING OPERATIONS</b>			
<b>INCOME</b>			
Airways revenues	1.1	<b>1,080,897</b>	1,044,927
Finance income	1.1	<b>2,150</b>	3,485
Reversal of previous asset write-down		<b>1,580</b>	2,347
Miscellaneous income		<b>3,647</b>	3,040
Other business revenue		<b>22,273</b>	22,863
<b>TOTAL INCOME</b>		<b>1,110,547</b>	1,076,662
<b>EXPENSES</b>			
Employee benefits	1.2	<b>618,143</b>	664,507
Suppliers		<b>205,532</b>	172,500
Depreciation and amortisation	2.3	<b>147,250</b>	148,510
Finance costs	1.2	<b>21,791</b>	33,389
Write-down and impairment of assets	1.2	<b>9,059</b>	8,197
Net loss on disposal of non-current assets	1.2	<b>1,901</b>	497
<b>TOTAL EXPENSES</b>		<b>1,003,676</b>	1,027,600
<b>PROFIT BEFORE INCOME TAX</b>		<b>106,871</b>	49,062
Income tax expense	1.3	<b>32,377</b>	15,090
<b>PROFIT AFTER INCOME TAX</b>		<b>74,494</b>	33,972
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Changes in asset revaluation reserve		<b>4,166</b>	8,444
Actuarial gain on defined benefit fund	4.2	<b>23,111</b>	101,619
Income tax on items that will not be reclassified to profit or loss		<b>(8,183)</b>	(33,019)
<b>Items that may be reclassified subsequently to profit or loss</b>			
Loss on foreign exchange hedges		<b>(1,277)</b>	(369)
Income tax on items that may be reclassified to profit or loss		<b>383</b>	111
<b>TOTAL OTHER COMPREHENSIVE INCOME NET OF TAX</b>		<b>18,200</b>	76,786
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>92,694</b>	110,758

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



## Statement of Financial Position

As at 30 June 2018

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	Notes	2018 \$'000	2017 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3.1	198,792	79,844
Trade and other receivables	2.1	122,436	122,486
Prepayments		33,359	9,328
Inventories		1,827	1,792
Assets classified as held for sale	2.2	–	100
Other current financial assets	2.6	1,076	1,133
<b>TOTAL CURRENT ASSETS</b>		<b>357,490</b>	214,683
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	2.3	1,188,185	1,178,913
Intangible assets	2.3	91,168	111,808
Defined benefit fund asset	4.2	262,839	231,371
Other non-current financial assets	2.6	10,461	13,732
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,552,653</b>	1,535,824
<b>TOTAL ASSETS</b>		<b>1,910,143</b>	1,750,507
<b>CURRENT LIABILITIES</b>			
Trade and other payables	2.5	91,491	77,019
Employee provisions	4.1	216,322	231,884
Income tax payable		1,133	–
Other provisions	2.5	30,434	21,003
Borrowings	3.3	9,974	29,864
Other current financial liabilities	2.6	348	579
Other current liabilities	2.7	299	1,401
<b>TOTAL CURRENT LIABILITIES</b>		<b>350,001</b>	361,750
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	1.3	41,246	3,894
Employee provisions	4.1	41,120	46,929
Other provisions	2.5	51,134	20,655
Borrowings	3.3	671,340	670,326
Other non-current financial liabilities	2.6	6,669	7,347
Other non-current liabilities	2.7	37,446	3,931
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>848,955</b>	753,082
<b>TOTAL LIABILITIES</b>		<b>1,198,956</b>	1,114,832
<b>NET ASSETS</b>		<b>711,187</b>	635,675
<b>EQUITY</b>			
Retained earnings		367,313	289,594
Reserves		121,684	123,891
Contributed equity		222,190	222,190
<b>TOTAL EQUITY</b>		<b>711,187</b>	635,675

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity

For the year ended 30 June 2018

	Retained earnings		Asset revaluation reserve	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Opening balance</b>	<b>289,594</b>	182,647	<b>123,795</b>	119,403
<b>Comprehensive income</b>				
Defined benefits actuarial gains – gross	<b>23,111</b>	101,619	–	–
Defined benefits actuarial gains – income tax effect	<b>(6,933)</b>	(30,486)	–	–
Net revaluation – gross	–	–	<b>4,166</b>	8,444
Net revaluation – income tax effect	–	–	<b>(1,250)</b>	(2,533)
Profit/(loss) for the period	<b>74,494</b>	33,972	–	–
<b>Total comprehensive income</b>	<b>90,672</b>	105,105	<b>2,916</b>	5,911
<b>Transactions with owners</b>				
Returns on capital				
Dividends	<b>(18,900)</b>	–	–	–
<b>Transfers between equity components</b>				
Revaluation reserve – disposals	<b>5,947</b>	1,842	–	–
Revaluation reserve – disposals (net of tax)	–	–	<b>(4,163)</b>	(1,289)
Revaluation reserve – impairments (net of tax)	–	–	<b>(66)</b>	(230)
<b>Closing balance</b>	<b>367,313</b>	289,594	<b>122,482</b>	123,795

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Foreign exchange hedge reserve		Total reserves		Contributed equity		Total equity	
2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
96	354	123,891	119,757	222,190	222,190	635,675	524,594
-	-	-	-	-	-	23,111	101,619
-	-	-	-	-	-	(6,933)	(30,486)
(1,277)	(369)	2,889	8,075	-	-	2,889	8,075
383	111	(867)	(2,422)	-	-	(867)	(2,422)
-	-	-	-	-	-	74,494	33,972
(894)	(258)	2,022	5,653	-	-	92,694	110,758
-	-	-	-	-	-	(18,900)	-
-	-	-	-	-	-	5,947	1,842
-	-	(4,163)	(1,289)	-	-	(4,163)	(1,289)
-	-	(66)	(230)	-	-	(66)	(230)
(798)	96	121,684	123,891	222,190	222,190	711,187	635,675

## Cash Flow Statement

For the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Receipts from customers (inclusive of GST)		1,223,688	1,173,486
Income tax refund		-	3,099
Interest received		2,012	4,298
<b>Total cash received</b>		<b>1,225,700</b>	<b>1,180,883</b>
<b>Cash used</b>			
Payments to employees		(632,773)	(781,519)
Payments to suppliers (inclusive of GST)		(287,781)	(307,587)
Borrowing costs		(20,021)	(24,200)
Income tax paid		-	-
<b>Total cash used</b>		<b>(940,575)</b>	<b>(1,113,306)</b>
<b>Net cash flows from operating activities</b>	3.2	<b>285,125</b>	<b>67,577</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant, equipment and intangibles		1,856	2,007
<b>Total cash received</b>		<b>1,856</b>	<b>2,007</b>
<b>Cash used</b>			
Purchase of property, plant, equipment and intangibles		(129,133)	(160,691)
<b>Total cash used</b>		<b>(129,133)</b>	<b>(160,691)</b>
<b>Net cash flows used in investing activities</b>		<b>(127,277)</b>	<b>(158,684)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from borrowings		-	20,000
<b>Total cash received</b>		<b>-</b>	<b>20,000</b>
<b>Cash used</b>			
Dividends paid		(18,900)	-
Repayments of borrowings		(20,000)	(220,000)
<b>Total cash used</b>		<b>(38,900)</b>	<b>(220,000)</b>
<b>Net cash flows from/(used in) financing activities</b>		<b>(38,900)</b>	<b>(200,000)</b>
Net increase/(decrease) in cash and cash equivalents		118,948	(291,107)
Cash and cash equivalents at the beginning of the reporting period		79,844	370,951
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	3.1	<b>198,792</b>	<b>79,844</b>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

# Notes to and forming part of the Financial Statements

## Overview

### Basis of preparation

Airservices is an Australian Government owned for-profit entity. The financial statements are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and are general purpose financial statements for the year ended 30 June 2018.

The financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and Financial Reporting Rules (FRR) made under the PGPA Act.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 27 September 2018.

### Historical cost convention

These financial statements have been prepared on an accrual basis and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit and loss, and certain classes of property, plant and equipment.

### Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Airservices accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the following notes:

- Recoverable amount of other financial assets Note 2.6
- AvSuper defined benefits Note 4.2
- Long Service Leave & Early Retirement Benefits Note 4.1

### Compliance with IFRS

The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

## New Accounting Standards

### *Adoption of new Australian Accounting Standard requirements*

No accounting standard has been adopted earlier than the application date as stated in the standard. No new or revised pronouncements were issued prior to finalisation of the financial statements that were applicable to the current reporting period and had a material impact on the entity.

### *Future Australian Accounting Standard requirements*

The following new standards, revised standards, interpretations and amending standards were issued prior to the signing of the statements by the Chairman, Chief Executive Officer and Chief Financial Officer and could have a material impact on Airservices for future reporting periods.

Reference	Title	Summary	Application date of standard	Application date for Airservices
AASB 9	Financial Instruments	<p>The final version of AASB 9 was issued in December 2014 and comprises three parts.</p> <p>AASB 9 <i>Financial Instruments</i> results in changes to accounting policies for financial assets and financial liabilities covering Classification and Measurement, Hedge Accounting and Impairment. Airservices will first apply AASB 9 in the financial year beginning 1 July 2018 and it will be applied retrospectively in respect of Classification and Measurement and Impairment, with no requirement to restate comparatives. The cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance sheet for the period beginning 1 July 2018.</p> <p><b>1) Classification and measurement</b></p> <p>The new requirements address the categorisation of financial assets and liabilities.</p> <p><b>Financial assets</b></p> <p>AASB 9 has three classification categories for financial assets; amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The classification is based on the business model under which the financial instrument is managed and its contractual cash flows.</p> <p>Airservices will apply the following policies for the newly adopted classification categories under AASB 9.</p> <p><b>Amortised cost</b></p> <p>A financial asset will be measured at amortised cost if both of the following conditions are met:</p> <ol style="list-style-type: none"> <li>the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and</li> <li>the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.</li> </ol>	1 Jan 2018	1 Jul 2018

Reference	Title	Summary	Application date of standard	Application date for Airservices
AASB 9	Financial Instruments	<p><b>FVTOCI</b></p> <p>A financial asset will be measured at FVTOCI if both of the following conditions are met:</p> <ol style="list-style-type: none"> <li>the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and</li> <li>the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.</li> </ol> <p><b>FVTPL</b></p> <p>All financial assets that are not measured at amortised cost or FVTOCI will be measured at FVTPL. All financial assets that are equity instruments will be measured at FVTPL unless Airservices irrevocably elects to present subsequent changes in the fair value in other comprehensive income. Airservices does not expect to make this election.</p> <p>Airservices has undertaken a detailed assessment of the classification and measurement of the new standard and has determined that there will be no significant impact on Airservices financial assets and liabilities.</p> <p><b>2) Hedge accounting</b></p> <p>The new requirements introduce a new hedge accounting model to simplify hedge accounting outcomes and more closely align hedge accounting with risk management objectives.</p> <p>Airservices has undertaken a detailed review of the potential impacts of the new standard and has determined that existing hedge relationships will continue to qualify for hedge accounting under AASB 9.</p> <p><b>3) Impairment</b></p> <p>The new requirements introduce a new impairment model to financial assets and move provisioning from an incurred to an expected loss model. The new model will be applied to the Airservices financial assets held at amortised cost and fair value through OCI (predominantly trade receivables).</p>	1 Jan 2018	1 Jul 2018

## Notes to and forming part of the Financial Statements

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Reference	Title	Summary	Application date of standard	Application date for Airservices
AASB 9	Financial Instruments	<p>Airservices has undertaken a detailed review of the potential impacts of the new standard and, while the impact on the provision will not be materially different, it will result in earlier recognition of credit loss provisions and allowances will be recognised by assessing each receivable balance for collectability based on an analysis of historical, current and forecast credit conditions.</p> <p>AASB 7 has been amended to reflect the requirements of AASB 9 and also introduces a number of new disclosure requirements across all three phases. These new disclosures will impact future statutory reporting.</p>	1 Jan 2018	1 Jul 2018
AASB 15	Revenue from Contracts with Customers	<p>The final version of AASB 15 was issued in December 2015.</p> <p>Application of AASB 15 will result in alignment of revenue recognition with the satisfaction of performance obligations in contracts with customers. Transitional provisions require retrospective application with the cumulative impact recognised as an adjustment to equity.</p> <p>Airservices has completed an assessment of existing contracts and has determined that there will not be a significant impact on revenue recognition as current practice is generally aligned with the requirements of the new Standard.</p>	1 Jan 2018	1 July 2018
AASB 16	Leases	<p>The final version of AASB 16 was issued in February 2016 and it will replace AASB 117 <i>Leases</i>.</p> <p>AASB 16 removes the lease classification test for lessees and requires all leases (including those classified as operating leases) to be accounted for under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. There is also new guidance on when an arrangement would meet the definition of a lease.</p> <p>The application of the new standard will result in a significant increase in both the gross assets and the liabilities of Airservices. It will also significantly change the presentation of lease expenses in the income statement and impact profit.</p>	1 Jan 2019	1 July 2019



Reference	Title	Summary	Application date of standard	Application date for Airservices
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AASB 16	Leases	<b>Transition options</b>	1 Jan 2019	1 July 2019
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On transition to the new standard, an entity can apply AASB 16 under two broad approaches: the full retrospective or the modified retrospective approach. Airservices will be required to apply the elected application approach consistently to all leases in which it is the lessee.

To ensure consistency for Whole of Government reporting, Airservices will adopt the Department of Finance's position and will apply AASB 16 on 1 July 2019 using the modified retrospective approach. Under this approach the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

Under the modified retrospective approach the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. Airservices is assessing the potential impact of using these practical expedients.

#### Estimated impact of the adoption of AASB 16

Airservices has done an initial assessment of the impact of transitioning to the new standard and prepared an estimate of the potential impact on the statements of comprehensive income and financial performance. The table below sets out the line items that will be impacted as well as the estimated impact.

Estimated impact at the end of FY2020	AASB 117 \$'000	AASB 16 \$'000	Impact \$'000
<b>Statement of Financial Performance</b>			
Right of Use Assets	-	112,691	112,691
Lease liability	-	(116,935)	(116,935)
Net asset		(4,243)	(4,243)
<b>Profit</b>			
Lease rentals	(26,686)	-	26,686
Amortisation	-	(25,405)	(25,405)
Finance costs	-	(5,524)	(5,524)
Profit before tax	(26,686)	(30,929)	(4,243)

Airservices will continue to assess the potential impacts of AASB 16 on its financial statements during the 2018/19 financial year.

All other new or revised standards and/or interpretations that were issued prior to the sign-off date and are applicable to future reporting periods are not expected to have a future material effect on the entity's financial statements.

## Notes to and forming part of the Financial Statements

### Foreign currency translation

#### *Functional and presentation currency*

Items included in the financial statements of Airservices are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Australian dollars, which is Airservices functional and presentation currency.

#### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when they are deferred in equity as qualifying cash flow hedges and

qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Translation differences on financial assets and liabilities carried at fair value, and non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

### Taxation

Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST) is applicable to Airservices. Refer to Note 1.3 Taxation for further information relating to income tax.

## 1. Our Financial Performance

This section analyses the financial performance of Airservices Australia for the year ended 2018.

### 1.1 Revenue

	2018 \$'000	2017 \$'000
<b>Airways revenue</b>		
Airways revenue	<b>1,080,897</b>	1,044,927

#### *Economic dependency*

Airservices is dependent on airline activity in the Australian aviation industry, of which the Qantas and Virgin Groups are the dominant operators. Of the airways revenue earned during the year, 25% (2017: 27%) related to the Qantas Group excluding the Jetstar Group, 11% (2017: 11%) related to the Jetstar Group, and 18% (2017: 20%) related to the Virgin Group (including Tiger Airways Australia).

#### **Accounting policy**

##### *Airways revenues*

Revenue is recognised when services are rendered for both airways and other business revenue. The prices charged for regulated services are in accordance with the agreements negotiated with customers and endorsed by the Australian Competition and Consumer Commission (ACCC). Underpinning this agreement are risk-sharing provisions which compensate parties where either airways activity volumes exceed or do not achieve agreed levels, costs vary due to regulatory change, or capital expenditure levels vary substantially from agreed investment levels.

#### *Finance income*

	2018 \$'000	2017 \$'000
Deposits	<b>1,462</b>	2,835
Cash at bank	<b>456</b>	457
Other	<b>232</b>	193
<b>Total finance income</b>	<b>2,150</b>	3,485

#### **Accounting policy**

##### *Finance income*

Finance income is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

**1.2 Expenses**

	2018 \$'000	2017 \$'000
<b>Employee benefits</b>		
Wages and salaries	441,806	447,690
Superannuation (defined contribution funds)	48,485	49,940
Leave and other entitlements	112,538	118,644
Separation and redundancies – restructuring costs	–	28,171
Separation and redundancies – other	851	1,324
<b>Employee benefits (excluding defined benefit superannuation expense)</b>	<b>603,680</b>	645,769
<b>Net defined benefit superannuation expense recognised in employee benefits</b>		
Current service cost	25,154	25,864
Net interest expense	(10,691)	(5,031)
Loss/(gain) on curtailments and settlements	–	(2,095)
<b>Defined benefit superannuation expense</b>	<b>14,463</b>	18,738
<b>Total employee benefits</b>	<b>618,143</b>	664,507
<b>Finance costs</b>		
Borrowing costs	20,982	24,395
Interest rate swap fair value loss	809	8,994
<b>Total finance costs</b>	<b>21,791</b>	33,389
<b>Write-down and impairment of assets</b>		
Impairment of property, plant and equipment	3,260	8,197
Revaluation decrements	5,799	–
<b>Total write-down and impairment of assets</b>	<b>9,059</b>	8,197
<b>Impaired loss on trade and other receivables</b>		
Movement in allowance for impairment (receivables)	1,458	371
Bad debts written off	304	335
<b>Total bad and doubtful debt expense</b>	<b>1,762</b>	706
<b>Gain/(loss) from sales/(write-off) of assets</b>		
Proceeds from disposal of non-current assets	1,856	2,008
Written-down value of disposed non-current assets	(3,657)	(1,412)
Proceeds from disposal of assets held for sale	–	–
Written-down value of disposed assets held for sale	(100)	–
<b>Net gain/(loss) from sale of assets</b>	<b>(1,901)</b>	596
Written down value of scrapped assets	–	(1,093)
<b>Net loss from disposal of non-current assets</b>	<b>(1,901)</b>	(497)
<b>Operating lease charges</b>	<b>18,018</b>	22,931

	2018 \$'000	2017 \$'000
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### Leasing commitments

Operating leases are effectively non-cancellable and comprise:

#### *Leases for computer equipment*

A number of operating leases for the provision of computer equipment are in place. The majority of these items have a lease term of two to three years, with some printers having a lease term up to five years. It is Airservices general practice that at the completion of these lease terms, these items are returned to the lessor.

#### *Leases for office accommodation*

Airservices leases are subject to differing review mechanisms which can include fixed increases, CPI or market review.

### Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	11,802	20,989
Between 1 and 5 years	46,068	47,252
More than 5 years	101,499	77,433
<b>Total operating lease commitments</b>	<b>159,369</b>	<b>145,674</b>

Commitments are GST inclusive where relevant.

## Accounting policy

### *Employee benefits*

Accounting policies for employee-related expenses is contained in the Our People section (refer to Section 4).

### *Leases*

Airservices does not have any finance leases. Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

**1.3 Taxation**

	2018 \$'000	2017 \$'000
<b>Income tax</b>		
Current tax	<b>35,669</b>	(19,949)
Deferred tax	<b>(3,292)</b>	35,039
<b>Income tax attributable to profit from continuing operations</b>	<b>32,377</b>	15,090
<b>Reconciliation of income tax to prima facie tax payable</b>		
Profit from continuing operations before income tax expense	<b>106,871</b>	49,062
Prima facie income tax expense at 30%	<b>32,061</b>	14,719
Tax effect of amounts that are not deductible/assessable in calculating taxable income:		
Non-deductible legal costs	<b>11</b>	45
Prior year over provision of tax	<b>(251)</b>	(25)
Unrealised losses on revaluation of assets to fair value	-	-
Other permanent adjustments	-	289
Other non-deductible/(assessable) expenditure	<b>556</b>	62
<b>Income tax</b>	<b>32,377</b>	15,090

**Accounting policy****Income tax**

The income tax expense for the year is the tax payable on the current year's taxable income based on the notional income tax rate. It is then adjusted for any 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.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Comprehensive Income.

	2018 \$'000	2017 \$'000
<b>Deferred tax liability</b>		
<b>The balance comprises temporary differences attributable to:</b>		
<i>Amounts recognised in the statement of comprehensive income</i>		
Depreciation for accounting purposes	(17,259)	(17,061)
Allowance for impairment	1,025	587
Employee benefits	52,079	60,581
Provision for revenue to be returned to customers	152	112
Provision for legal costs	253	118
Other provisions	23,235	12,506
Accruals	2,908	2,258
Movement in booked losses	–	34,534
	<b>62,393</b>	<b>93,635</b>
<i>Amounts recognised directly in equity</i>		
Foreign exchange hedge reserve	209	(51)
Revaluation of land, buildings, plant and equipment	(52,495)	(53,058)
Defined benefit (asset)/liability	(51,353)	(44,420)
	<b>(103,639)</b>	<b>(97,529)</b>
<b>Net deferred tax (liability)/assets</b>	<b>(41,246)</b>	<b>(3,894)</b>
<b>Movements:</b>		
Opening balance at 1 July	(3,894)	43,456
Charged to the statement of comprehensive income	3,292	(35,039)
Credited to equity	(6,110)	(32,257)
Movement in booked losses/tax offsets	(34,534)	19,946
<b>Closing balance at 30 June</b>	<b>(41,246)</b>	<b>(3,894)</b>

### Tax losses

Airservices has capital losses of \$5.0 million (2017: \$7.2 million) that are available indefinitely for offset against future capital gains. Deferred tax assets have not been recognised in respect of these losses as management has evaluated and concluded that it is not probable future capital gains will be available against which Airservices can utilise these losses in the foreseeable future.

## Accounting policy

### *Deferred tax assets and liabilities*

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 in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences.

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.

## 1.4 Dividends

### *Dividends paid*

An interim dividend for the year ending 30 June 2018 of \$8.9 million (2017: \$nil) was paid on 15 June 2018. A final dividend of \$10.0 million for the year ended 30 June 2017 was paid on 28 February 2018 (2017: \$nil final dividend for the year ending 30 June 2016).

### *Franking credits*

Franking credits available for subsequent financial years based on a tax rate of 30% (30 June 2017: 30%) are \$293.1 million (30 June 2017: \$293.1 million).

The above amounts represent the balance of the franking account as at the end of the financial year.

## Accounting policy

### *Dividends*

A provision is made for the amount of any dividend approved by the Board but unpaid, prior to the end of the year.



## 2. Our asset base

This section analyses Airservices Australia's assets used to generate financial performance and the operating liabilities incurred as a result. Employee-related information is disclosed in the Our People section.

### 2.1 Receivables

	2018 \$'000	2017 \$'000
<b>Trade and other receivables</b>		
Trade receivables (a)	122,701	115,613
Provision for impairment of receivables (b)	<b>(3,416)</b>	(1,958)
	<b>119,285</b>	113,655
Accrued revenue and interest	<b>2,689</b>	754
Other receivables	<b>462</b>	8,077
<b>Total current receivables</b>	<b>122,436</b>	122,486
<b>(a) Ageing analysis of trade receivables</b>		
Current	<b>98,851</b>	92,370
<b>Overdue by:</b>		
1 to 30 days	<b>20,177</b>	20,368
31 to 60 days	<b>790</b>	884
61 to 90 days	<b>603</b>	498
90+ days	<b>2,280</b>	1,493
<b>Total trade receivables</b>	<b>122,701</b>	115,613
<b>(b) Reconciliation for the provision for impairment of receivables</b>		
Opening balance	<b>1,958</b>	1,587
Increase recognised in net profit	<b>1,458</b>	371
Closing balance	<b>3,416</b>	1,958
The provision for impairment of receivables is aged as follows:		
Current	<b>163</b>	129
<b>Overdue by:</b>		
1 to 30 days	<b>149</b>	102
31 to 60 days	<b>182</b>	59
61 to 90 days	<b>247</b>	104
90+ days	<b>2,675</b>	1,564
<b>Total provision for impairment of receivables</b>	<b>3,416</b>	1,958

Credit terms for goods and services are 28 days.

## Notes to and forming part of the Financial Statements

**2.2 Assets classified as held for sale**

One land asset has been identified as surplus to the requirements of Airservices and has been classified as assets held for sale. Its disposal is expected to be completed within the 2018–19 financial year. The carrying amount of the asset amounts is \$nil (30 June 2017: \$0.1 million).

**2.3 Property, plant and equipment and intangibles****Non-current assets – property, plant and equipment and intangibles**

	Land \$'000	Buildings \$'000	Plant and equipment \$'000
<b>As at 1 July 2017</b>			
Gross book value	51,127	358,257	713,481
Accumulated depreciation and impairment	–	(16,619)	(136,430)
<b>Net book value at 1 July 2017</b>	<b>51,127</b>	<b>341,638</b>	<b>577,051</b>
Additions	–	–	14,031
Revaluations	(505)	2,521	(2,069)
Impairments – recognised in profit and loss	–	–	–
Impairments – recognised in other comprehensive income	(95)	–	–
Commissioned assets under construction	–	60,194	49,003
Depreciation/amortisation expense	–	(30,334)	(89,910)
Transfers	–	(85)	85
Disposals	(980)	(410)	(2,138)
<b>Net book value at 30 June 2018</b>	<b>49,547</b>	<b>373,524</b>	<b>546,053</b>
<b>Net book value as at 30 June 2018 represented by:</b>			
Gross book value	49,547	399,040	761,112
Accumulated depreciation and impairment	–	(25,516)	(215,059)
	<b>49,547</b>	<b>373,524</b>	<b>546,053</b>

Assets under construction \$'000	Total property, plant and equipment \$'000	Internally developed software \$'000	Other intangible assets \$'000	Total intangibles \$'000	Total \$'000
209,097	1,331,962	316,511	85,559	402,070	1,734,032
-	(153,049)	(212,754)	(77,508)	(290,262)	(443,311)
209,097	1,178,913	103,757	8,051	111,808	1,290,721
128,916	142,947	-	-	-	142,947
-	(53)	-	-	-	(53)
(3,260)	(3,260)	-	-	-	(3,260)
-	(95)	-	-	-	(95)
(115,692)	(6,495)	4,761	1,734	6,495	-
-	(120,244)	(22,951)	(4,055)	(27,006)	(147,250)
-	-	-	-	-	-
-	(3,528)	-	(129)	(129)	(3,657)
219,061	1,188,185	85,567	5,601	91,168	1,279,353
219,061	1,428,760	321,254	86,594	407,848	1,836,608
-	(240,575)	(235,687)	(80,993)	(316,680)	(557,255)
219,061	1,188,185	85,567	5,601	91,168	1,279,353

## Notes to and forming part of the Financial Statements

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**Non-current assets—property, plant and equipment and intangibles**

	Land \$'000	Buildings \$'000	Plant and equipment \$'000
<b>As at 1 July 2016</b>			
Gross book value	50,245	377,333	693,329
Accumulated depreciation and impairment	–	(13,135)	(118,316)
<b>Net book value as at 1 July 2016</b>	<b>50,245</b>	<b>364,198</b>	<b>575,013</b>
Additions	–	–	835
Revaluations	1,912	2,046	6,833
Impairments – recognised in profit and loss	–	(3,567)	(135)
Impairments – recognised in other comprehensive income	(245)	(72)	(12)
Commissioned assets under construction	–	10,921	84,748
Depreciation/amortisation expense	–	(31,789)	(88,580)
Transfers	–	47	(77)
Disposals	(785)	(146)	(1,574)
<b>Net book value as at 30 June 2017</b>	<b>51,127</b>	<b>341,638</b>	<b>577,051</b>
<b>Net book value as of 30 June 2017 represented by:</b>			
Gross book value	51,127	358,257	713,481
Accumulated depreciation and impairment	–	(16,619)	(136,430)
	51,127	341,638	577,051

Assets under construction \$'000	Total property, plant and equipment \$'000	Internally developed software \$'000	Other intangible assets \$'000	Total intangibles \$'000	Total \$'000
181,450	1,302,357	289,534	85,335	374,869	1,677,226
–	(131,451)	(190,301)	(72,375)	(262,676)	(394,127)
181,450	1,170,906	99,233	12,960	112,193	1,283,099
155,537	156,372	–	–	–	156,372
–	10,791	–	–	–	10,791
(4,495)	(8,197)	–	–	–	(8,197)
–	(329)	–	–	–	(329)
(123,395)	(27,726)	26,979	747	27,726	–
–	(120,369)	(22,485)	(5,656)	(28,141)	(148,510)
–	(30)	30	–	30	–
–	(2,505)	–	–	–	(2,505)
209,097	1,178,913	103,757	8,051	111,808	1,290,721
209,097	1,331,962	316,511	85,559	402,070	1,734,032
–	(153,049)	(212,754)	(77,508)	(290,262)	(443,311)
209,097	1,178,913	103,757	8,051	111,808	1,290,721

## Notes to and forming part of the Financial Statements

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**(a) Revaluation of land, buildings, plant and equipment**

The valuation basis for land, buildings, plant and equipment is fair value as outlined in Note 2.4.

Airservices engaged accredited valuers Jones Lang LaSalle (JLL) Australia to value its land and buildings (Aon Valuation Services were used for the previous year). The effective date of the revaluation was 30 June 2018.

**(b) Contractual commitments for the acquisition of property, plant, equipment and intangible assets**

Capital commitments for property, plant, equipment and intangibles was \$24.8 million (2017: \$57.6 million). Capital commitments include GST where relevant.

In addition, Airservices entered into a contract during the year with Thales for the provision of CMATS – the Civil Military Air Traffic Control System which will integrate civil and military air traffic management into one harmonised system. The total cost is expected to be in the order of \$1.2 billion, with capital commitments at 30 June of \$1.1 billion.

**(c) Impairment**

In line with accounting standards, management has performed an impairment review of both existing assets and assets under construction. Principally, the review has focused on future use of existing assets, and changes in technology and business system requirements.

**(d) Carrying amounts that would have been recognised if land, plant and equipment were measured using the cost model:**

	2018 \$'000	2017 \$'000
<b>Land</b>		
At cost	2,271	2,271
	<b>2,271</b>	2,271
<b>Buildings</b>		
At cost	556,792	507,922
Accumulated depreciation	(229,986)	(214,772)
Net book amount	<b>326,806</b>	293,150
<b>Plant and Equipment</b>		
At cost	1,309,050	1,306,831
Accumulated depreciation	(719,180)	(686,791)
Net book amount	<b>589,871</b>	620,040

**(e) Borrowing costs**

The amount of borrowing costs capitalised during the year ended 30 June 2018 was \$4.5 million (2017: \$5.0 million). As Airservices borrows money generally to fund both operating and capital expenditure, the weighted average cost of borrowings of 3.73% (2017: 3.86%) was used as the capitalisation rate.

## Accounting policy

### **Asset recognition threshold**

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases less than \$5,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

### **Cost and valuation**

Property, plant and equipment are measured at cost or at fair value, less, where applicable, accumulated depreciation and any accumulated impairment losses.

Assets purchased by Airservices are initially recorded at cost and represent costs directly attributable to the acquisition. Labour and direct overheads incurred in installation are capitalised and added to the cost. Assets constructed by Airservices are initially recognised at the cost of materials, labour, direct overheads and borrowing costs incurred on qualifying assets.

All costs associated with repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

### **Revaluations**

Following initial recognition at cost, property, plant and equipment are carried at a re-valued amount which is the fair value at the date of the revaluation. Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the reporting date. Revaluations are conducted by an independent qualified valuer.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position unless it reverses a revaluation decrease of the same asset previously recognised in the Statement of Comprehensive Income, in which case the increase is recognised in profit or loss. Any revaluation deficit is recognised in the Statement of Comprehensive Income, except that a decrease offsetting a previous surplus for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset. The revaluation surplus is accounted for net of deferred tax in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

### **Derecognition and disposal**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from de-recognition, calculated as the difference between net disposal proceeds and carrying value, is included in the Statement of Comprehensive Income in the year the asset is derecognised.

### **Impairment of non-financial assets**

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable, and, as a minimum, at least annually. All assets were assessed for impairment as at 30 June 2018.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which it belongs. If any impairment indication exists, and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

### **Recoverable amount of non-current assets**

All assets are subjected to impairment tests at each reporting date. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made. Where the carrying amount exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for each asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash flows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a market-determined risk adjusted discount rate.

### **Depreciation**

Depreciable property, plant and equipment are written-off to their estimated residual values over their estimated useful lives to Airservices, using in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives.

	2018	2017
Buildings (e.g. control towers, fire stations, commercial property)	10–40 years	10–40 years
Infrastructure, plant and equipment (e.g. airways technical equipment, fire vehicles)	3–20 years	3–20 years

### **Spares**

Asset-specific spare parts (repairable spares) have been treated as plant and equipment and depreciated over the useful life of the parent asset to which they are related.

### **Decommissioning and site rehabilitation**

Where Airservices has an obligation to incur site rehabilitation costs and the requirements outlined below in Section 2.5 other provisions and payables, have been met, the estimated cost to 'make good' the site has been recorded as a provision.

The net present value of the obligation is measured using the 10 year corporate bond rate at 30 June each year.

### **Intangible assets**

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Where amortisation is charged on assets with finite lives, this expense is taken to the Statement of Comprehensive Income. Software is amortised on a straight-line basis over 3–10 years.

Research costs associated with in-house developed intangible assets are expensed as incurred. Costs incurred on development projects (relating to the design and testing of new improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its cost can be measured reliably. The carrying value of development costs is reviewed for impairment annually, or more frequently if there is evidence to suggest that the carrying value may not be recoverable. All intangibles were assessed for indicators of impairment as at 30 June 2018.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying value of the asset as at the date of derecognition and are recognised in the Statement of Comprehensive Income.

### **Borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.



## 2.4 Fair value disclosure

The following tables provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the Statement of Financial Position do not apply the fair value hierarchy.

The different levels of the fair value hierarchy are defined below.

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Unobservable inputs for the asset or liability.

### Fair value measurements

#### Fair value measurements at 30 June 2018 by hierarchy for assets and liabilities

	Fair value measurements at the end of the reporting period		Category (Level 1, 2, or 3)	Valuation technique	Inputs used
	2018 \$'000	2017 \$'000			
<b>Non-financial assets</b>					
Land	990	51,127	2	DC	[1]
	<b>48,557</b>	–	3	DC	[2]
Buildings	<b>373,524</b>	341,638	3	DRC	[3]; [4]; [5]
Plant and equipment	<b>546,053</b>	577,051	3	DRC	[6]
Assets held for sale	–	100			
<b>Total non-financial assets at fair value</b>	<b>969,124</b>	969,916			
<b>Financial assets</b>					
Forward exchange contracts	<b>591</b>	222	2	ADCF	[7]
Foreign currency receivable	<b>366</b>	700	2	ADCF	[7]
Interest rate swaps	<b>9,170</b>	12,411	2	ADCF	[8]
Other financial assets	<b>1,410</b>	1,532	3	DCF	[9]
<b>Total financial assets at fair value</b>	<b>11,537</b>	14,865			
<b>Total fair value measurements of assets</b>	<b>980,661</b>	984,781			
<b>Financial liabilities</b>					
Forward exchange contracts	<b>1,288</b>	51	2	ADCF	[7]
Interest rate swaps	<b>5,729</b>	7,875	2	ADCF	[8]
<b>Total financial liabilities at fair value</b>	<b>7,017</b>	7,926			
<b>Total fair value measurements of liabilities</b>	<b>7,017</b>	7,926			

#### Notes:

DC – direct comparison

DRC – depreciated replacement cost

DCF – discounted cash flows

ADCF – adjusted discounted cash flows

WA – weighted average

[1] Direct comparison with similar land on a rate per square metre basis.

[2] Direct comparison with a wide range of land sales on a rate per square metre basis. Professional judgement has been utilised to determine fair value, taking into account tenure, encumbrances, town planning, location, size and shape.

[3] Control towers – construction cost per metre rise (range used: \$189,000 – \$552,000 [WA: \$338,749])

[4] Fire stations – category (total reinstatement value range used \$68,000 – \$12,200,000 [WA: \$2,865,000]).

[5] Other buildings – construction cost (total reinstatement value range used \$20,000 – \$31,200,000 [WA: \$940,000]).

[6] Historical capitalised costs, future planning costs estimates (range used 0–3% [WA 0.04%]).

[7] Current foreign exchange market rates.

[8] Current market interest rates.

[9] Discount rate; USD foreign exchange rate (18%; \$0.77).

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Airservices engages external, independent and qualified valuers to assess the fair value of Airservices property plant and equipment on an annual basis. Highest and best use is the same as current use.

### **Valuation techniques used to determine Level 2 and Level 3 fair values**

#### ***Land***

The fair value of freehold land assets has been derived using the direct comparison approach whereby the evidence derived from the analysis of recent sales of similar properties is used to establish the value of the subject property (Level 2 inputs). In this regard, sales evidence has been collected as close to the date of valuation as possible and compared to the subject property on the basis of zoning, location, land area and shape. The sales were then analysed on a sales price per square metre of land area and adjusted accordingly to reflect any differences in characteristics between the subject and the comparable sales data.

Where the land is of a restrictive zoning and no directly comparable sales evidence could be obtained, the valuer has assessed a probable land value based on surrounding land uses, to which a discount is then applied to account for the restrictive zoning (Level 3 input).

#### ***Buildings***

All buildings and site improvements are considered to be specialised and have been valued using the Depreciated Replacement Cost approach. This has been determined by first establishing the estimated cost to replace with an equivalent new asset, less physical depreciation and any obsolescence.

The building assets are being utilised to meet Airservices role. Despite the nature of these uses, it is considered that the current use of the buildings is the highest and best use. The nature and circumstances of each building have been assessed by an independent valuer in arriving at this conclusion. Alternative uses were not considered.

#### ***Plant and equipment***

All plant and equipment assets are considered to be specialised and are valued based on Depreciated Replacement Cost approach. Generally, the plant and equipment assets are typical at each airport and only vary subject to the operational capacity of each airport. Airservices assets include navigational aids, en-route surveillance systems, airport infrastructure and rescue vehicles. These represent a specialised group of assets integrated to perform the control, monitoring and safety requirement of air and ground movement of commercial aircraft and airport support vehicles within Australia.

#### ***Financial assets and liabilities***

The fair values of foreign currency Forward Exchange Contracts (FECs) and Interest Rate Swaps (IRSs) are calculated using a credit adjusted discounted cash-flow methodology. FEC and IRS contracted rates are compared to current market rates to calculate future cash flows which are then discounted to arrive at a present value.

#### ***Other financial assets***

Financial assets represent the royalty stream which Airservices is entitled to receive from the sale and use of airways navigation systems. The asset is valued at fair value through profit and loss by applying a discounted cash flow methodology. The significant Level 3 inputs to this valuation are the sales forecast, discount rate and foreign exchange rate.

**Reconciliation for recurring Level 3 fair value measurements**

Recurring Level 3 fair value measurements – reconciliation for assets

	Non-financial assets			
	Land	Buildings	Plant and equipment	Total
	2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000
<b>Opening balance</b>	–	341,638	577,051	918,689
Total gains/(losses) recognised in Statement of Comprehensive Income	–	–	1,580	1,580
Total gains/(losses) recognised in Other Comprehensive Income	–	2,521	(3,649)	(1,128)
Purchases	–	–	14,031	14,031
Commissioned	–	60,194	49,003	109,197
Disposals	–	(410)	(2,138)	(2,548)
Depreciation	–	(30,334)	(89,910)	(120,244)
Transfers	–	(85)	85	–
Transfers into Level 3 <sup>(1)</sup>	48,557	–	–	48,557
<b>Closing balance</b>	48,557	373,524	546,053	968,134

	Financial assets	
	Other financial assets	Total
	2018 \$'000	2018 \$'000
<b>Opening balance</b>	1,532	1,532
Movement in discounted cash flow terms	(122)	(122)
<b>Closing balance</b>	1,410	1,410

(1) A transfer from Level 2 to Level 3 occurred as the subject property has restricted use zoning, and comparable sales evidence is not generally available, requiring the valuation to be determined using a significant level of professional judgement.

**2.5 Other provisions and payables**

	2018 \$'000	2017 \$'000
<b>Current payables and other provisions</b>		
<b>Current payables</b>		
Trade payables	15,081	14,020
Employees		
Salaries and wages	10,867	9,715
Superannuation	1,211	764
Tax payables		
Accrued payroll tax	2,844	4,019
Net goods and services tax payable	14,554	12,544
Group tax payable	5,842	6,140
Revenue received in advance	879	1,148
Interest payable	2,848	2,799
Other accrued expenses	37,365	25,870
<b>Total current payables</b>	<b>91,491</b>	<b>77,019</b>
<b>Current other provisions</b>		
Revenue to be returned to customers	505	373
ARFFS decontamination	23,875	8,482
Litigation and legal costs	844	394
Makegood on leasehold assets	3,797	2,920
Restructuring costs	-	7,260
Other	1,413	1,574
<b>Total current provisions</b>	<b>30,434</b>	<b>21,003</b>
<b>Total current provisions and payables</b>	<b>121,925</b>	<b>98,022</b>
<b>Non-current other provisions</b>		
ARFFS decontamination	32,302	14,760
Makegood on leasehold assets	18,832	5,895
<b>Total non-current provisions</b>	<b>51,134</b>	<b>20,655</b>

**Description of provisions****ARFFS decontamination**

The provision relates to the assessment, management and containment of possible contaminated ARFFS training sites as outlined in the Environmental Management Plan (EMP) as discussed in Note 5.1 Contingent liabilities.

## Accounting policy

### *Provisions*

Provisions are recognised when Airservices has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Where 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 reporting date. Where the effect of the time value of money is material, the obligation is measured using a discount rate which reflects current market assessments and the risks specific to the liability. Increases in the provision due to the passage of time (unwinding of the discount) are then recognised as expense.

## Accounting judgements and estimates

### *Other provisions*

An estimate of expected future costs has been used to establish the provision for the assessment, management and containment of possible contaminated Aviation Rescue and Fire Fighting Services (ARFFS) training sites and the remediation and restoration of leased property sites.

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	2018 \$'000	2017 \$'000
<b>Movements in provisions</b>		
(i) Revenue to be returned to customers (current)		
Carrying amount at start of period	373	256
Additional provisions made	132	117
Carrying amount at end of period	<u>505</u>	<u>373</u>
(ii) ARFFS decontamination (current/non-current)		
Carrying amount at start of period	23,242	26,241
Additional provisions made	36,842	-
Payments	<u>(3,907)</u>	<u>(2,999)</u>
Carrying amount at end of period	<u>56,177</u>	<u>23,242</u>
(iii) Litigation and legal costs (current)		
Carrying amount at start of period	394	250
Additional provisions made	775	394
Payments	<u>(325)</u>	<u>(250)</u>
Carrying amount at end of period	<u>844</u>	<u>394</u>
(iv) Makegood on leasehold assets (current/non-current)		
Carrying amount at start of period	8,815	8,463
Additional provisions made	14,031	775
Payments	<u>(217)</u>	<u>(423)</u>
Carrying amount at end of period	<u>22,629</u>	<u>8,815</u>
(v) Restructuring costs (current)		
Carrying amount at start of period	7,260	15,000
Amounts reversed	(5,200)	(1,248)
Payments	<u>(2,060)</u>	<u>(6,492)</u>
Carrying amount at end of period	<u>-</u>	<u>7,260</u>
(vi) Other (current)		
Carrying amount at start of period	1,574	2,683
Adjustment to provision	-	1,391
Payments	<u>(161)</u>	<u>(2,500)</u>
Carrying amount at end of period	<u>1,413</u>	<u>1,574</u>

## 2.6 Other financial assets and liabilities

	2018 \$'000	2017 \$'000
<b>Other current financial assets</b>		
Interest rate swaps	3	–
Forward exchange contracts	414	140
Foreign currency receivable	366	700
Navigation and augmentation systems receivable	293	293
<b>Total other current financial assets</b>	<b>1,076</b>	1,133
<b>Other non-current financial assets</b>		
Interest rate swaps	9,167	12,411
Forward exchange contracts	177	82
Navigation and augmentation systems receivable	1,117	1,239
<b>Total non-current assets – other financial assets</b>	<b>10,461</b>	13,732

Refer to Note 2.4 for basis of fair value measurement.

### Accounting judgements and estimates

#### Recoverable amount of other financial assets

Navigation and augmentation systems receivable, which is designated at Fair Value through Profit and Loss in accordance with the requirements of AASB 139, consists primarily of the contractual right to receive royalties from Ground Based Augmentation System (GBAS) technology sales, under an agreement with Honeywell International. The maximum credit risk exposure has been calculated to be US\$1.40 million and is based on expected royalties to be received from GBAS sales over the next seven years. The following assumptions have been applied to determine the fair value of these future cash flows:

- an assumed discount rate of 18.0%, which reflects the risks associated with the specific asset, and in particular the risks associated with future GBAS technology sales. A 1% movement in the discount rate has a \$0.03 million impact on the discounted receivable; and
- an average AUD/USD exchange rate of \$0.77, which is based on the 12 month forecast for the AUD/USD exchange rate. A \$0.05 movement in the exchange rate has a \$0.07 million impact on the value of the discounted receivable.

#### Other current financial liabilities

Interest rate swaps	184	528
Forward exchange contracts	164	51
<b>Total other current financial liabilities</b>	<b>348</b>	579

#### Other non-current financial liabilities

Interest rate swaps	5,545	7,347
Forward exchange contracts	1,124	–
<b>Total other non-current financial liabilities</b>	<b>6,669</b>	7,347

**2.7 Other assets and other liabilities**

	2018 \$'000	2017 \$'000
<b>Other current liabilities</b>		
Lease liability <sup>(1)</sup>	299	1,401
<b>Total other current liabilities</b>	<b>299</b>	<b>1,401</b>
<b>Other non-current liabilities</b>		
Lease liability <sup>(1)</sup>	375	3,931
Other <sup>(2)</sup>	37,071	–
<b>Total other non-current liabilities</b>	<b>37,446</b>	<b>3,931</b>

(1) This represents the straight-lining of a lease incentive over the term of the lease period as well as the straight-lining of any fixed increases within the lease over the term of the lease period. The total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period is \$13.4 million (2017: \$28.6 million).

(2) This represents the excess of amounts received from the Department of Defence under the On-Supply Agreement, over Defence's share of work conducted by Thales under the Civil-Military Air Traffic Management System (CMATS) acquisition contract.



### 3. Our funds management

This section identifies Airservices Australia's funding structure.

#### 3.1 Cash and cash equivalents

	2018 \$'000	2017 \$'000
<b>Cash and cash equivalents</b>		
Cash at bank and in hand	33,792	19,544
Deposit at call	140,000	60,300
Term deposits	25,000	–
<b>Total cash and cash equivalents</b>	<b>198,792</b>	<b>79,844</b>

##### (a) Cash at bank and in hand

Cash at bank has a floating interest rate of 1.70% (30 June 2017: 1.70%) for balances up to \$25 million. For balances greater than \$25 million, the interest rate is 1.50% (30 June 2017: 1.50%). Cash in hand is non-interest bearing.

##### (b) Deposits at call

The deposits at call have a floating interest rate of 1.50% (30 June 2017: 1.50%). These 11am cash deposits are rolled over on a daily basis.

##### (c) Term deposits

This represents \$5 million maturing on each of the following days in 2018: 15 August 2018, \$5 million maturing on 21 August 2018, \$5 million maturing on 29 August 2018, \$5 million maturing on 20 September 2018 and \$5 million maturing on 10 October 2018. These term deposits have a weighted average interest rate of 2.56%.

### Accounting policy

#### Cash and cash equivalents

Cash is recognised at its nominal amount. Cash in the Statement of Financial Position comprises cash at bank and in hand and deposits at call which are readily convertible to cash on hand. For the purposes of the cash flow statement, cash includes cash and cash equivalents net of outstanding bank overdrafts.

**3.2 Reconciliation of cash and cash equivalents**

	2018 \$'000	2017 \$'000
<b>Reconciliation of net profit after income tax to net cash flows from operations</b>		
Net profit after income tax	74,494	33,972
Adjustments for:		
Depreciation expense	147,250	148,510
Impairment recognised	3,260	8,197
Reversal of previous asset write-downs	(1,580)	(2,347)
Net loss on sale/write-down of non-current assets	8,735	497
AvSuper defined benefit contributions movement (after tax)	16,178	71,133
Change in assets		
(Increase)/decrease in gross receivables	(952)	(4,772)
(Increase)/decrease in inventories	(35)	(118)
(Increase)/decrease in prepayments	(24,031)	1,377
(Increase)/decrease in income tax receivable	-	3,099
(Increase)/decrease in other assets	2,872	8,161
(Increase)/decrease in deferred tax	36,969	47,461
Change in liabilities		
Increase/(decrease) in employee benefits	(51,240)	(221,275)
Increase/(decrease) in allowance for impairment	1,458	371
Increase/(decrease) in legal provisions	450	144
Increase/(decrease) in other liabilities	32,068	(2,975)
Increase/(decrease) in other provisions	25,514	(8,996)
Increase/(decrease) in creditors and accruals	13,583	(14,979)
Increase/(decrease) in revenue to be returned to customers provision	132	117
Net cash flow from operating activities	<b>285,125</b>	<b>67,577</b>

**3.3 Borrowings**

	2018 \$'000	2017 \$'000
<b>Unsecured borrowings</b>		
Current <sup>(1)</sup>	9,974	29,864
Non-current <sup>(2)</sup>	671,340	670,326
<b>Total borrowings</b>	<b>681,314</b>	<b>700,190</b>

(1) This represents amounts issued under a \$300 million commercial paper program in two separate tranches on 15 May 2018 and 21 May 2018.

(2) This represents amounts issued under a \$975 million medium term note program and includes a \$275 million tranche that was issued on 28 November 2013 and will mature on 19 November 2020, a \$200 million tranche that was issued on 19 May 2016 and will mature on 15 May 2023 and a \$200 million tranche that was issued on 19 May 2016 and will mature on 15 May 2026.

### 3.4 Standby arrangements and unused credit facilities

	2018 \$'000	2017 \$'000
<b>Unused credit facilities – bank overdraft</b>	<b>5,000</b>	5,000
Borrowing facilities		
Commercial paper (only expires if cancelled)	<b>300,000</b>	300,000
Medium term note program	<b>975,000</b>	975,000
Committed standby facilities	<b>200,000</b>	230,000
Uncommitted 11am borrowing	<b>60,000</b>	60,000
<b>Total borrowing facilities</b>	<b>1,535,000</b>	1,565,000
Amount utilised	<b>(685,000)</b>	(705,000)
<b>Unused borrowing facilities</b>	<b>850,000</b>	860,000

### 3.5 Financial instruments

Airservices has exposure to credit risk, liquidity risk, market risk (comprising of interest rate and foreign exchange risk) arising from its operations and use of financial instruments. Airservices uses financial instruments to manage these risks within a framework consisting of a comprehensive set of risk management policies. These risks are managed centrally and speculative trading is strictly prohibited.

#### Fair value measurements

The fair values of foreign currency Forward Exchange Contracts (FECs) and Interest Rate Swaps (IRSs) are calculated using a credit adjusted discounted cash-flow methodology. FEC and IRS contracted rates are compared to current market rates to calculate future cash flows which are then discounted to arrive at a present value.

Airservices presents the fair value of its derivative assets and liabilities on a net basis. As at 30 June 2018, when netting is applied to the FEC portfolio, currency derivative liabilities of \$1,287,955 are reduced by currency derivative assets of \$591,027 to the net amount of \$696,928 (30 June 2017: currency derivative assets of \$222,213 were reduced

by currency derivative liabilities of \$51,220 to the net amount of \$170,993). When netting is applied to the IRS portfolio, interest rate swap assets of \$9,169,616 are reduced by interest rate swap liabilities of \$5,729,034 to the net amount of \$3,440,582 (30 June 2017: interest rate swap assets of \$12,411,486 were reduced by interest rate swap liabilities of \$7,875,026 to the net amount of \$4,536,460).

Medium Term Note and Commercial Paper fair values reflect the price that an existing investor is prepared to receive if they were to sell their investment in the secondary market. These prices are provided by independent secondary market traders.

Other financial assets represent the royalty stream which Airservices is entitled to receive from the sale and use of airways navigation systems. The asset is valued at fair value through profit and loss by applying a discounted cash flow methodology. The significant level 3 inputs to this valuation are the sales forecast, discount rate and foreign exchange rate.

Refer to Note 2.4 for fair value measurement basis of these instruments.

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	AASB 139 accounting classification	Carrying amount 2018 \$'000	Fair value 2018 \$'000	Carrying amount 2017 \$'000	Fair value 2017 \$'000
<b>Assets</b>					
Forward exchange contracts	FVTPL	–	–	171	171
Cash and cash equivalents	AC	<b>198,792</b>	<b>198,792</b>	79,844	79,844
Receivables	AC	<b>122,436</b>	<b>122,436</b>	122,486	122,486
Interest rate swaps	FVTPL	<b>3,441</b>	<b>3,441</b>	4,536	4,536
Other financial assets	FVTPL	<b>1,410</b>	<b>1,410</b>	1,532	1,532
<b>Total assets</b>		<b>326,079</b>	<b>326,079</b>	208,569	208,569
<b>Liabilities</b>					
Forward exchange contracts	FVTPL	<b>697</b>	<b>697</b>	–	–
Medium Term Notes	AC	<b>671,340</b>	<b>686,245</b>	670,326	686,393
Trade and other payables	AC	<b>91,491</b>	<b>91,491</b>	77,019	77,019
Commercial Paper	AC	<b>9,974</b>	<b>9,951</b>	29,864	29,890
<b>Total liabilities</b>		<b>773,502</b>	<b>788,384</b>	777,209	793,302

Notes:

AC – Amortised Cost

FVTPL – Fair Value Through Profit and Loss

## Accounting policy

### Financial assets

#### Investments and other financial assets

Airservices classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of the reporting period.

#### Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets:

- have been acquired principally for the purpose of selling in the near future;
- are derivatives that are not designated and effective as a hedging instrument; or
- are parts of an identified portfolio of financial instruments that the entity manages together and has a recent actual pattern of short-term profit-taking.

Assets in this category are classified as current and non-current assets. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date (i.e. the date that Airservices commits to purchase or sell the asset).

### ***Loans and receivables***

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Financial assets are assessed for impairment at the end of each reporting period.

### ***Held-to-maturity investments***

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that Airservices has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

### ***Financial liabilities***

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through profit or loss, derivatives designated as hedging instruments in an effective hedge, or other financial liabilities, as appropriate.

### ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

### ***Derivative financial instruments and hedge accounting***

Airservices uses derivative financial instruments, such as forward exchange contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of foreign currency cash flow hedges, which are recognised in other comprehensive income.

### ***Other financial liabilities***

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

### ***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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**Financial risk**

Airservices financial risk management policy identifies the risks faced by the organisation. It sets the risk limits, identifies the controls and determines the process for monitoring and adhering to limits. The policy is designed to add value without adding to the overall risks of the organisation.

The financial risk management policy and systems are reviewed regularly to reflect changes in market practices and Airservices activities. Internal audit undertakes ad hoc reviews of financial risk management policy, controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

Airservices uses financial instruments to manage its financial risks. The central Treasury unit identifies and evaluates the financial risks in close co-operation with other Airservices units and seeks to minimise potential adverse effects on the financial performance.

As a result of the nature of Airservices business and internal policies dealing with the management of financial risk, Airservices exposure to credit, liquidity and market risk is considered to be low.

**Credit risk**

Credit risk represents the risk that one party to a transaction will fail to discharge an obligation and cause the other party to suffer a financial loss. Airservices invests money and enters into financial derivative contracts with authorised counterparties whose long term credit rating is at, or above, A- (Standard and Poor's) or A3 (Moody's). There are currently only four approved counterparties. The maximum credit limit for each approved counterparty is currently \$120 million. Counterparty credit exposure is assessed using the principles of the 'Current Exposure Method'. As at 30 June 2018, the maximum risk exposure to all authorised counterparties after applying the Current Exposure Method was \$264.6 million (30 June 2017: \$84.6 million).

Airservices is exposed to credit risk arising from potential default of debtors. This is equal to the total amount of trade and other receivables (2018: \$122.436 million and 2017: \$122.486 million). Airservices has assessed the risk of default on payment and has allocated \$3.416 million in 2018 (2017: \$1.958 million) as an allowance for impairment.

Airservices trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it Airservices policy to securitise its trade and other receivables.

**Credit risk of financial instruments not past due or individually determined as impaired**

	<b>Not past due nor impaired 2018 \$'000</b>	<b>Not past due nor impaired 2017 \$'000</b>	<b>Past due or impaired 2018 \$'000</b>	<b>Past due or impaired 2017 \$'000</b>
Loans and receivables	<b>98,688</b>	92,241	<b>24,013</b>	23,372
<b>Total</b>	<b>98,688</b>	92,241	<b>24,013</b>	23,372

Airservices is exposed to concentration of risk with respect to trade receivables. 60% of revenues earned are from the following dominant operators: Qantas Group, Virgin Group (including Tiger Airways Australia) and Jetstar.

Airservices is also exposed to credit risk arising from the cross-border financing arrangement as detailed in Note 6.3.

## Liquidity risk

Liquidity risk management is concerned with ensuring there are sufficient funds available to meet financial commitments in a timely manner whilst also planning for unforeseen events which may reduce cash inflows and cause pressure on liquidity.

The primary objectives of short-term liquidity risk management are to ensure sufficient funds are

available to meet daily cash requirements, whilst ensuring that cash surpluses in low interest bearing accounts are minimised.

The primary objective of long-term liquidity risk management is to ensure that funding (i.e. debt) facilities are in place to meet future long term funding requirements.

2018	Average interest rate %	Floating interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	Total \$'000
<b>Financial liabilities</b>							
<b>Non-derivative</b>							
Trade and other payables	-	-	-	-	-	91,491	91,491
Commercial paper	1.97	10,000	-	-	-	-	10,000
Medium term notes	3.89	-	25,063	542,594	219,500	-	787,157
<b>Derivative</b>							
Interest rate swaps <sup>1</sup>	-	-	(4,023)	(4,201)	879	-	(7,345)
Interest rate swaps <sup>2</sup>	-	-	1,818	1,645	727	-	4,190
<b>Net financial liabilities</b>		<b>10,000</b>	<b>22,858</b>	<b>540,038</b>	<b>221,106</b>	<b>91,491</b>	<b>885,493</b>

(1) weighted average interest rates at 30 June were pay float at 2.04% and receive fixed at 3.33%.

(2) weighted average interest rates at 30 June were pay fixed at 2.75% and receive float at 2.03%.

2017	Average interest rate %	Floating interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	Total \$'000
<b>Financial liabilities</b>							
<b>Non-derivative</b>							
Trade and other payables	-	-	-	-	-	77,019	77,019
Commercial paper	1.79	30,000	-	-	-	-	30,000
Medium term notes	3.89	-	25,063	567,656	219,500	-	812,219
<b>Derivative</b>							
Interest rate swaps <sup>3</sup>	-	-	(4,777)	(6,513)	3,447	-	(7,843)
Interest rate swaps <sup>4</sup>	-	-	2,528	1,664	(442)	-	3,750
<b>Net financial liabilities</b>		<b>30,000</b>	<b>22,814</b>	<b>562,807</b>	<b>222,505</b>	<b>77,019</b>	<b>915,145</b>

(3) weighted average interest rates at 30 June were pay float at 1.90% and receive fixed at 3.33%.

(4) weighted average interest rates at 30 June were pay fixed at 3.00% and receive float at 1.90%.

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**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. The following table is a sensitivity analysis of the market risk that Airservices is exposed to through the use of foreign exchange and interest rate derivatives as well as investments and borrowings.

Interest rate sensitivity analysis is calculated on a 'reasonably possible' basis with reference to the key drivers of interest rates, market expectations and

historical data. In analysing interest rate sensitivities Airservices has adopted to vary actual interest rates by +/- 0.20% (2017: +/- 0.30%).

Airservices has adopted a simplified approach to calculate market risk sensitivities for foreign exchange contracts. A standard sensitivity variable of 9.2% (2017: 10.2%) has been applied to all currencies. Airservices acknowledges that it is necessary to monitor annual movements in currencies to ensure the relevance of using a single constant rate.

2018			Effect of positive movement		Effect of negative movement	
	Carrying amount	Change in risk variable	Profit and loss	Equity	Profit and loss	Equity
	\$'000	+/- %	\$'000	\$'000	\$'000	\$'000
<b>Currency risk</b>						
Buy USD	296	9.20	-	(758)	-	911
Buy EUR	(993)	9.20	-	(5,476)	-	6,586
<b>Interest rate risk</b>						
Cash and cash equivalents	198,792	0.20	385	-	(385)	-
Medium term notes	671,340	-	-	-	-	-
Interest rate swaps	3,441	0.20	(735)	-	747	-
Commercial paper	9,974	0.20	(20)	-	20	-
<hr/>						
2017			Effect of positive movement		Effect of negative movement	
	Carrying amount	Change in risk variable	Profit and loss	Equity	Profit and loss	Equity
	\$'000	+/- %	\$'000	\$'000	\$'000	\$'000
<b>Currency risk</b>						
Buy USD	21	10.20	-	(376)	-	459
Buy EUR	150	10.20	-	(1,167)	-	1,352
<b>Interest rate risk</b>						
Cash and cash equivalents	79,844	0.30	240	-	(240)	-
Medium term notes	670,326	-	-	-	-	-
Interest rate swaps	4,536	0.30	(2,116)	-	2,168	-
Commercial paper	29,864	0.30	(90)	-	90	-



## Forward exchange contracts

Airservices uses Forward Exchange Contracts (FECs) to hedge foreign currency exchange rate risk arising from committed transactions primarily relating to capital expenditure program undertakings. Airservices accounts for all of its FECs as Cash Flow Hedges. Airservices policy is to achieve 100% hedge effectiveness. All foreign currency exposures have a greater than 95% certainty of occurring, as all exposures are committed.

The effectiveness test is on a FEC rate to market rate comparison. Prospective testing is on a critical terms basis with the retrospective test based on an effectiveness ratio of 80–125%. Gains or losses are recognised on the hedging instrument (i.e. the FEC) and hedged item (i.e. the committed foreign exchange exposure) with any ineffectiveness recognised in the statement of comprehensive income.

At balance date, the details of outstanding contracts are (Australian dollar equivalents):

	Sell Australian Dollars		Average Exchange Rate	
	2018 \$'000	2017 \$'000	2018 EURO/\$1	2017 EURO/\$1
<b>Buy EUROs</b>				
<b>Maturity</b>				
3 months or less	7,994	1,856	0.6375	0.6839
Greater than 3 months but less than 1 year	11,568	3,309	0.6288	0.6692
Greater than 1 year	50,924	7,127	0.5714	0.6605

	Sell Australian Dollars		Average Exchange Rate	
	2018 \$'000	2017 \$'000	2018 US/\$1	2017 US/\$1
<b>Buy US Dollars</b>				
<b>Maturity</b>				
3 months or less	352	4,039	0.7699	0.7721
Greater than 3 months but less than 1 year	3,299	–	0.7589	–
Greater than 1 year	5,387	–	0.7737	–

## Capital management

Airservices is a price regulated government-owned corporate Commonwealth entity providing air navigation services. Pricing for Airservices core airways services is subject to the price notification provisions of the *Competition and Consumer Act 2010* and any increase in prices must be notified to the Australian Competition and Consumer Commission (ACCC) for its review.

Airservices sets its prices with airlines and other customers using a five-year Long Term Pricing Agreement (LTPA). Endorsed by the ACCC the agreement allows pricing to recover all reasonably incurred costs (including a return on capital employed) relating to the delivery of services. The current Long Term Pricing Agreement was

established in October 2011. It provides price certainty for customers through to 30 June 2016 and a price path with annual changes on 1 July each year, incorporating nominal price increases of 3.3% for the five-year period, translating to real price reductions of 11.4% over the five-year period. Whilst this agreement notionally expired on 30 June 2016, the current arrangements will remain in place until a future LTPA is established with industry.

Airservices target was to achieve a return on equity after tax for 2018 of 10.3%; during the year ended 30 June 2018 there was a return of 11.1% (30 June 2017: 5.9%).

There were no changes to Airservices approach to capital management during the year.

## 4. Our people

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people.

### 4.1 Employee provisions

	2018 \$'000	2017 \$'000
<b>Current employee provisions</b>		
Employee benefits		
Recreation leave	<b>60,808</b>	61,134
Long service leave	<b>128,146</b>	126,141
Separations and redundancies	<b>16,011</b>	33,201
On-costs associated with employee benefits	<b>11,024</b>	11,032
Workers compensation	<b>333</b>	376
<b>Total current employee provisions and payables</b>	<b>216,322</b>	231,884
<b>Non-current employee provisions</b>		
Employee benefits		
Long service leave	<b>34,911</b>	35,448
Separations and redundancies	<b>2,116</b>	7,251
On-costs associated with employee benefits	<b>2,074</b>	2,143
Workers compensation	<b>2,019</b>	2,087
<b>Total non-current employee provisions</b>	<b>41,120</b>	46,929

#### Description of provision

##### *Employee benefits:*

##### **Workers compensation**

These provisions represent Airservices self-insured liability for workers compensation prior to 1 July 1989, which is calculated annually by an independent actuary.

##### **Separations and redundancies**

This includes \$7.6 million (30 June 2017: \$9.2 million) in early retirement benefits which have been elected to be taken by employees as a lump sum on retirement, and \$10.3 million (30 June 2017: \$29.1 million) for redundancy provisions in relation to the restructuring of the organisation.

The provision for early retirement benefits includes \$7.0 million (30 June 2017: \$8.3 million) for ATC employees who were employed by Airservices on 1 July 1998 and continue to meet the eligibility requirements under the relevant enterprise agreement.

## Accounting policy

### Employee benefits

#### *Salaries, wages and termination benefits*

Liabilities for short-term employee benefits and termination benefits expected to be wholly settled within 12 months of the end of the reporting period are measured at their nominal amounts. Liabilities for salary and wages are recognised, and are measured as the amount unpaid at the reporting date at pay rates which will be applicable when paid, in respect of employees' services up to that date.

#### *Recreation leave*

The provision for recreation leave is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Accordingly, the employee benefit provision is measured as a long-term benefit by calculating the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

#### *Long service leave and early retirement benefit*

Employee benefit provisions for long service leave and early retirement benefits are assessed by qualified actuaries on an annual basis. Various actuarial assumptions are required when determining Airservices obligations and these are discussed below.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, using the projected unit credit method. A liability for early retirement benefit is recognised within the provision for separations and redundancies in accordance with the applicable Group Collective Agreement and is measured at the present value of expected future payments to be made in respect of 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 high quality corporate bonds (AA and AAA rated bonds only) with terms to maturity that match, as closely as possible, the estimated future cash outflows.

On-costs associated with recreation leave and long service leave are classified as separate provisions from employee benefits, in accordance with section 24 of the FRR.

## 4.2 Defined benefit fund asset

### Superannuation plan

Airservices is the principal sponsor of the superannuation fund, AvSuper. The plan has a defined benefit scheme and a defined contribution section. The defined benefit section provides benefits based on the length of service and final average salary. The defined contribution section receives fixed contributions and Airservices Australia's legal or constructive obligation is limited to these contributions.

The following sections set out details relating only to the defined benefits section of the Plan. Note that the defined benefits section has been closed to new membership since 2002.

	2018 \$'000	2017 \$'000
<b>Benefit asset</b>		
The amounts recognised in the statement of financial position are determined as follows:		
Present value of the defined benefit obligation	<b>(659,384)</b>	(652,962)
Fair value of defined benefit plan assets	<b>922,223</b>	884,333
<b>Net benefit asset – non-current</b>	<b>262,839</b>	231,371
<b>Categories of plan assets</b>		
The major categories of plan assets are as follows:		
Cash	<b>209,531</b>	212,549
Equity instruments	<b>384,510</b>	270,928
Debt instruments	<b>166,493</b>	271,803
Other assets	<b>161,689</b>	129,053
	<b>922,223</b>	884,333
<b>Reconciliations</b>		
<i>Reconciliation of the present value of defined benefit obligation:</i>		
Balance at the beginning of the year	<b>652,962</b>	865,163
Current service cost	<b>25,154</b>	25,864
Contribution by members	<b>9,746</b>	10,634
Interest cost	<b>26,913</b>	29,330
Remeasurements		
Effect of changes in financial assumptions	<b>15,198</b>	(65,113)
Effect of experience adjustments	<b>(16,480)</b>	(15,176)
Benefits paid	<b>(54,109)</b>	(195,645)
Past service cost/losses (gains) on curtailments	<b>-</b>	(2,095)
Balance at the end of the year	<b>659,384</b>	652,962
<i>Reconciliation of the fair value of plan assets:</i>		
Balance at the beginning of the year	<b>884,333</b>	989,162
Interest Income	<b>37,604</b>	34,361
Remeasurements		
Return on plan assets (excluding interest income)	<b>21,829</b>	21,330
Contribution by Airservices	<b>22,820</b>	24,491
Contribution by members	<b>9,746</b>	10,634
Benefits paid	<b>(54,109)</b>	(195,645)
Balance at the end of the year	<b>922,223</b>	884,333

	2018 \$'000	2017 \$'000
<b>Net amount recognised in the Statement of Comprehensive Income</b>		
The amounts recognised in the Statement of Comprehensive Income are as follows:		
<b>i. Defined benefit cost recognised in profit or loss</b>		
Current service cost	25,154	25,864
Interest on the net defined benefit asset	(10,691)	(5,031)
Loss/(gain) on curtailments and settlements	-	(2,095)
Total included in employee benefits expense	<u>14,463</u>	<u>18,738</u>
<b>ii. Remeasurements (recognised in Other Comprehensive Income)</b>		
Effect of changes in financial assumptions	15,198	(65,113)
Effect of experience adjustments	(16,480)	(15,176)
Return on plan assets (excluding interest income)	(21,829)	(21,330)
Total remeasurements included in Other Comprehensive Income	<u>(23,111)</u>	<u>(101,619)</u>
<b>iii. Total defined benefit income recognised in the Statement of Comprehensive Income</b>		
	<u>(8,648)</u>	<u>(82,881)</u>
Actual return on plan assets	<u>56,002</u>	<u>68,979</u>

### Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	2018	2017
Discount rate	4.10%	4.30%
Future salary increases	4.00%	4.00%

The economic assumptions used by the actuary to make the funding arrangements were:

- a discount rate of 4.1% p.a. derived by interpolation between the yield on 13 year and 14 year bonds at 30 June 2018 where the interpolation is based on the estimated mean term of each bond.
- the salary increase rate is the long-term expected rate including a full allowance for promotional increases.

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**Sensitivity analysis**

A sensitivity analysis for the key actuarial assumptions, holding other assumptions constant, and their potential impact on the defined benefit obligation are shown below.

<b>2018</b>	<b>Increase \$'000</b>	<b>Decrease \$'000</b>
Discount rate (0.5% movement)	<b>38,442</b>	<b>(38,604)</b>
Future salary increases (0.5% movement)	<b>(36,462)</b>	<b>36,828</b>
<b>2017</b>	<b>Increase \$'000</b>	<b>Decrease \$'000</b>
Discount rate (0.5% movement)	39,238	(38,172)
Future salary increases (0.5% movement)	(36,137)	37,726

**Maturity profile**

The following payments are expected to be made in future years out of the defined benefit plan obligation.

	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<b>Undiscounted benefit payments</b>		
1 year or less	<b>41,496</b>	39,697
2 to 5 years	<b>207,133</b>	198,039
5 to 10 years	<b>267,615</b>	265,133
Greater than 10 years	<b>1,038,137</b>	1,116,065
<b>Total expected payments</b>	<b>1,554,381</b>	1,618,934

The average duration of the defined benefit plan obligation at the end of the reporting period is 10 years (2017: 10 years).

### Employer contributions

Employer contribution rates are reviewed by the Employer as required under the Trust Deed. The Trustee receives advice on contribution rates with each actuarial investigation of the Plan undertaken for the Trustee. The Employer also reviews contributions rates as required if the financial position of the plan deteriorates. An actuarial investigation of the Plan is made each year (current practice), and the last such assessment was made as at 30 June 2017. This disclosed a surplus of \$230 million.

For the year ended 30 June 2018 the employer contribution rate was:

- 3% of gross salary for those employees who remain members of the Commonwealth Superannuation Scheme (CSS category) (2016-17: 3%);
- 16.5% of gross salary for other Airservices employees (FULL category) (2016-17: 16.5%).  
From 1 July 2018 contributions will cease for these members under a contribution holiday.

The Employer and Trustee have in place an agreement on the contributions required should the Fund's financial position become unsatisfactory.

The objectives in setting the contribution rate are to ensure:

- i. the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable; and
- ii. there is a low probability that the assets are insufficient to meet the minimum benefit liabilities of the Fund should it terminate.

To achieve the first objective, the actuary has adopted a method of funding benefits known as the Attained Age Normal funding method. This funding method seeks to have benefits funded by means of a total contribution which is expected to be a constant percentage of members' salaries over their remaining working lifetimes. To achieve the second objective, the actuary undertakes scenario testing of the short-term financial position of the Plan.

Employer contributions expected to be paid by Airservices for the year ending 30 June 2019 are \$0.4 million due to the contribution holiday for FULL members, not including any additional contributions required.

### Net financial position of the plan

In accordance with AAS 25 Financial Reporting by Superannuation Plans, the Plan's net financial position is determined as the difference between the present value of the accrued benefits and the net market value of Plan assets. This was determined as at the date of the most recent financial report of AvSuper (30 June 2017), when a surplus of \$229.6 million was reported. Last year in these financial statements Airservices recognised a defined benefit asset of \$231.4 million at 30 June 2017.

The difference between the amounts is due to the different accounting treatment of the net financial position for the employer under AASB 119, and the Plan under AAS 25.

At 30 June 2018 these financial statements disclose a defined benefit asset of \$262.8 million (30 June 2017: \$231.4 million). AvSuper's net financial position for the Plan under AAS 25 will not be available until after these financial statements have been signed.

## Accounting policy

### Superannuation

Contributions are made predominantly to AvSuper (sponsored by Airservices) and Commonwealth Superannuation Corporation (ComSuper) which administers the Commonwealth Superannuation Scheme (CSS) and Public Sector Superannuation (PSS) funds. AvSuper has a defined benefit section and an accumulation section within its fund. Contributions to the AvSuper defined benefit fund are made in accordance with advice received from the fund's actuary. Contributions to accumulation funds are in accordance with the organisation's Collective Agreement(s) and other employee contracts, having regard to legislative requirements. Contributions to ComSuper for the PSS and CSS funds are in accordance with actuarial reports as notified by the Department of Finance.

Contributions to all funds except the AvSuper defined benefit fund are recognised as an expense as they become payable. With respect to the AvSuper defined benefit fund, the net interest on the net defined benefit asset is recognised in the profit before income tax, whereas actuarial gains and losses are recorded in other comprehensive income.

A liability or asset in respect of the AvSuper defined benefit superannuation plan is recognised in the Statement of Financial Position, and is measured as the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets as outlined above. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interpolation between the yield on high quality corporate bonds (AA and AAA rated bonds only) that have terms approximating to the terms of the related obligation. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

## Accounting judgements and estimates

### AvSuper defined benefit plan

Various actuarial assumptions are required when determining Airservices obligations under the AvSuper defined benefit plan. The assumptions relied on for the period to 30 June 2018 are discussed above.

### Long service leave and early retirement benefits

Various actuarial assumptions are required when determining Airservices obligations for long service leave and the early retirement benefit scheme. The assumptions relied on for the period to 30 June 2018 are based on collective agreements that were applicable during the year. These include a 4.0% annual salary increase, staff turnover rates ranging from 7% to 19% (depending on period of service), and average long service leave taken of 0.21 months per annum. The discount rate is derived from a yield curve based on interpolation of high quality corporate bonds (AA and AAA rated bonds only) based on the durations to reflect the estimated mean term of the liabilities, they are as follows:

Liability	Mean term	Corporate bonds	Discount rate
Defined benefits	10.0 years	Discount rate derived by applying Milliman's yield curve to expected cashflows of AvSuper and equating this to a single rate	4.1% p.a.
Long service leave	6.7 years	7 year and 8 year	3.6% p.a.
Early retirement benefit	5.0 years	5 year and 6 year	3.3% p.a.



### 4.3 Key management personnel remuneration

	2018 \$'000	2017 \$'000
<b>Key executive remuneration expense for the reporting period</b>		
<b>Board of Directors</b>		
Short-term employee benefits:		
Salary	537	491
Allowances and other benefits	77	76
<b>Total short-term employee benefits</b>	<b>614</b>	<b>567</b>
Post-employment benefits:		
Superannuation (post-employment benefits)	56	51
<b>Total post-employment benefits</b>	<b>56</b>	<b>51</b>
<b>Total</b>	<b>670</b>	<b>618</b>
The information about non-executive directors included in the table above relates to 9 individuals (2017: 8 individuals)		
<b>Key executive management</b>		
Short-term employee benefits:		
Salary	2,562	2,622
Allowances and other benefits	99	155
At risk component <sup>(1)</sup>	182	234
<b>Total short-term employee benefits</b>	<b>2,843</b>	<b>3,011</b>
Post-employment benefits:		
Superannuation (post-employment benefits)	315	286
<b>Total post-employment benefits</b>	<b>315</b>	<b>286</b>
Other long-term benefits:		
Recreation leave accrued	220	215
Long service leave <sup>(2)</sup>	70	67
<b>Total other long-term benefits</b>	<b>290</b>	<b>282</b>
Termination benefits	-	-
<b>Total executive remuneration</b>	<b>3,448</b>	<b>3,579</b>
<b>Total key management personnel remuneration<sup>(3)</sup></b>	<b>4,118</b>	<b>4,197</b>

The information about executives included in the above table relates to 8.0 Full Time Equivalents (FTEs) (2017: 7.0 FTEs).

<sup>(1)</sup> Executive remuneration packages include an at risk element that is awarded based on executives meeting or exceeding objectives and key performance measures, which are linked to specific annual business objectives.

<sup>(2)</sup> 2016-17 long service leave has been restated to correct a prior period misstatement.

<sup>(3)</sup> The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

## Notes to and forming part of the Financial Statements

### 4.4 Related party transactions

#### (a) Directors

The names of persons who were Directors of Airservices during the financial year and up to the date of signing these financial statements are as follows:

	Status	Commenced	Finished
<b>Chair</b>			
Angus Houston	Ceased	6 December 2011	3 June 2018
John Weber	On-going	3 June 2018	Current
<b>Deputy Chair</b>			
John Weber	On-going	6 April 2017	3 June 2018
Mark Binskin	On-going	13 September 2018	Current
<b>Directors</b>			
Fiona Balfour	On-going	3 June 2013	Current
Samantha Betzien	On-going	4 June 2012	Current
David Marchant	On-going	21 July 2014	Current
John McGee	On-going	4 September 2015	Current
Tim Rothwell	On-going	21 July 2014	Current
Marlene Kanga	On-going	4 September 2017	Current
<b>Chief Executive Officer</b>			
Jason Harfield	On-going	11 August 2015	Current

#### (b) Executives

The names of persons who were Executives of Airservices during the financial year (excluding the CEO, included above) and up to the date of signing these financial statements are as follows:

Executives	Title	Commenced	Finished
Stephen Angus	Executive GM Air Navigation Services	1 July 2016	Current
Michelle Bennetts	Executive GM Aviation Rescue Fire Fighting Services	25 January 2013	16 April 2018
Michelle Bennetts	Executive GM Customer Service Enhancement	16 April 2018	Current
Paul Logan	Chief Financial Officer	2 July 2015	Current
Chris Seller	Chief Information Officer	1 July 2016	Current
Robert Weaver*	Executive GM Safety & Assurance	25 January 2013	Current
Craig Oakley	A/g Executive GM Aviation Rescue Fire Fighting Services	16 April 2018	Current

\* Resigned effective from 2 November 2018

### (c) Transactions with related parties

Certain director-related entities have transactions with Airservices that occur within normal customer or supplier relationships on terms and conditions no more favourable than those which it is reasonable to expect Airservices would have adopted if dealing with the director-related entity at arm's length in similar circumstances. These transactions include the following entities and have been described below where the transactions are considered likely to be of interest to users of these financial statements:

- Airservices received legal services from MinterEllison under a standing panel arrangement amounting to \$380,591 for the period 1 July 2017 to 30 June 2018. During this time Samantha Betzien was both a Board member of Airservices and a partner with MinterEllison.
- Airservices received professional services from Ernst & Young under a standing panel arrangement amounting to \$527,412 for the period 1 July 2017 to 30 June 2018 during which time Sir Angus Houston was both Chair of the Airservices Board and Senior Advisor, Global Government and Public Sector Practice for Ernst & Young.
- Airservices received professional services from PricewaterhouseCoopers under a standing panel arrangement amounting to \$2,243,793 for the period 1 July 2017 to 30 June 2018, during which time John Weber was both Deputy Chair of the Airservices Board (1 July 2018 – 3 June 2018) and subsequently Chair of the Airservices Board (3 June 2018 – current) and Advisor for PricewaterhouseCoopers.
- Airservices provided rent payments to Sydney Water Corporation amounting to \$19,570 for the period 1 July 2017 to 30 June 2018. During this time Dr Marlene Kanga was both a Board member of Airservices Australia and a Board member of the Sydney Water Corporation.

To the extent permitted by law, Airservices provides indemnities to its Board members and officers to complement the insurance arrangements that it has in place.

The Board adheres to a strict Conflict of Interest Protocol which includes a review of Board members' personal interests at each Board meeting. The management of any conflict is dependent on its nature and severity and may include the exclusion of Board members from receiving related material or withdrawal from discussion or decision making.

## 5. Managing Uncertainties

This section analyses how Airservices Australia manages financial risks within its operating environment.

### 5.1 Contingent liabilities

Airservices had contingent liabilities at 30 June 2018 in respect of:

#### ***Aviation Rescue & Fire Fighting Services (ARFFS) potential contaminated site management***

Airservices has identified a number of sites around the country that have been potentially contaminated with chemicals that were contained in fire fighting foams. Airservices has been managing issues arising from the use of these foams, now known to have contained Per- and Poly-Fluorinated Alkyl Substances (PFAS), since it became aware of concerns about PFAS in the early 2000s. These foams were widely used around the world because of their superior performance and regulatory requirements, and Airservices and its predecessors used them from 1978 until 2010.

Significant investment has been made to enable site investigations, site specific management actions including research and development and stakeholder engagement activities. The focus of the 2018 financial year has been to continue to progress site investigations to understand the extent of Airservices potential PFAS contamination, research and development activities to identify practicable solutions to manage existing contamination and working with Commonwealth and State/Territory agencies and regulators to consistently manage PFAS contamination within Australia.

To facilitate this and continued PFAS related activity, a sum of \$56.2 million has been provided at 30 June 2018 (2017: \$23.2 million).

As site investigations progress and jurisdictional requirements mature, further investigations and site specific management actions will be required to quantify and mitigate specific risks. Whilst uncertainty remains in relation to the regulatory environment, these actions may include implementation of containment/remediation strategies and stakeholder communications and engagement activities.

#### ***Legal claims***

A representative action has been commenced against Airservices in the Federal Court of Australia, alleging underpayment of employment benefits to managerial level employees. Airservices is defending the claims. The proceedings are still at an early stage, and Airservices is not in a position to quantify any potential liability at this stage.

Brisbane Airport Corporation (BAC) has commenced proceedings against Airservices in the Queensland Supreme Court seeking compensation for alleged Per And Poly-Fluorinated Alkyl Substances (PFAS) contamination by Airservices at Brisbane Airport. Airservices disputes BAC's claim and has filed its defence. The matter is in its early stages, with discovery activities still underway, and Airservices is not in a position to quantify any potential liability at this stage.

## Accounting policy

### ***Contingent liabilities and contingent assets***

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

## 6. Other Information

### 6.1 Remuneration of auditors

	2018 \$	2017 \$
<b>Remuneration of auditors</b>		
Auditing services provided by the Australian National Audit Office	<b>337,000</b>	270,000

### 6.2 Monies held on behalf of third parties

Airservices has been contracted by the Solomon Islands Civil Aviation Authority and the Republic of Nauru to provide airspace management and accounts receivable services. The contracts require Airservices to retain cash received and to remit funds at a later date to the Solomon Islands and Nauru Governments as required under the respective agreements. At balance date, the money held on behalf of third parties totalled \$0.550 million (2017: \$0.683 million) for the Solomon Islands and \$0.071 million (2017: \$0.122 million) for Nauru.

### 6.3 Cross-border financing arrangement

During 2003 and 2004, Airservices completed cross-border financing arrangements (Transactions) in relation to certain assets (Transaction Assets) associated with The Australian Advanced Air Traffic System (TAAATS) and radar systems. The extant Transactions were initially for periods up to 2022, but on 30 May 2017 Airservices irrevocably exercised its right to terminate those Transactions with effect on 16 January 2018.

The original Transaction documents included certain post-termination guarantees and indemnities by Airservices in favour of various Transaction participants. If certain events occur, Airservices could be liable to make payments under the guarantees and indemnities. The underlying exposure against which these guarantees and indemnities have been provided was US\$45 million as at 30 June 2018, which is expected to decline to zero by 17 December 2018 (the exposure as at 30 June 2017 was US\$223 million). Expert external advisors consider that, unless exceptional circumstances arise, Airservices would not be required to make a significant payment under these guarantees and indemnities.

Airservices actively monitors and manages its exposures under the Transactions in order to mitigate any material risk factors affecting the Transactions on an ongoing basis.



# 05 Appendices

## Appendix 1: Board memberships, meetings and committees

### Board committees

The **Audit and Risk Committee** assists the Board in maintaining objective and reliable financial and performance reporting, and effective systems for risk management and internal control. It helps the Board ensure that Airservices complies with all relevant legislative and other regulatory obligations. These include obligations under the *Air Services Act 1995* (Cth) and the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act). The committee has at least four members, all of whom must be independent non-executive Board members.

The **Safety Committee** assists the Board to ensure that we meet our operational safety, and work, health and safety obligations. It also monitors organisational preparedness to counter security threats. The committee has at least four non-executive Board members, plus the Chair and Chief Executive Officer (CEO), both of whom are ex-officio committee members.

The **Technology and Investment Committee** assists the Board in overseeing our technology, systems engineering and information technology (IT) strategies and policies. It also oversees the strategic direction and policies of business systems, operational technology and IT security, and monitors development and delivery of our capital investment program. The committee has up to three non-executive Board members, plus the Chair and CEO, both of whom are ex-officio committee members.

The **Remuneration and Human Resources Committee** assists the Board in reviewing the performance, remuneration and succession plans for the CEO and those who report to him. It also considers other human resources issues. The committee has three non-executive Board members, plus the Chair and CEO, both of whom are ex-officio committee members.

The following pages include membership information for each Board committee.

Table 1 provides details of Board and Board committee meetings, including members' roles and attendance for 2017-18.

## Members of the Board and their terms of appointment 1 July 2017 to 30 June 2018

### John Weber

Chairman

John Weber has been a member of the Airservices Board since April 2017 and was appointed as Chairman on 3 June 2018.



Mr Weber was the Australian Managing Partner of DLA Piper, one of the world's largest law firms, from 2014 to 2017. He was also a member of DLA Piper's international executive team. Before that he was Chief Executive Partner of leading Australian law firm Minter Ellison for six years, and a member of its executive management team for 11 years.

Mr Weber has worked extensively in the transport (rail and aviation), health, financial services, and defence and security sectors for both industry and government.

Mr Weber is a Board member of the Western Sydney Airport Corporation, Director of the global advisory board of Elevate Services and Director of the Australian Maritime Systems Group. He also provides occasional consulting services to PricewaterhouseCoopers Legal Services.

Mr Weber is also a member of the Australian Institute of Company Directors and has extensive board experience in diverse organisations in the public, private and not-for-profit sectors including the European Australian Business Council, the Council of the Asia Society, the Australian Business and Community Network Foundation, and the Horizons Foundation.

Mr Weber holds a Bachelor of Laws from Australian National University and has attended INSEAD (France) and London Business School executive courses.

### Fiona Balfour

Chair, Board  
Safety Committee



Fiona Balfour was appointed to the Board on 3 June 2013. She is Chair of the Board Safety Committee, and a member of the Audit and Risk Committee and the Technology and Investment Committee. Her current term expires on 2 June 2020.

Mrs Balfour has significant executive experience across aviation, information and telecommunication services, distribution and logistics, and corporate governance. She has more than 17 years' experience as a non-executive director. She has been an independent Non-Executive Director of Metcash Limited since 2010, the Australian Red Cross Blood Service since 2017 and Western Sydney Airport Co since 2017. In 2018, she also became a nominee Director of Canada's Public Sector Pension Investment Board at Land Services South Australia.

Mrs Balfour has been an independent non-Executive member since 2002 and was formerly a Director of Geneva-based SITA SC, TAL (Dai-ichi Life) Australia Pty Limited, Salmat Limited, Councillor of Chief Executive Women, Councillor and Treasurer of Knox Grammar School and a Trustee for the National Breast Cancer Foundation.

Mrs Balfour is a fellow of Monash University and the Australian Institute of Company Directors. She holds a Master of Business Administration from Royal Melbourne Institute of Technology, a graduate Diploma in Information Management from the University of New South Wales (UNSW) and a Bachelor of Arts (Honours) from Monash University.



**Samantha Betzien**

Chair, Remuneration and Human Resources Committee

Samantha Betzien was appointed to the Board on 4 June 2012. She is Chair of the Remuneration and Human Resources Committee and a member of the Safety Committee. Her current term expires on 3 September 2019.



Ms Betzien is a partner in the human resources and industrial relations team in Minter Ellison's Brisbane office. She also performs the management role of staff partner at Minter Ellison. She has more than 20 years' experience providing legal advice on all aspects of employment, industrial relations, and work health and safety, to major employers in the transport, aviation, energy and resources, and construction sectors. Her clients include a number of Queensland Government-owned corporations.

Ms Betzien is a member of the Australian Institute of Company Directors and the Safety Institute of Australia, and is on the *Australian Financial Review's* (AFR) Best Lawyers list in the areas of labour law, employment, and occupational health and safety law. She was named 2014 Queensland Woman Lawyer of the Year by the Women Lawyers Association of Queensland.

Ms Betzien holds a Bachelor of Laws (Honours) from the Queensland University of Technology and a Bachelor of Arts (double major in psychology) from the University of Queensland.

**Dr Marlene Kanga**

Marlene Kanga was appointed to the Board on 4 September 2017. She is a member of the Board Technology and Investment Committee, the Remuneration and Human Resources Committee, and the Audit and Risk Committee. Her current term expires on 3 September 2020.



Dr Kanga has had extensive involvement in process safety engineering in the oil, gas and energy industry. She is an experienced non-executive director and is on the Board of Sydney Water Corporation and the HEARing Cooperative Research Centre. She has held board positions at Innovation and Science Australia and at Engineers Australia, where she was Chair and National President in 2013. She is President of the World Federation of Engineering Organizations, and a Director of iOmniscient Pty Ltd, which has developed artificial intelligence based on video analytics technologies.

Dr Kanga is an honorary fellow of Engineers Australia and the Institution of Chemical Engineers (UK), and a fellow of the Australian Academy of Technological Sciences and Engineering and the Australian Institute of Company Directors. Dr Kanga holds a Bachelor of Technology in Chemical Engineering from the Indian Institute of Technology in Mumbai, India; a Master of Science in Chemical Engineering from the University of London; and a PhD in business administration from Macquarie University in Sydney.

Dr Kanga has been named in the *Australian Financial Review* 100 Women of Influence list and among the Top 100 Most Influential Engineers in Australia. She is a Member of the Order of Australia in recognition of her leadership of the engineering profession.

**David Marchant, AM**

Chair, Board Technology and Investment Committee

David Marchant was appointed to the Board on 21 July 2014. He is Chair of the Board Technology and Investment Committee and a member of the Safety Committee, the Remuneration and Human Resources Committee, and the Audit and Risk Committee. His current term expires on 20 July 2019.

Mr Marchant has extensive experience in the transport industry. He is a Board Member of QR and a Non-Executive Director of QR Ltd. He is also a former Managing Director and CEO of Australian Rail Track Corporation Ltd, a former Director and Chair of the Australasian Railway Association, and a former Director of the Rail Industry Safety and Standards Board.

Past roles include Managing Director of Lend Lease Engineering and Managing Director of Lend Lease Infrastructure Services, and Director of Hunter Valley Coal Chain Coordination Company Pty Ltd. Mr Marchant is a member and graduate of the Australian Institute of Company Directors.

He was appointed a Member of the Order of Australia in 2013 for significant service to the rail industry.

**John McGee**

John McGee was appointed to the Board on 4 September 2015. He is a member of the Board Audit and Risk Committee, the Technology and Investment Committee, and the Safety Committee. His current term expires on 3 December 2018.

Before joining the Board of Airservices, Mr McGee was Managing Director of BNY Mellon Australia Ltd for nine years, heading the Bank of New York's corporate trust operation in Australia.

Mr McGee has also served on other boards as a non-executive director. He was Deputy Chair and Chair of the Audit and Compliance Committee of the Private Health Insurance Administrative Council (PHIAC), the regulator of all private health insurers, and a non-executive director of that body for nine years.

Other non-executive board roles have included Westpac Funds Management, where he was also Chair of the Audit and Compliance Committee, as well as Delhi Petroleum, and other companies in the financial and pharmaceutical industries.

Mr McGee has had responsible manager status on various Australian Securities and Investments Commission and Australian Prudential and Regulation Authority licences. He was also Head of Funds Management and later Chief Financial Officer for a listed life insurer.

Mr McGee holds bachelor degrees in economics and law from the University of Sydney.



**Tim Rothwell**

Chair, Board Audit and Risk Committee

Tim Rothwell was appointed to the Board on 21 July 2014. He is Chair of the Board Audit and Risk Committee, and a member of the Remuneration and Human Resources Committee and the Technology and Investment Committee. His current term expires on 20 July 2019.



In 2013, Mr Rothwell retired as Chief Financial Officer of Brisbane Airport Corporation after 20 years with the organisation, and is now a consultant to industry. He is an adviser to the Board Audit and Risk Committee of Cross River Rail Delivery Authority, and a member of the Council of the University of the Sunshine Coast.

Mr Rothwell mentors Queensland University of Technology executive MBA students and aspiring chief financial officers through the Financial Executives Institute program. He also lectures to UNSW undergraduates studying for an aviation business degree.

He holds a Bachelor of Economics and Accounting (Honours), is a Fellow of the Institute of Chartered Accountants in Australia, and is a Member of the Financial Executives Institute and the Australian Institute of Company Directors.

**Jason Harfield**

Jason Harfield was appointed Chief Executive Officer on 9 March 2016 and has been a core member of the Airservices Executive Leadership Team since 2005.



Mr Harfield has more than 30 years' experience in aviation and the air traffic management industry. He began his career with Airservices as a flight data officer in Adelaide, in 1989.

His executive leadership roles have included leading the safety and future services functions. He also led the transformation of air traffic control operations through the introduction of new services, advanced airport capacity and air traffic flow management capabilities, while reinvigorating Airservices largest operational workforce.

Before this, Jason held a number of operational management and senior management positions, including as Australia's Head Air Traffic Controller and Australian Airspace Regulator as well as operating as a qualified operational air traffic controller.

Jason has an Executive MBA from the Melbourne Business School (Mt Eliza) and has completed the Advanced Management Program at Harvard Business School. He is also a fellow of both the Australian Institute of Company Directors and the Royal Aeronautical Society, and is a private pilot.

## Former Directors

### **Air Chief Marshal Sir Angus Houston AK, AFC (Retired)**

Air Chief Marshal Sir Angus Houston was appointed to the Airservices Board on 6 December 2011, and was Chair from 3 June 2012 until his term expired on 2 June 2018.



He was made a Knight of the Order of Australia in January 2015 for extraordinary and pre-eminent achievement and merit in service to Australia, including through distinguished service in the Australian Defence Force (ADF), continued commitment to serve the nation in leadership roles, particularly relating to the Malaysian Airlines Flight 370 and MH17 disasters, and in a variety of roles in the community.

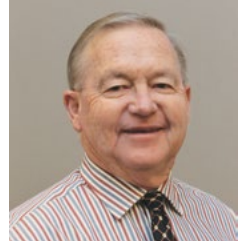
Sir Angus retired from the military in July 2011 after serving for 41 years. He was Chief of the ADF from 2005 to 2011 and before that was Chief of Air Force for four years.

He was Chair of the Anzac Centenary Advisory Board from 2011 to 2013, providing strategic advice to the Australian Government in relation to planning and implementing the commemoration of the Anzac Centenary.

Sir Angus is Chancellor for the University of the Sunshine Coast. He chairs a number of boards and also serves as a board member for numerous organisations. He is a visiting fellow of the Australian National University National Security College and the South Australian Special Envoy for International Trade and Investment. In addition, he is ambassador for or patron of a number of charitable organisations. Sir Angus has been awarded three honorary doctorates, from the University of South Australia, the Australian National University and UNSW.

### **Tony Mathews**

Tony Mathews was appointed to the Board on 4 June 2012 and his term expired on 3 September 2017. During this time, Mr Mathews was the Deputy Chair and then Chair of the Safety Committee.



He has more than 40 years' experience in the aviation industry, including extensive work in regional aviation as the chief pilot and general manager of a regional airline, and is a qualified transport and commercial pilot.

Mr Mathews is Chair of the Board of Advice for Mildura Private Hospital, a Director of the Mildura District Hospital Fund and a Deputy Chair of Lower Murray Water.

He has held managerial positions with Qantas Regional Airlines, served as Chair and board member of the Mildura Cooperative Fruit Company, Chair of the Murray Campaign Committee and Mildura Murray Outback Tourism, resident and Board member of the Regional Aviation Association of Australia, a board member of the Chances for Children Committee and the First Mildura Irrigation Trust. In addition, he was a Director of RCP Finance Limited.

## Benefits and interests in contracts with Airservices Australia

Details of Directors' benefits and interests in contracts with Airservices are set out in notes 4.3 and 4.4 of the financial statements.

## Directors' and officers' indemnities and insurance

In 2017–18, we held a Directors' and Officers' liability insurance policy. It is a condition of this policy that the nature of the Directors' and Officers' indemnities and insurance, including the limits of liability and the premium payable—are not disclosed to third parties except to the extent that:

- we are required to do so by law
- the insurer consents in writing to such disclosure.

Table 1: Board and Board committee meetings, including members' roles and attendance, 2017–18

	Board	Safety	Audit and Risk	Remuneration and Human Resources	Technology and Investment
<b>No. of meetings convened</b>	9	6	5	4	4
Sir Angus Houston <sup>a,b</sup>	9	6	4	4	4
Tony Mathews <sup>c,d,e</sup>	1*	1*	0*	0*	0*
John Weber <sup>f,g</sup>	9	5*	5	0*	4
Fiona Balfour <sup>h</sup>	9	5*	4	4	3
Tim Rothwell <sup>i</sup>	8	0*	5	4	4
Samantha Betzien <sup>j</sup>	8	6	0*	4	0*
David Marchant <sup>k</sup>	9	6	5	2*	4
Marlene Kanga <sup>l</sup>	7*	0*	3*	3*	4
John McGee	9	6	5	0*	0*
Jason Harfield <sup>m</sup>	9	6	5	4	4

a. Chair of the Board and ex-officio member of all Board committees (excluding the Audit and Risk Committee).

b. Term expired on 2 June 2018.

c. Deputy Chair of the Board until 3 September 2017.

d. Chair of the Safety Committee until 3 September 2017.

e. Term expired on 3 September 2017.

f. Deputy Chairman of the Board from 4 September 2017.

g. Chairman and ex-officio member of all Board Committees (excluding the Audit and Risk Committee) from 3 June 2018.

h. Chair of the Board Safety Committee from 4 September 2017.

i. Chair of the Audit and Risk Committee.

j. Chair of the Remuneration and Human Resources Committee.

k. Chair of the Technology and Investment Committee.

l. Appointed to the Board on 4 September 2017.

m. CEO and ex-officio member of all Board committees (excluding the Board Audit and Risk Committee)

\* Not a committee member during the relevant period.

## Appendix 2: Statement of Expectations and Statement of Intent

### Statement of Expectations

### Statement of Intent

#### Overview

This instrument is known as the Statement of Expectations for the Board of Airservices Australia for the period 22 May 2017 to 30 June 2019.

This instrument commences on 22 May 2017 and expires at the end of 30 June 2019 as if it had been repealed by another instrument. This instrument repeals the previous *Statement of Expectations for the Board of Airservices Australia for the period 1 July 2013 to 30 June 2015* and the *Statement of Expectations for the Board of Airservices Australia for the period 1 July 2015 to 30 June 2017*.

This instrument puts in place a new Statement of Expectations (SOE) which serves as a notice to the Board of Airservices Australia (Airservices) under section 17 of the *Air Services Act 1995* (the Act).

The new SOE outlines in a formal and public way, the Government's expectations concerning the operations and performance of Airservices.

The Airservices Board's Statement of Intent as outlined in this section responds to each element of the Statement of Expectations\* (22 May 2017 to 30 June 2019) and states our formal commitment to meeting our Minister's expectations.

In addition, this Corporate Plan supports our Statement of Intent in response to the Statement of Expectations.

\* <https://www.legislation.gov.au/Details/F2017L00526>

**Statement of Expectations****Statement of Intent****Governance**

Airservices should perform its functions in accordance with the Act, which requires that Airservices must regard the safety of air navigation as the most important consideration.

Airservices shall also perform its functions in accordance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) as well as other relevant legislation.

Airservices should maintain high standards of professionalism, service, probity, reporting, accountability and transparency, consistent with the provisions of the PGPA Act and have a code of conduct and values consistent with excellence in the public sector.

I expect that the Board and the Chief Executive Officer will work together to enable Airservices to operate as a world leading Air Traffic Control and Aviation Rescue and Fire Fighting Service (ARFFS) provider, backed by the requisite facilities and skilled workforce.

I also expect the Board to ensure Airservices has the necessary resources and capabilities in place to effectively assist in the delivery of the key aviation initiatives outlined below.

Airservices will continue to perform its functions of providing safe, secure, efficient and environmentally responsible services that are valued by the aviation industry on behalf of our owner, the Australian Government. In performing these functions, we will continue to adhere to our values and code of conduct, which assist us to maintain high standards of professionalism, customer service, probity, reporting, accountability and transparency.

The Board will make decisions consistent with its responsibilities under the *Air Services Act 1995* relating to the objectives, strategies and policies to be followed by Airservices, ensuring that we perform our functions in a proper, efficient and effective manner. The Board will continue to work closely with the Chief Executive Officer to ensure that Airservices has the resources and capabilities needed to deliver world class aviation services to its customers and the community. Our 2015–2035 Workforce Strategy will ensure that we continue to invest in our workforce capability to provide an appropriately skilled workforce to deliver on our service objectives.

## Statement of Expectations

## Statement of Intent

## Key aviation initiatives

I expect Airservices, in conducting its service provision and related roles, to:

<p>a. complete the safe and effective implementation of its recent organisational change program, known as the Accelerate Program (noting the Program is scheduled for completion on 30 June 2017) and undertake a post implementation review of the Program by 30 December 2017;</p>	<p>Airservices will complete the Accelerate Program by 30 June 2017. A post implementation review will be completed by 30 December 2017.</p>
<p>b. progress implementation of a new national air traffic system under the OneSKY project including Government endorsed harmonisation initiatives with the Department of Defence (Defence);</p>	<p>A harmonised civil and military air traffic management system, delivered via the OneSKY program, remains a critical priority for Airservices and we will continue to work closely with the Department of Defence.</p>
<p>c. cooperate fully with the Civil Aviation Safety Authority (CASA) in their safety regulatory oversight of the OneSKY project;</p>	<p>Airservices will continue to work very closely with CASA in relation to its role as safety regulator for civil air operations in Australia, including on key initiatives such as the OneSKY program. We will do this by proactively engaging CASA through well-established mechanisms and sharing information in an open and transparent manner.</p>
<p>d. work with the Department of Infrastructure and Regional Development (Department), CASA and Defence in providing advice on options for enhancing the level of safety and efficiency of Australian controlled airspace including at major regional airports;</p>	<p>As part of Airservices ongoing focus to improve the provision of safe and innovative services for industry, we will actively focus on identifying and supporting opportunities to enhance the level of safety and efficiency of controlled airspace in Australia, engaging with industry and working collaboratively with Government agencies through the Aviation Policy Group and other forums. We will take advantage of new technologies such as ADS-B and identify opportunities to increase the use of Class E airspace in Australia.</p>
<p>e. work with the Department and CASA in the implementation of the agreed recommendations arising out of the ARFFS regulatory policy review;</p>	<p>Airservices supports proposed changes for the provision of ARFFS that shifts the current prescriptive regulatory framework to a more risk- and outcomes-based approach. Airservices is actively supporting the Department as it progresses this work and will continue to do so, so that it can harness the service delivery and efficiency benefits that the reforms will enable.</p>
<p>f. work with the Department and CASA in modernising airspace protection policy;</p>	<p>Airservices will continue to contribute to and support initiatives that reduce risk to aircraft operations. We will work cooperatively with the Department, CASA, other Government agencies and industry to consider and implement proposals contained in the Department's <i>Airspace Protection Paper</i> which seeks to modernise airspace protection regulation and identify non-regulatory measures to enhance the safety of aircraft operations.</p>



Statement of Expectations	Statement of Intent
<p>g. assist in implementing the Government's environmental initiatives including:</p>	
<ul style="list-style-type: none"> <li>- supporting the ongoing role of the independent Aircraft Noise Ombudsman (ANO) and implementation of agreed recommendations made by the ANO;</li> </ul>	<p>We will continue to support the role of the ANO by:</p> <ul style="list-style-type: none"> <li>• maintaining an independent ANO office</li> <li>• engaging regularly with the ANO and staff</li> <li>• implementing agreed recommendations made by the ANO</li> <li>• effectively managing noise complaints through the Noise Complaints Information Service (NCIS).</li> </ul>
<ul style="list-style-type: none"> <li>- appropriate resourcing of the Noise Complaints and Information Service to continue to improve the flow and quality of information to noise affected communities;</li> </ul>	<p>The NCIS provides valuable information services to the community and the ANO. We will continue to appropriately resource the NCIS to ensure that it provides this service to a high standard.</p>
<ul style="list-style-type: none"> <li>- the ongoing commitment to the Sydney Airport Long Term Operating Plan as required by Legislative Instrument F2009B00158;</li> </ul>	<p>Airservices is committed to the 1997 Ministerial Direction relating to the Sydney Long Term Operating Plan to the maximum extent practicable to ensure the safe and efficient operation of Sydney Airport.</p>
<ul style="list-style-type: none"> <li>- working with the Department and industry on issues related to environmental contamination, including Per- and Poly-fluoroalkyl substances (PFAS), where it is a result of Airservices operations;</li> </ul>	<p>Airservices will continue to implement our national PFAS management program, including site investigations, in response to Airservices and other organisations' historical use of aviation fire fighting foams containing these chemicals. Airservices will also continue to work closely with Government agencies in developing a whole-of-government approach to managing PFAS.</p>
<ul style="list-style-type: none"> <li>- providing and reporting against an annual environment work program which outlines Airservices ongoing and new initiatives in managing, monitoring and alleviating, where safe and practicable, environmental effects of aircraft operations;</li> </ul>	<p>Airservices will continue to produce and report against an annual environmental work plan that outlines initiatives to manage and monitor the environmental effects of aircraft operations.</p>
<ul style="list-style-type: none"> <li>- continue the wider use of space based navigation approaches such as Required Navigation Performance, as appropriate, at Australian airports following consultation with other Government agencies, community and industry stakeholders; and</li> </ul>	<p>Airservices will continue to focus on delivering new and improved air traffic services, including performance-based navigation, to improve capacity and efficiency while also improving environmental outcomes.</p>
<p>h. continue to support the Government's safety and capability building initiatives in the Asia-Pacific region and the Memorandum of Understanding, regarding the management of Australia's International Civil Aviation Organization responsibilities.</p>	<p>Airservices will continue to support the Australian Government's safety initiatives in the Asia-Pacific region to improve safety outcomes, primarily through working with air navigation service providers in Indonesia and Papua New Guinea to build their capability to manage greater air traffic. This includes progressing sustainable programs that deliver safe, harmonised and integrated outcomes that are aligned with their neighbouring states, including Australia.</p> <p>Airservices works closely with the Department and CASA to ensure that we are executing Australia's International Civil Aviation Organization (ICAO) responsibilities.</p>

## Statement of Expectations

## Statement of Intent

## Stakeholder engagement

I expect that in performing its functions Airservices will:

<p>a. undertake effective and ongoing engagement with the community, industry and Government on the development and implementation of significant changes by Airservices to air traffic and ARFFS;</p>	<p>Acknowledging that our most important consideration is always the safety of air navigation, Airservices will continue to effectively consult with the community, industry and the Government throughout the development and implementation of any significant changes to our service provision.</p>
<p>b. engage constructively in processes where it can provide information, assistance or advice for policy formulation, implementation and regulation undertaken by Government agencies, both within and outside my portfolio;</p>	<p>Airservices will continue to provide information, assistance or advice to other Government agencies, including in the performance of their regulatory and policy functions.</p>
<p>c. contribute to a coordinated approach to airport planning including appropriate participation in, and providing information to, planning coordination forums, community aviation consultation groups, and the National Airports Safeguarding Advisory Group;</p>	<p>Airservices is committed to ongoing participation in the National Aviation Safeguarding Advisory Group to support a national land use planning framework that improves:</p> <ul style="list-style-type: none"> <li>• community amenity by minimising aircraft noise-sensitive developments near airports</li> <li>• safety outcomes by ensuring aviation safety requirements are recognised in land use planning decisions.</li> </ul> <p>Airservices will also continue to engage and consult with concerned community groups through airport-led planning coordination and consultation forums and Airservices technical noise working groups.</p>
<p>d. keep the Secretary of the Department and me fully informed of Airservices actions in relation to the requirements stated in this SOE, and promptly advise about any events or issues that may impact on the operations of Airservices, including the provision of timely quarterly reports of progress against the Corporate Plan and advice on the Accelerate Program and the OneSKY project; and</p>	<p>The Airservices Board and the Chief Executive Officer will continue to keep the Department and the Minister fully informed in relation to these expectations through regular reporting, including quarterly reports of progress against the Corporate Plan.</p>
<p>e. work closely with the Department, including the Western Sydney Unit, and other Government agencies, including the Australian Transport Safety Bureau, CASA and Defence, to deliver integrated and comprehensive safety advice to the Government, the aviation industry and the community.</p>	<p>Airservices will continue to support other Government agencies in the performance of their regulatory and policy functions through the provision of timely information, assistance or advice.</p>

## Appendix 3: Equity and diversity progress report

As a Commonwealth authority, Airservices is bound by the:

- *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* (EEO Act)
- *Australian Human Rights Commission Act 1986*
- *Racial Discrimination Act 1975*
- *Sex Discrimination Act 1984*
- *Disability Discrimination Act 1992*
- *Age Discrimination Act 2004*.

Table 2 reports on Airservices equity and diversity program, in accordance with the requirements of section 6 of the EEO Act.

Table 2: Equity and diversity reporting

EEO Act (section 6)	2017-18 activities
<p><b>Informing employees</b></p> <p>Without limiting the generality of the definition of <i>program</i> in subsection 3(1), the program of a relevant authority shall provide for action to be taken:</p> <p>(a) to inform employees of the contents of the program and of the results of any monitoring and evaluation of the program under paragraph (h)</p>	<p>Our <i>Inclusive, Healthy and Supported Workforce</i> pillar in our <i>People Strategy (2017-2025)</i> reflects our commitment to having a genuinely inclusive workforce that fosters diversity. Our dedicated <i>Inclusion and Support</i> intranet site, available to all employees, supports our people with information about the work program and the progress of our whole-of-enterprise Diversity and Inclusion Council. It also provides the latest thinking on a range of diversity and inclusion topics, and opportunities for professional development and networking.</p> <p>In addition, we embed core organisational messages about our diversity and inclusion agenda in:</p> <ul style="list-style-type: none"> <li>• staff induction, mandatory training and other development activities available to employees</li> <li>• communications about internal and external awareness events, conveying important messages of inclusion, support and diversity</li> <li>• our annual report and quarterly workforce report, which are accessible to all employees.</li> </ul>

**EEO Act (section 6)****2017-18 activities****Conferring responsibility**

(b) to confer responsibility for the development and implementation of the program (including a continuous review of the program), on a person or persons having sufficient authority and status within the management of the relevant authority to enable the person or persons properly to develop and implement the program

Our Chief Executive Officer (CEO) and executive team hold overall responsibility for our Diversity and Inclusion Action Plan with regular reporting aligned to our *Inclusive, Healthy and Supported Workforce* pillar in our People Strategy.

Our Diversity and Inclusion Council, comprised of representatives from across the organisation, sets our direction for diversity, and oversees initiatives within—and progress against—our Diversity and Inclusion Action Plan. The council meets monthly, and regularly engages with the executive team about implementing the Action Plan.

Our employees are responsible for ensuring their behaviour complies with the Airservices Code of Conduct, which sets the standard for treating staff with dignity, respect, courtesy, fairness and equity at all times.

**Consulting with trade unions**

(c) to consult with each trade union having members affected by the proposal for the development and implementation of the program in accordance with this Act

We consult with employees and their representative organisations before implementing new policies and procedures relating to employment matters. These organisations are Professionals Australia; the Communications, Electrical and Plumbing Union; Civil Air Australia, the Community and Public Sector Union; and the United Firefighters Union of Australia.

**Consulting with employees**

(d) to consult with employees of the relevant authority, particularly employees who are women or persons in designated groups

Our National Consultative Council provides a mechanism for ensuring ongoing dialogue with our employee organisations about specific employee-related issues.

Our senior leaders regularly consult with all our employees, as appropriate, through regional site visits, group meetings, newsletters and videos. In addition, our Diversity and Inclusion Council provides a key avenue for consulting with employees about diversity and inclusion matters. Council members are representative of our broader workforce. They are supported by a Diversity and Inclusion Network, made up of employees who are active in identifying matters that should be considered when developing related initiatives.

**EEO Act (section 6)****2017–18 activities****Collecting statistics**

- (e) for the collection and recording of statistics and related information concerning employment by the relevant authority, including the number of, and the types of jobs undertaken by, or job classifications of:
- (i) employees of either sex
  - (ii) persons in designated groups

See tables 4–9 for more information about Airservices employee diversity profile, including staff numbers by gender, demographic group and job family. In addition to capturing demographic data through our Human Resource Information Management system, we collect attitudinal data on perceptions of diversity and inclusion practices through our employee surveys.

**Consideration of policies, examination of practices**

- (f) to consider policies, and examine practices, of the relevant authority, in relation to employment matters to identify:
- (i) any policies or practices that discriminate against women or persons in designated groups
  - (ii) any patterns (whether ascertained statistically or otherwise) of lack of equality of opportunity in respect of women or persons in designated groups

In 2017–18, we completed a holistic review and refresh of our people documentation to ensure that we have fit-for-purpose and contemporary processes—and supporting documents—enabling high performance through agility and flexibility. The review included an examination of the inclusiveness of our practices and policies.

Providing equal opportunities is also a key driver of our Diversity and Inclusion Council. In 2017–18, our Diversity and Inclusion Action Plan identified initiatives that were evaluated as high impact in relation to the key barriers to inclusion in our workforce. Initiatives focus on flexible work in both our rostered and nonrostered workforces; inclusive leadership; unconscious bias training; communication and awareness activities; and collecting data to ensure systemic issues are identified and addressed.

**Setting objectives and selecting indicators**

- (g) to set:
- (i) the particular objectives to be achieved by the program
  - (ii) the quantitative and other indicators against which the effectiveness of the program is to be assessed

To be successful over the long term, we ensure that we have the right people with the right skills in the right location at the right time, working in the right ways to deliver on our service objectives. Our People Strategy supports the development of a future-proofed, resilient and fit-for-purpose workforce by presenting an enterprise-wide view of workforce drivers, issues and strategies that have broad and long-term significance; and a governance model for monitoring our progress. Our Diversity and Inclusion Action Plan and our Reconciliation Action Plan are deliverables under the *Inclusive, Healthy and Supported Workforce* pillar of our People Strategy.

EEO Act (section 6)	2017-18 activities
<p><b>Monitoring and evaluation</b></p> <p>(h) to monitor and evaluate the implementation of the program and:</p> <p>(i) to assess the achievement of those objectives; and</p> <p>(ii) to assess the effectiveness of the program by comparing statistics and information collected and recorded under paragraph (e) with the indicators against which the effectiveness of the program is to be assessed</p>	<p>Under the governance model for our People Strategy, we have a program of regular reporting to our Executive and Board on diversity and inclusion matters, including quantitative and qualitative indicators of progress. This includes our Diversity and Inclusion Index, a key performance indicator in our Corporate Plan.</p>

## Enquiries and complaints

Table 3 shows the number of complaints and enquiries, including those relating to equity and diversity, for the reporting period.

Table 3: Enquiries and complaints, 2013-18

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Employee numbers	4,204	4,475	4,493	4,468	3,711	3,534
Ethics Hotline enquiries <sup>1</sup>	3	3	2	5	8	4
Ethics Hotline disclosures <sup>2</sup>	17	21	16	16	12	11
Formal complaints <sup>4</sup>	55 <sup>3</sup>	35 <sup>3</sup>	40	18	–	–
	9 <sup>4</sup>	3 <sup>4</sup>	4 <sup>4</sup>	27 <sup>4</sup>	6	2

<sup>1</sup> These relate to all enquiries received through the Ethics Hotline, including those relating to equity and diversity.

<sup>2</sup> These relate to all formal disclosures received through the Ethics Hotline, including those relating to equity and diversity.

<sup>3</sup> These complaints were made via the Fair Treatment Review System.

<sup>4</sup> Before 2017-18, formal complaints related to those reported via the Process Review Procedure when an individual believes that an Airservices system, policy or procedure has been applied incorrectly, as well as any complaints escalated to the Employee Grievance Board. From 2017-18, formal complaints only include those presented to the Employee Grievance Board.

## Progress update on diversity and inclusion activities

We are committed to having a genuinely inclusive workforce that fosters diversity and supports our workers' physical and psychological safety. We need people of different genders—and from diverse backgrounds, cultures, and work and life experiences—in all areas of our business, to support our ability to innovate, anticipate and respond in a rapidly changing environment.

In 2017–18, we refreshed our Diversity and Inclusion Council to facilitate a collaborative, enterprise-wide approach to diversity and inclusion in which resources, experience and skills are shared.

The Council will support sustained, well-governed implementation of diversity and inclusion initiatives, in line with our People Strategy. The key actions developed to foster an *Inclusive, Healthy and Supported Workforce* include:

- launching a diversity and inclusion campaign
- promoting flexible work
- benchmarking best practices
- addressing unconscious bias
- collecting opinions on diversity and inclusion
- introducing an inclusive teams development program
- setting realistic diversity targets for key workforce segments.

To support contemporary practice and ensure our employees and leaders can access the latest thinking on diversity and inclusion, we renewed our membership with Diversity Council Australia, an independent not-for-profit peak body leading diversity and inclusion in the workplace.

## Diversity profile

Our diversity profile has remained relatively stable over the past four reporting periods.

There has been a slight increase in the percentage of Aboriginal and Torres Strait Islander People to 1.6 per cent. This includes new and existing employees who have now chosen to self-identify as Aboriginal or Torres Strait Islander People.

There was a slight decrease (from 6.5 to 6.3 per cent) in the number of people from culturally and linguistically diverse backgrounds. While the percentage of women in the workforce remained stable (16.9 per cent), there was a slight increase (from 0.8 to 0.9 per cent) in the percentage of staff reporting a disability.

A major proportion of our workforce is mature-aged, with 28.1 per cent aged 45–54 and 16.4 per cent aged 55–64.

Table 4: Representation of designated groups in the overall headcount in 2014–18

Designated Groups*	2014–15 (%)	2015–16 (%)	2016–17 (%)	2017–18 (%)
Indigenous Australians	1.1	1.2	1.4	1.6
People with disability	1.1	1.1	0.8	0.9
People from a culturally or linguistically diverse background	6.7	6.8	6.5	6.3
Female employees	19.3	19.3	16.9	16.9

\* Note that disclosure is voluntary and not all staff provide equity and diversity data for these groups.

Table 5: Employees in diversity groups by job role classification, at 30 June 2018\*

Job family	Aboriginal and Torres Strait Islander	Culturally and linguistically diverse	People with disability
Air traffic management	9	58	12
Aviation rescue fire fighting	32	12	6
Engineering	0	31	2
Technical and trade	4	39	5
Information and communications technology	2	22	0
Enabling professions**	6	54	7
Senior leadership	3	8	1
<b>Total by diversity groups</b>	<b>56</b>	<b>224</b>	<b>33</b>
<b>Percentage of workforce (%)</b>	<b>1.6</b>	<b>6.3</b>	<b>0.9</b>

\* Personal information, as recorded in Airservices Human Resource Information System (HRIS), is treated confidentially, according to the *Privacy Act 1988* (Cth).

\*\* Consists of all job functions and roles which are required to support Airservices provision of air navigation service and ARFFS.

Table 6: Gender by job role classification, at 30 June 2018

Job family	Female by number	Female by percentage (%)	Male by number	Male by percentage (%)
Air traffic management	188	14	1,152	86
Aviation rescue fire fighting	29	3	814	97
Engineering	28	17	137	83
Technical and trade	17	5	301	95
Information and communications technology	20	19	84	81
Enabling professions	280	47	322	53
Senior leadership	35	22	127	78
<b>Total by gender</b>	<b>597</b>	<b>17</b>	<b>2,937</b>	<b>83</b>



Table 7: Employee age profile, at 30 June 2018

Age range	Under 25	25-34	35-44	45-54	55-64	65+
Number of employees	48	827	1,038	993	580	48
Percentage of employees (%)	1.4	23.4	29.4	28.1	16.4	1.4

Table 8: Employee average retirement age, at 30 June 2018

	2014-15	2015-16	2016-17	2017-18
Average retirement age	61.1	60.9	61.9	61.0

Table 9: Part-time workers by age bracket, at 30 June 2018

Flexibility	Under 25	25-34	35-44	45-54	55-64	65+	Total
Permanent part-time	1	18	53	61	41	8	182
Temporary part-time	0	1	2	0	1	0	4
Casual	2	1	0	0	5	6	14

## Appendix 4: Work health and safety update

This section is presented in accordance with the requirements of the *Work Health and Safety Act 2011* (Cth) (WHS Act).

### Work health and safety— Executive commitment

In 2017–18, the Board and executive team reiterated their ongoing commitment to work health and safety (WHS). Improvement plans were developed to address identified risks within the business. The executive team maintained its focus on reducing injuries; providing a timely response to reported occurrences and hazards; providing assurance against WHS requirements; and improving mental health and wellbeing.

### Work health and safety initiatives

Significant progress has been made on integrating WHS procedures into business processes, to ensure that staff meet WHS requirements while performing their duties.

Some of the WHS core areas, including promoting and increasing hazard identification and reporting, promoting safety communications and positive WHS discussions were reinforced with staff. A major focus was implementing the Strength, Conditioning and Resilience Program in 2017–18.

We continued to focus on WHS cultural change and leadership development, implementing the WHS improvement plans in our service lines.

Our continuing implementation of actions to address findings from the 2017 independent assurance review has strengthened our processes and practices. Areas these relate to include managing asbestos, ensuring electrical safety, working in confined spaces, preventing falls (including working at heights), managing work-related travel, and remote or isolated work.

In February 2018, we implemented a new online contractor induction system. The system enables contractors to pre-qualify and induct their workers and sub-contractors before commencing work.

There has been ongoing focus on reducing the impact of workplace injuries through improved injury management and early intervention programs. In October 2017, we implemented a dedicated 24/7 injury response service to provide optimal care to employees injured in the workplace. The service triages workplace injuries, provides advice to injured employees and their managers, and arranges appropriate medical treatment.

We established a new mental health portal in early 2018. The portal provides mental health toolkits for leaders and staff members, and provides links to further mental health resources and guidance material.

### Consultation and health and safety committees

The National Health and Safety Committee, our peak consultative body for WHS, met four times during the year to provide a consultative forum for issues of national significance.

Local WHS committee meetings were held in Brisbane, Sydney, Canberra and Melbourne, to consult on and resolve local WHS issues.

Four ANS maintenance and service WHS forums were held to discuss issues and to promote information-sharing specific to the technical nature of the work.

## Work health and safety outcomes

WHS notifications to Comcare in 2017–18 complied with the WHS Act. WHS notifications include Serious Injury or Illness and Dangerous Occurrences as defined in the Act. Table 10 shows occurrences and hazards for the last five financial years.

The increased reporting of hazards and occurrences shows that early intervention strategies are now embedded in normal business processes. There is increasing focus on identifying and reporting on hazards. This has reduced the lost time injury frequency rate (LTIFR), compared to 2016–17.

The LTIFR is shown on page 20 of the Annual Performance Statement for the previous reporting years and the current financial year.

## Workers compensation premium

The Comcare premium for 2017–18 was 0.92 per cent of payroll, compared to 1 per cent in 2016–17.<sup>1</sup>

## Improvement notices and Comcare investigations

Health and safety representatives (HSRs) raised three provisional improvement notices (PINs). The first was raised in July 2017 over corrosion at the Brisbane Fire Station training ground mock-up. This notice was closed after all agreed actions were implemented.

Two PINs were raised in February 2018 over health concerns relating to diesel particulate matter at the main fire station and the satellite fire station at Brisbane Airport. Comcare affirmed these as improvement notices and closed them after all agreed actions were implemented.

Table 10: WHS occurrences and hazards, 2013–14 to 2017–18

Incident category	2013–14	2014–15	2015–16	2016–17	2017–18
Reported work-related WHS occurrences and hazards	423	386	446	470	638 <sup>2</sup>
Workplace fatality	0	0	0	1 <sup>3</sup>	0
Serious injury or illness (SII), requiring Comcare notification	6	3	3	2 <sup>4</sup>	3 <sup>5</sup>
Dangerous incidents requiring Comcare notification	16	17	11	11 <sup>6</sup>	18 <sup>7</sup>

<sup>1</sup> The 2016–17 Annual Report included an estimate of 0.90 per cent.

<sup>2</sup> Forty-one were non-work related injuries.

<sup>3</sup> Reported to Comcare, based on a historical claim for a cancer-related death. Comcare subsequently rejected the claim, recoding it as non-work related.

<sup>4</sup> One reported SII was recoded as non-work related, based on further information.

<sup>5</sup> One reported SII was recoded as non-work related, based on a pre-existing health condition.

<sup>6</sup> Four reports were recoded to non-dangerous incidents, based on further information received.

<sup>7</sup> Five reports were recoded to non-dangerous incidents, based on further information received.

## Appendix 5: Environmental management and performance

This section meets the requirements of section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* (Cth) (EPBC Act).

It describes:

1. our environmental management approach, including key potential impacts
2. our management activities that conform with principles for ecologically sustainable development (ESD).

### 1. Our environmental management approach, including key potential impacts

#### Environmental oversight and accountability

In 2017–18, the Airservices executive team and Board continued to oversee and govern environmental compliance and improvement initiatives relating to Air Navigation Services (ANS) and Aviation Rescue Fire Fighting Services (ARFFS).

In a key governance improvement, we defined and documented detailed environmental management accountabilities for senior managers. This action met specific legislative obligations and requirements and the specifications of our Environmental Management System (EMS). Our Chief Executive Officer, the executive team and our senior leaders formally accepted and signed the management accountabilities.

#### Environmental policy

Our Environmental Policy (revised October 2017) describes our highest level of commitment to reducing our environmental impacts, improving our environmental performance and embedding sustainability principles.

The policy describes specific commitments for protecting and managing key environmental values and issues (including energy, water, waste and biodiversity), and focuses on achieving positive environmental outcomes for our customers, our stakeholders and the community.

#### Environmental Management System

We maintain and continuously improve a comprehensive EMS, which aligns with *ISO14001:2015—Environmental management systems* and certified at two sites (Gold Coast Airport and Canberra Airport).

Starting with the Environmental Policy, the EMS embeds a framework of hierarchical standards, procedures and controls, which set the manner by which we manage our environmental impacts, comply with regulatory obligations and achieve positive environmental outcomes.

Table 11 outlines the key potential environmental impacts arising from our activities, and the way these are managed under the EMS.

Table 11: Key environmental impacts and associated EMS control measures

Key potential impact	Key EMS control measures	Key assurance mechanism
Aircraft noise and emissions impacts from flight path changes (including effects on the community, wildlife and social amenity)	<ul style="list-style-type: none"> <li>• Apply mandatory management standard 'Environmental Management of Changes to Aircraft Operations', which requires:               <ul style="list-style-type: none"> <li>– undertaking a targeted environmental impact and risk assessment of proposed changes</li> <li>– referring the issues to the Department of Environment and Energy under the EPBC Act when changes are deemed to trigger a potentially 'significant impact'</li> <li>– using an iterative environmental design to minimise impacts</li> <li>– undertaking a social impact assessment and community consultation over the proposed changes.</li> </ul> </li> <li>• The Noise Complaints and Information Service, which:               <ul style="list-style-type: none"> <li>– receives and responds to complaints via a dedicated call centre</li> <li>– investigates and actions complaints</li> <li>– reports complaints-related statistics to senior management.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Internal assurance reviews and audits undertaken by:               <ul style="list-style-type: none"> <li>– the Safety and Assurance Group</li> <li>– Airservices audit function.</li> </ul> </li> <li>• External reviews and audits undertaken by:               <ul style="list-style-type: none"> <li>– ISO14001 auditors</li> <li>– external stakeholders including the Aircraft Noise Ombudsman and the Civil Aviation Safety Authority, as required.</li> </ul> </li> </ul>
Impacts from onground changes, including construction projects (such as effects on soil, water, biodiversity and cultural heritage)	<ul style="list-style-type: none"> <li>• Apply mandatory standard 'Environmental Management of Changes to On-Ground Activities', which requires:               <ul style="list-style-type: none"> <li>– targeted environmental impact and risk assessment of proposed changes</li> <li>– investigation and acquittal of all approval and permitting requirements</li> <li>– documentation and implementation of specific project controls (including Construction Environmental Management Plans).</li> </ul> </li> <li>• Apply other subsidiary EMS standards and procedures (including the infrastructure management standard, incident management standards and chemical management procedures).</li> </ul>	<ul style="list-style-type: none"> <li>• Internal assurance reviews and audits undertaken by:               <ul style="list-style-type: none"> <li>– the Safety and Assurance Group</li> <li>– Airservices audit function</li> <li>– support staff from within relevant business groups.</li> </ul> </li> <li>• External audits undertaken by ISO14001 auditors.</li> </ul>

Key potential impact	Key EMS control measures	Key assurance mechanism
Legacy contamination from the historic use of fire-fighting foams containing Per- and Poly-fluoroalkyl substances (PFAS)	<ul style="list-style-type: none"> <li>• Implement the PFAS Program Management Plan, including:               <ul style="list-style-type: none"> <li>– conducting site assessments to better understand the extent and level of historic PFAS residues</li> <li>– undertaking research and development activities to better understand PFAS and associated issues</li> <li>– trialling new technologies aimed at containing PFAS migration</li> <li>– working with relevant government authorities to develop regulatory guidance to better address these issues.</li> </ul> </li> <li>• Apply Environmental Management Instructions.</li> <li>• Apply other subsidiary EMS standards and procedures (including incident management standards and chemical management procedures).</li> </ul>	<ul style="list-style-type: none"> <li>• Internal assurance reviews and audits undertaken by:               <ul style="list-style-type: none"> <li>– the Safety and Assurance Group</li> <li>– Airservices audit function.</li> </ul> </li> <li>• External audits undertaken by ISO14001 auditors.</li> </ul>
Impacts of onground operational activities (including the effect on soil, water and biodiversity)	<ul style="list-style-type: none"> <li>• Apply mandatory management standard 'Environmental Performance Requirements and Controls for Airservices Infrastructure', which prescribes objectives and key controls for managing each lifecycle stage of infrastructure development (including the operational phase).</li> <li>• Apply environmental management instructions.</li> <li>• Apply other subsidiary EMS standards and procedures (including incident management standards, chemical management procedures, and weed and pest control guidelines).</li> </ul>	
Resource use (including energy, waste and water)	<ul style="list-style-type: none"> <li>• Apply mandatory management standard 'Environmental Performance Requirements and Controls for Airservices Infrastructure', which requires incorporating resource-efficient and sustainable technologies when developing and refurbishing infrastructure.</li> <li>• Monitor and meter emissions, energy and fuel use through the Envizi service, to enable reporting in accordance with the <i>National Greenhouse and Energy Reporting Act 2007</i> (Cth).</li> </ul>	

## 2. Our management activities that conform with principles for ecologically sustainable development (ESD)

We are committed to the principles for ESD that are enshrined in our Corporate Plan, Environmental Policy and EMS.

Table 12 describes our key improvements and management initiatives in 2017-18 that conform with ESD principles under the EPBC Act.

Table 12: Key activities that aligned with ESD in 2017-18

ESD principles	Activities
<p><b>Integration principle:</b> Decision-making processes should effectively integrate both long-term and short-term economic, environmental, social and equitable considerations.</p>	<p>An organisational focus of 2017-18 was the integration of our safety and EMS requirements throughout business planning and decision-making processes.</p> <p>We completed a review of our flight path change management process to improve and better integrate our associated environmental and social assessment requirements. This review led to us implementing a range of actions including:</p> <ul style="list-style-type: none"> <li>• building a stronger 'environment by design' culture, including embedding iterative and collaborative environmental and social assessment requirements throughout the change management process</li> <li>• improving risk and environmental assessment methodologies, including the requirement to undertake more detailed environmental assessments for newly overflowed communities, embedding risk assessments and requirements at key change stages, and ensuring that assessments clearly explain our analyses of potential 'significant impact' under the EPBC Act</li> <li>• improving our planning for stakeholder consultation to broaden consideration of social factors that could influence community acceptance of a flight path change.</li> </ul> <p>To support the environmental efficiency of our customers' operations (in the short and long term), we continued to:</p> <ul style="list-style-type: none"> <li>• provide efficient aircraft routing options</li> <li>• implement Required Navigation Performance procedures.</li> </ul> <p>Additionally, we began developing the airport collaborative decision-making (A-CDM) platform. This information-sharing platform synchronises data for air traffic controllers and airport operational staff, to improve aircraft operations and environmental efficiency.</p>

ESD principles	Activities
<p><b>Precautionary principle:</b> If there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation.</p>	<p>We revised our Environmental Policy, expanding the detail of our commitments to address protecting key environmental values potentially affected by our operations and activities.</p> <p>We continued to progress implementation of the Per- and Poly-fluoroalkyl substances (PFAS) Program Management Plan. This plan includes continuing site assessments to better understand the extent and level of PFAS residues, undertaking research and development activities to better understand the issues, trialling new technologies in the field aimed at containing PFAS migration, and working with relevant government authorities to develop regulatory guidance required to better address these issues.</p> <p>We are active in the Commonwealth interdepartmental committee focused on establishing a coordinated approach to managing PFAS concerns.</p> <p>We continue to support development of national ecological and health screening levels for PFAS that will help to determine appropriate management action.</p>
<p><b>Intergenerational principle:</b> The present generation should ensure that the health, diversity and productivity of the environment is maintained or enhanced for the benefit of future generations.</p>	<p>We continue to develop the EMS to ensure that we have programs and controls to protect the environment from our activities for current and future generations.</p> <p>To ensure our EMS is fit for purpose and continually improving, we maintain our certification under ISO14001, for our two key representative sites: Gold Coast Airport and Canberra Airport.</p> <p>We recently established a new organisational standard that prescribes mandatory environmental performance requirements and controls for developing and managing Airservices infrastructure. The standard sets ESD design requirements and controls for protecting environmental values under the EPBC Act, and embeds them throughout all asset lifecycle phases (from planning to operation and decommissioning).</p> <p>We continue to promote environmental awareness and train key staff members on environmental issues, while undertaking a targeted audit and assurance program to assess and improve our performance.</p> <p>We worked with the Civil Aviation Historical Society and Airways Museum, and other stakeholders to preserve Australia's aviation history. We continued our support for the 'Connecting the Nation' portal; sponsorship of the Airways Museum based at Essendon Airport; and industry partnership with the Australian Research Council's Heritage of the Air Project, a research program investigating how aviation has transformed Australian society over the last 100 years.</p> <p>We continue to work on improving the monitoring of greenhouse gas emissions, and energy consumption and production. In 2017-18 we reported in accordance with <i>National Greenhouse and Energy Reporting Act 2007</i> requirements.</p>



ESD principles	Activities
<p><b>Biodiversity principle:</b> The conservation of biological diversity and ecological integrity should be a fundamental consideration in decision making.</p>	<p>Protecting biodiversity values is a key requirement of the EMS, and associated controls are built into managing all our activities—from flight path changes to on-ground operations.</p> <p>Our recently revised standard for flight change management and new standard for infrastructure development focus on protecting biodiversity values.</p> <p>In addition, we recently launched a project to externally validate and improve our environmental assessment process for flight path changes, including our criteria for determining potential 'significant impact' to listed values under the EPBC Act (including biodiversity). The criteria will be communicated and agreed with relevant government and industry stakeholders, to ensure their validity and acceptance.</p>
<p><b>Valuation principle:</b> Improved valuation, pricing and incentive mechanisms should be promoted.</p>	<p>We continue to build and manage our asset base through implementing the Portfolio, Program and Project (P3M) framework. Under P3M, investment projects are strategically prioritised to deliver value and innovation to our customers, and to ensure sustainment of our ageing asset base.</p> <p>Environmental management requirements are embedded at key P3M project stages to ensure the ESD principles are integrated throughout the entire asset lifecycle.</p> <p>Additionally, our new EMS for infrastructure development requires incorporating ESD technologies through a cost-benefit assessment, and enshrines requirements for sustainable procurement in product sourcing.</p>

## Appendix 6: Statutory and other corporate information

### Risk management

#### Our approach to risk management

We support proactive risk management by ensuring the Governance, Risk and Compliance (GRC) Framework is fully integrated and embedded within our business. Our risk management practices meet the requirements of section 16 of the PGPA Act, and are aligned with *ISO 31000—Risk Management* and the Commonwealth Risk Management Policy.

We manage our risk exposures through our set of enterprise risks, which is supported by underlying business group risk profiles. Individual business groups are accountable for identifying, assessing and managing the risks associated with operational initiatives and work programs that support the delivery of our strategic objectives. All employees are responsible for identifying and reporting risks, and complying with our regulatory obligations, policies and procedures, as appropriate to their roles.

#### Compliance risk management

Regulatory compliance obligation registers, supported by legislative monitoring processes, have been embedded into the business to manage ongoing compliance risks. Work has also been undertaken to further embed and align assurance activities across our governance frameworks, in accordance with the three lines of defence model.

#### Maturing risk management

In 2017–18, we undertook considerable work to ensure fit-for-purpose risk management processes are embedded within and aligned across our frameworks. This ensures that risks are assessed in the right context and risk owners understand the overall organisational impact.

Targeted risk training has also been developed and provided to staff members across the business, including members of specialist risk and assurance teams. A GRC Community of Practice has been established to provide an opportunity for GRC specialists across the business to collaborate, align and share ideas, thereby driving a culture that supports proactive risk management.

### Resilience

Organisational resilience is defined as an organisation's ability to absorb and adapt in a changing environment.

In 2017–18, our resilience approach was improved to reflect the revised principles of *AS/NZS ISO 22316:2017—Security and resilience—Organizational resilience—Principles and attributes* and *AS ISO 22301:2017—Societal security—Business continuity management systems—Requirements*. Importantly, this also required revising the templates used to support business impact analysis, the primary assessment tool used in business continuity planning. We are currently focused on supporting the implementation of the new approach through the recently established Airservices Resilience Community of Practice.

All incident management centres successfully completed the 2017–18 resilience exercise program. Our service lines also completed the program across their operational contingency plans. We also undertook a two-phased exercise, focusing on a significant cyber security incident.

Airservices has also actively supported Australian Government preparations, including for the Association of Southeast Asian Nations meeting in Sydney in March 2018, the Commonwealth Games in Queensland in April 2018, and the Asia-Pacific Economic Cooperation summit in Port Moresby, planned for November 2018.

## Security

We are committed to protecting our people, information and assets, to deliver safe operational services to our customers. We achieve this by identifying and managing our security threats and aligning our security risk management processes to the Australian Government's Protective Security Policy Framework (PSPF) and *Information Security Manual*.

In 2017–18, we further strengthened security governance by developing a security framework, and renovating our enterprise security risk and security standard. These actions ensured we identify effective controls and embed them throughout the business. We also conducted a range of assurance activities to support the effectiveness of security controls. Security risk assessments were conducted at 36 staffed facilities to identify whether remediation was needed for physical security or that of personnel. We also established a Facilities Security Officer Network, identifying key personnel who are responsible for day-to-day security at each facility, raising the local capability to manage security threats. Airservices also implemented a Security Community of Practice to assist with sharing information and resources throughout the network and with key internal stakeholders.

We manage our security threats using a threat- and risk-based, outcomes-focused approach. As an aviation industry participant, we maintain a Transport Security Program and associated Aviation Security Identification Card Program. The Department of Home Affairs' Aviation & Maritime Security division approved these programs, as required under the *Aviation Transport Security Act 2004* (Cth) and the *Aviation Transport Security Regulations 2005*. We also participate in various government and industry security forums—including local airport security committees, background checking forums, PSPF Communities of Practice and working groups—that propose reforms to the PSPF. We actively engage with law enforcement and intelligence agencies to ensure our threat intelligence is current and in accordance with our National Security Alert Plan.

## Ethical standards and fraud control

We are committed to the highest standards of ethical behaviour and do not tolerate fraudulent behaviour, including corruption and bribery. We have established and are committed to maintaining strong and effective fraud control arrangements that are consistent with section 10 of the Public Governance, Performance and Accountability Rule 2014 (PGPA Fraud Rule).

The Ethics and Fraud Committee monitors, advises and provides assurance on maintaining and implementing the Airservices Ethics and Fraud Framework. This includes reviewing and monitoring:

- action taken in response to unethical and fraudulent matters, to ensure an effective and timely response
- trends and themes, to reduce the occurrence of future incidents
- the effectiveness of ethics and fraud procedures, to ensure they comply with legislative obligations and that fraud risks are effectively identified and managed
- enhancements to the Ethics and Fraud Framework, ensuring it aligns with good governance and risk management practices
- public interest disclosures under the *Public Interest Disclosure Act 2013* (Cth).

The Ethics and Fraud Control Plan 2018–20, Ethics and Fraud Framework, Fraud Control Policy, Code of Conduct Policy, and our management instruction and investigation procedures inform employees, contractors and consultants about ethical standards and our approach to fraud control. All alleged incidents of fraud, corruption and bribery are managed in accordance with this framework and these policies. This includes investigations and any action taken, including reporting fraud, bribery or unethical behaviour that is potentially criminal or illegal to the appropriate law enforcement agency.

Fraud risks are subject to quarterly and independent annual reviews. We take all reasonable measures to minimise and investigate incidents of fraud, recovering losses wherever possible.

We also undertake targeted fraud reviews in areas of significant risk to the organisation.

Our processes promote, assist and support individuals to report wrongdoing through their management channels and by other confidential means. To facilitate these processes, the Ethics and Fraud Triage Group facilitates a timely, transparent and consistent approach to all investigations, managed in accordance with the Ethics and Fraud Framework. Authorised officers support the Australian Government's *Public Interest Disclosure Act* and provide statutory protections against acts of reprisal.

We have strengthened our oversight and management to ensure timely responses to investigations into alleged or detected wrongdoing. We have also improved management reporting to enhance governance of ethics and fraud risks, and we continuously review the controls to ensure effectiveness.

### Adverse effect of non-commercial commitments

No non-commercial commitments were recorded in 2017–18.

### Judicial decision and reviews by outside bodies

No judicial or tribunal decisions were made during the reporting period that have had, or may have, a significant effect on the operations of Airservices.

### Reports (Auditor-General, Parliament or Ombudsman)

We were not subject to any reports by the Auditor General (other than the report under section 43 of the PGPA Act), the Commonwealth Ombudsman or the Australian Information Commissioner.

At the request of the then Minister for Small Business the Hon. Michael McCormack MP, the Parliamentary Standing Committee on Public Works inquired into the new aviation infrastructure and fire station work at Brisbane Airport. In its report, *Airservices Australia new aviation infrastructure and fire station works, Brisbane Airport, Queensland*, tabled December 2017, the Committee recommended that the proposed works be undertaken.

## Privacy

The *Privacy Act 1988* (Cth) (Privacy Act) requires our organisation to maintain a Privacy Policy in accordance with the *Australian Privacy Principle 1.3*. This policy includes:

- the type of personal information we collect and hold
- how we collect and hold that information
- the purposes for which we collect, hold, use and disclose personal information
- how to access personal information held by us and seek corrections to such information
- how to complain about a breach of the Australian Privacy Principles or a registered Australian Privacy Principles code (if any) that binds us, and how we will deal with such a complaint
- whether we are likely to disclose personal information to overseas recipients
- if we are likely to disclose personal information to overseas recipients, the countries in which such recipients are likely to be located, if it is practical to specify this.

Our Privacy Policy is available at [www.airservicesaustralia.com/terms-copyright-privacy](http://www.airservicesaustralia.com/terms-copyright-privacy). During 2017–18, the Privacy Commissioner did not undertake any investigations under section 40 of the Privacy Act in relation to Airservices.

## Freedom of Information

In accordance with the Australian Government's Information Publication Scheme requirements, information we publish is available at [www.airservicesaustralia.com/about/information-publication-scheme](http://www.airservicesaustralia.com/about/information-publication-scheme).

## Powers and functions

Our legislative framework, powers and functions are set out in the 'Corporate overview' section of this report.

## Procedures and initial point of contact

Under the *Freedom of Information Act 1982* (Cth) (FOI Act), the CEO or authorised officers may grant or refuse access to any document held by us. The Office of Legal Counsel makes initial decisions about access and fees. Any requests under the FOI Act must be in writing and must include an address to which notices can be sent. Applicants may have to pay administrative charges to process a request. Rates are prescribed by the FOI Act and Regulations.

The address for lodging FOI requests is:

Freedom of Information Coordinator  
Office of Legal Counsel  
Airservices Australia  
GPO Box 367  
Canberra ACT 2601

**Telephone:** (02) 62684877

**Email:** legal@airservicesaustralia.com

## Commonwealth Ombudsman activity

During 2017–18, Airservices received no formal requests for information from the Office of the Commonwealth Ombudsman.

## Aircraft Noise Ombudsman activity

Please refer to Aircraft Noise Ombudsman's annual report at Appendix 8.

## Consultative arrangements

We welcome comments from other organisations and member of the public on our policies and practices. We maintain several methods for consultation, including through our website, the national Noise Complaints and Information Service, industry and pilot briefings, and advertised public meetings. Members of the public can also attend airport community aviation consultation groups and other forums.

Our representatives attend community aviation consultation groups to provide information on our activities. These meetings are conducted at federally leased airports and similar community forums at some non-federal airports. During the year, our representatives attended 90 community meetings and technical noise forums.

We are also a member of various Australian and international aviation and peak industry bodies.

## Superannuation

Our employer superannuation arrangements comply with the requirements of the *Superannuation Benefits (Supervisory Mechanisms) Act 1990* (Cth) as prescribed by the Minister for Finance in Determination No.1 of 1994 under that Act.

Employees are generally defined benefit or defined contribution members of the AvSuper fund. AvSuper's trustee, AvSuper Pty Ltd, holds a public offer Registrable Superannuation Entity (RSE) licence (L0000147). The AvSuper defined benefit scheme was closed to new members in 2002.

We are a Commonwealth Superannuation Scheme (CSS) approved authority under the Superannuation Approved Authority Declaration (1995). Around 74 employees are defined benefit members of the CSS, which is administered by the Commonwealth Superannuation Corporation (RSE licence L0001397).

The CSS was closed to new members on 1 July 1990. Except for members of the CSS and some non-collective agreement employment instruments, employees are able to select an eligible choice fund other than AvSuper to receive employer contributions.

## Appendix 7: Noise Complaints and Information Service data

The number of people who contacted the Noise Complaints and Information Service (NCIS) between 1 July 2017 and 30 June 2018 declined 14 per cent, compared to the same period the previous year (from 3,840 to 3,360). The number of complainants for the eight major airports fell 25 per cent (from 2,368 to 1,782).

Table 13 summarises the number of complainants for the eight major airports.

The number of complainants for Melbourne Airport activities rose 14 per cent, from 155 to 177. This was largely due to 27 residents providing feedback on changes to airspace that will be made in late 2018. These changes are required to meet new regulations to safely manage incoming flights on approach to Melbourne Airport. There will be no changes to current flight paths.

Complainant numbers fell at the other seven major airports, with a 51 per cent decline at each of Perth and Canberra airports.

The majority of complainants for all eight major airports were referring to movements on standard flight paths that were within the normal altitude range. Concerns included the frequency of movements, a perception that something had changed, the location of the flight path and the altitudes of aircraft on arrival and/or departure.

Outside the eight major airports, complainants for Hobart Airport rose significantly (from two to 152). The majority of residents were concerned about the implementation of new standard arrival and departure flight paths. At the time of writing, we were reviewing these flight paths.

Table 13: Number of complainants who contacted NCIS for eight major airports

Airport	1 July 2015 – 30 June 2016	1 July 2016 – 30 June 2017	1 July 2017 – 30 June 2018
Adelaide	111	111	102
Brisbane	286	247	197
Cairns	37	38	30
Canberra	33	43	21
Gold Coast	411	210	153
Melbourne	204	155	177
Perth	1,913	791	388
Sydney	921	773	714
<b>Total</b>	<b>3,916</b>	<b>2,368</b>	<b>1,782</b>

## Appendix 8: Aircraft Noise Ombudsman annual report



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#### ANO role

The ANO provides independent administrative reviews of Airservices Australia's and the Department of Defence's management of aircraft noise issues, specifically focussed on three areas:

- Complaint handling
- Consultation
- Information provision

In addition, the ANO may undertake targeted reviews on systemic issues.

#### ANO contact

Website: [www.ano.gov.au](http://www.ano.gov.au)

Email: [ano@ano.gov.au](mailto:ano@ano.gov.au)

Phone: 1800 266 040

Write to: Aircraft Noise Ombudsman  
GPO Box 1985  
Canberra City ACT 2601



## 1 From the Ombudsman

---

- 1.1 2017-18 has been my first full year as Aircraft Noise Ombudsman and I am proud of our accomplishments. Highlights include:
- completion of a major review of Airservices' management of flight path changes in Hobart, including its community consultation, flight path design, environmental assessment, complaint handling and information provision, which led to 13 recommendations, all of which Airservices accepted;
  - Defence's closure of all but one recommendation from the 2016 *Review of Defence's Aircraft Noise Complaints Management Systems*, including the successful introduction of its online complaint lodgement system;
  - 115 complaints handled, including 65 reviewed in detail, of which 23 led to a change being adopted by the agency; and
  - delivering eight training sessions with Defence on complaint management and participation in two training sessions for Airservices on community consultation
- 1.2 I foreshadowed in my last Annual Report my intention to focus on community engagement as a key aspect of aircraft noise management. It is sometimes said that aviation operates and may only continue to grow on the platform of its social contract. The community needs what aviation gives it in the form of movement of people and goods, its facilitation of broad economic growth and the economic opportunities it provides around airports. Aviation wants to expand and continue to grow and predictions made 20 years ago of passenger and freight movements doubling in 20 years still ring true.
- 1.3 For aviation to continue on its path of development and expansion, the social contract, and the accommodation it affords, must be actively guarded and fostered. Changes in technology; international standards; infrastructure development; political imperatives; community awareness, sophistication and mobilisation; communication and social media; research into annoyance, health and even happiness and wellbeing make this a dynamic and constantly changing space that requires the social contract to be regularly negotiated, recalibrated and discussed as change continues. This is what makes community engagement so important – and can make it so challenging at times.
- 1.4 Just as broader engagement with the community about aviation is important, conversations with the community about particular impacts of aviation or about particular changes or increases in impact must also be had, fostered and encouraged. Failure to engage in this way and failure to consult with the community will compromise the social contract that allows aviation to grow and, in particular, allows Airservices and Defence to do their important work of ensuring safety in the air and national security. Effective community consultation is the necessary glue for this important ongoing relationship between the agencies and the community – and between the community and aviation generally.
- 1.5 Planned developments at a range of airports, the planned airport at Western Sydney and introduction of the Joint Strike Fighters (all within the next decade) are just some of the changes that will demand a high level of community engagement awareness, understanding and expertise.

- 1.6 We appreciate how challenging community engagement can be. It can be difficult to establish trust and effective communication with communities and individuals. We are seeing both Defence and Airservices working hard to meet this challenge, drawing on specialist expertise and advice, investing time and resources to align their community engagement with current best practice. We encourage and are encouraged by this important work.
- 1.7 I commented in our last annual report that I was impressed by the care and effort that people in the community put into raising issues of concern and putting forward ideas about aircraft noise management. I have no less reason this year to express my thanks to those in the community who invest their time in engaging on these issues. Effective community engagement is not possible without a community that is prepared to engage.
- 1.8 Finally, I acknowledge and celebrate the small and dynamic ANO team. Tim Abberton, Kate Burmester and Kristy Ryan remain the engine room of the ANO's office. Their dedication and commitment make it possible for a team of just four part time people to discharge the varied and often onerous responsibilities of a national ombudsman. They have my heartfelt thanks.
- 1.9 I look forward to continuing to strengthen the ANO role in 2018-19, looking to the future and the challenges ahead.

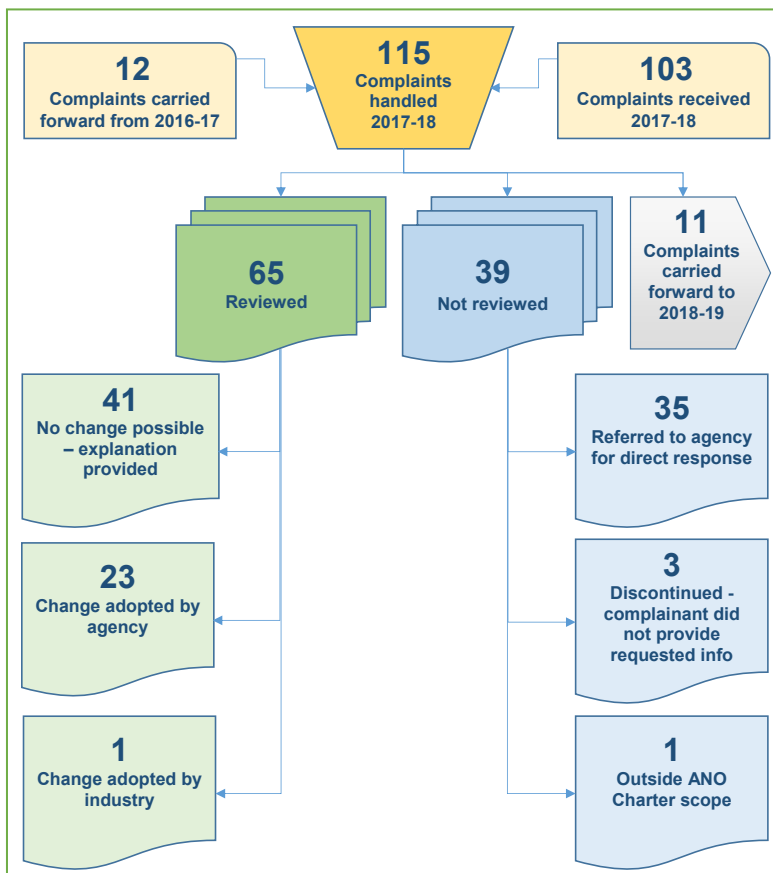


Narelle Bell  
Aircraft Noise Ombudsman  
6 September 2018

## 2 Complaints

### Complaint statistics

2.1 The ANO received 103 complaints in 2017-18, which is down slightly when compared with the previous financial year. The following image shows how we handled the complaints.



2.2 **Attachment 1** provides a summary of ANO complaint statistics for 2017-18.

- 2.3 The table below shows the changes in the annual and per month average for ANO complaints received over time.

**Table 1: Complaints received by financial year, with % change from previous year**

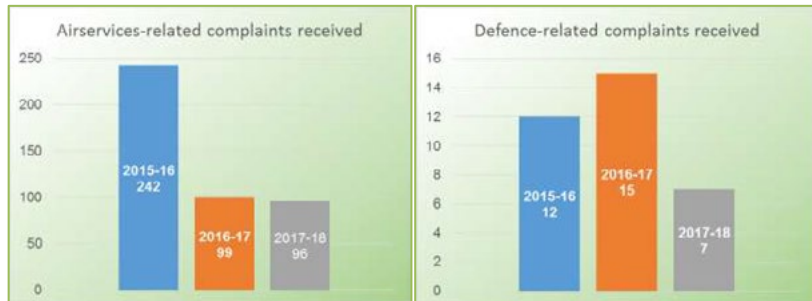
	Total fin. year	Ave per month	% Change
Sep 2010-Jun 2011 (10 mths)	101	10.1	
Jul 2011-Jun 2012 (12 mths)	109	9.1	↓ 10.1%
Jul 2012-Jun 2013 (12 mths)	88	7.3	↓ 19.3%
Jul 2013-Jun 2014 (12 mths)	106	8.8	↑ 20.5%
Jul 2014-Jun 2015 (12 mths)	239	19.9	↑ 125.4%
Jul 2015-Jun 2016 (12 mths)	254	21.2	↑ 6.3%
Jul 2016-Jun 2017 (12 mths)	114	9.5	↓ 55.1%
Jul 2017-Jun 2018 (12 mths)	103	8.6	↓ 9.6%

- 2.4 The reduction in complaints received in 2017/18 compared to the previous financial year is largely due to a halving in the number of Defence related complaints and a slim reduction in Airservices related complaints (see graph below).

**Table 2: Complaints received by agency in 2016/17 and 2017/18**

	Total Airservices	% Change	Total Defence	% Change
2016/17	99		15	
2017/18	96	↓ 3.0%	7	↓ 53.3%

**Graph 1: Complaints received by agency in 2015/16, 2016/17 and 2017/18**



- 2.5 The ANO started the financial year with 12 open complaints and received a further 103 complaints during the period. Of the total 115 complaints handled in 2017-18, we closed 104. Of these, we reviewed 65 complaints in detail, referred 35 back to either Airservices or Defence to respond to directly, closed three without review due to a lack of information from the complainant and closed one as it was outside the scope of the ANO Charter.

**Table 3: Complaints reviewed versus total complaints handled over time**

	Complaints handled	Complaints reviewed #	Complaints reviewed %
2011-12	120	88	73%
2012-13	120	82	68%
2013-14	128	75	59%
2014-15	253	58	23%
2015-16	271	120	44%
2016-17	131	70	53%
2017-18	115	65	57%

- 2.6 Of the complaints reviewed in 2017-18, more than one third (36.9%) led to a change and just under two thirds (63.1%) did not lead to any change (see table below). In the latter cases, the ANO, having investigated the issues, provided a detailed explanation to the complainant about why there was no practical change that we could identify for the short to medium term.

**Table 4: Outcome of complaints reviewed by the ANO in 2017-18**

Complaints reviewed and closed:	65	
No change possible - explanation provided	41	63.1%
Change adopted by Airservices/Defence	23	35.4%
Change adopted by airport operator	1	1.5%
Change adopted by operator	0	0%

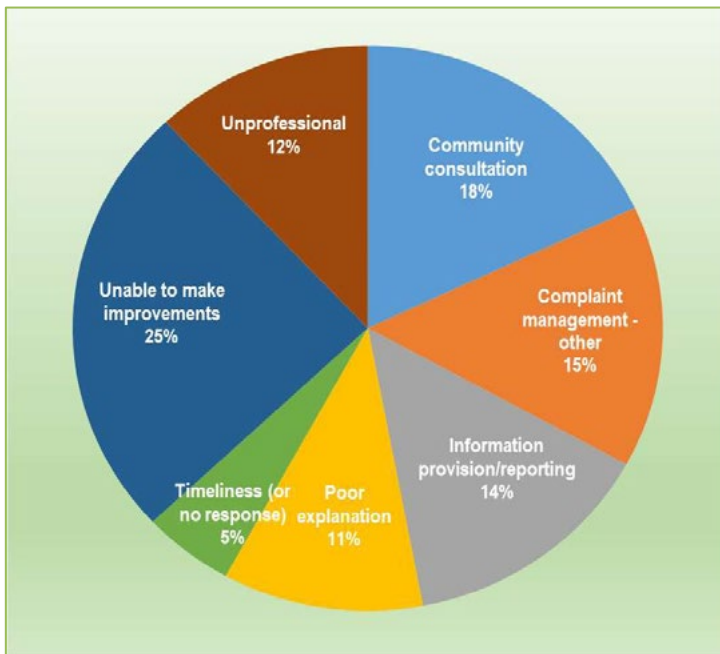
- 2.7 Seventeen of the 23 complaints that led to a change by Airservices/Defence arose from community reactions to new flight paths at Hobart Airport, introduced by Airservices in September 2017. This, and Airservices' community consultation performance, was the subject of a major investigation by the ANO and our report, *Investigation into complaints about the introduction of new flight paths in Hobart - April 2018* (including Airservices' response) was published in April 2018 on our website: <http://www.ano.gov.au/reportsstats/>. Airservices accepted all of the recommendations in the report and is taking steps to address these. Further discussion on this key review by the ANO office is included in section 5, *ANO Reviews*, of this report.

- 2.8 Two other Airservices-related complaints led to changes being adopted by Airservices. One was a flight path change for departures during the Sydney curfew period to operate further from the coast, providing a noise improvement for residents of Bundeena. A more detailed summary of this change is available in the Noise Improvements table at Attachment 2. The other complaint related to a perceived lack of professionalism by an Airservices staff member handling a call and a lack of clarity about the escalation process for the complainant to follow. Airservices undertook a thorough, thoughtful and sensitive review of the issues, which led to sensible findings and appropriate actions to address the particular issues raised.
- 2.9 Four Defence-related complaints led to changes by Defence. Three of these involved noise improvements and are described in detail in the Noise Improvements table at Attachment 2 (Pallarenda Queensland, Point Cook Victoria and Richmond New South Wales). The fourth case involved changes to consultation practices and information provision by Defence in relation to exercises being conducted in the Rockhampton area. This arose in relation to the Talisman Sabre 2017 exercise and complaints from landowners affected by aircraft transiting to and from the exercise areas, who had not received any prior information or consultation about the potential impacts. Defence recognised that they had only concentrated consultation efforts on those residents within the exercise areas. In response, Defence established an email distribution list of landowners in transit zones (based on current information) that they will use for consultations and information provision on future exercises.
- 2.10 The change adopted by an airport operator was made at the Gold Coast, where the airport decided to no longer permit the specific type of short scenic helicopter flight operations. This was in response to significant community concern that had been raised with the airport about the frequency and low level of such activities over residential homes near the airport. The airport engaged in numerous face to face consultations with local residents from the outset and attempted, over a period of time, to have the operator consider alternative arrangements for the operations. Residents had also raised their concerns with Airservices and subsequently with the ANO when Airservices' detailed investigation into the issues concluded that Airservices could not take any action.

#### **Issues analysis**

- 2.11 Issues were recorded only for those complaints that were reviewed by the ANO and reflect what the complainant reported as the main issue(s) in dealing with either Defence or Airservices. The aim of collecting this data is to allow the ANO to better identify systemic issues and to target areas for improvement.
- 2.12 For Airservices, the graph on the next page shows reported issues arising from complaints about Airservices that were reviewed by the ANO and closed in the 2017-18 financial year.

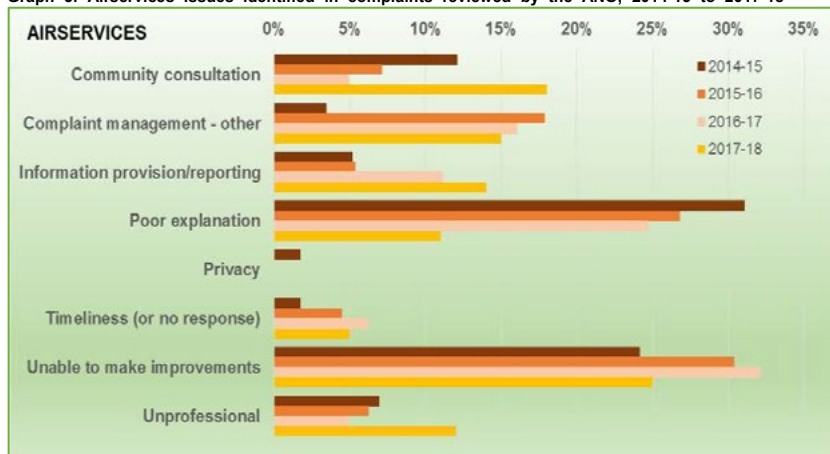
**Graph 2: Concerns raised in complaints about Airservices in 2017-18**



- 2.13 The graph on the next page shows how these figures compare with the issues raised in the three previous financial years. It shows that there has been a marked reduction in the 'poor explanation' category while there has been a substantial increase in concerns about community consultation and unprofessional complaint handling.
- 2.14 The ANO has seen Airservices continue to improve its suite of information packs and standard texts for responding to issues arising. This may have contributed to the reducing number of complainants identifying a poor explanation as an issue in complaints to the ANO. The increased concerns about consultation are driven in large part by complaints received from Hobart residents following Airservices' introduction of new flight paths without prior consultation with affected communities.
- 2.15 The 'unable to make improvements' category continues to be the issue raised most about Airservices' handling of aircraft noise issues. Complainants are seeking a review by the ANO of this determination. In doing so, the ANO tests the reasons Airservices gives for its determination and, in most instances, the ANO accepts the outcome of the complaint as handled by Airservices.

2.16 However, in some cases, when pressed to explain or expand on the reasons given, Airservices does identify alternatives that offer noise improvements. Alternatively, Airservices may undertake further analysis before it reaches a final reasoned conclusion that no change can be made. Cases such as these are discussed in section 3 *Noise improvement opportunities*.

Graph 3: Airservices issues identified in complaints reviewed by the ANO, 2014-15 to 2017-18

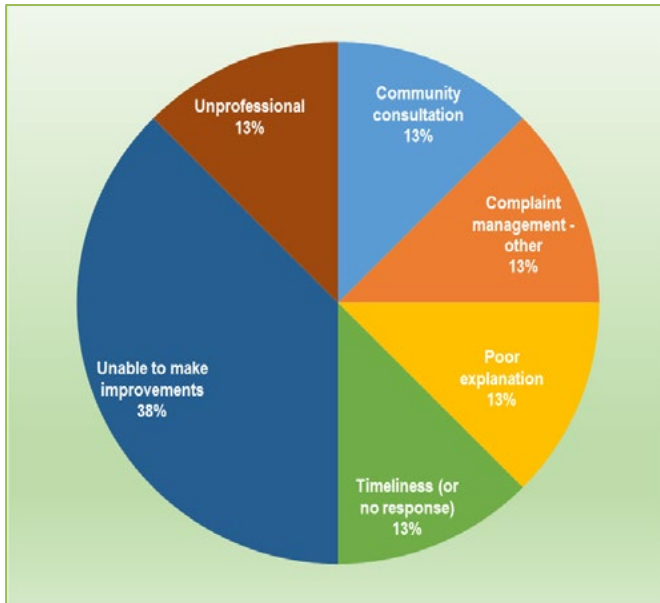


2.17 There is a notable increase in complaints about 'unprofessional' complaint handling and a further increase in complaints raising 'information provision/reporting'. Analysis suggests that the information concerns were about the accuracy of WebTrak, the conduct of the information sessions held in Hobart by Airservices and the perceived inaccuracy/inconsistency of information presented by Airservices about Hobart flight paths. Concerns about 'unprofessional' complaint handling were varied, and included perceived mishandling of calls, unhappiness about the use of form letters, not providing responses within timeframes indicated and complainant perceptions that they were being told they cannot make further complaints. While the 'complaint management – other' category is at a similar level to previous years, the ANO noted that 9 of the 15 complainants referred to the lack of an email address through which to engage with Airservices on complaints.

2.18 For Defence, the ANO reviewed just six cases in total during 2017-18. Within this small sample, the dominant issue was 'unable to make improvements' (as it was for Airservices), which was raised in three complaints. Interestingly, in each of these three complaints, a change to improve the noise outcome or the handling on complaints for the resident's area was able to be made.



**Graph 4: Concerns raised in complaints about Defence in 2017-18**



**Graph 5: Defence issues identified from complaints reviewed by the ANO, 2015-16 to 2017-18**



### 3 Noise improvement opportunities

- 3.1 Investigations into potential noise improvement opportunities that stem from complaints reviewed by the ANO are tracked in our quarterly reports. These reports are available on our website.
- 3.2 Three new noise improvement opportunities were identified in the 2017/18 financial year and considered in addition to six opportunities that had been identified but not finalised from the previous year. Six of these nine were finalised, with four leading to noise improvements changes and two leading to determinations that, although feasible changes were identified, they would not be practical to introduce at the time.

**Table 5: Noise improvements considered in 2017/18**

Noise Improvements Considerations	Total	Airservices	Defence
2016-17 carried forward	6	4	2
2017-18 new	3	2	1
<b>Total considered 2017-18</b>	<b>9</b>	<b>6</b>	<b>3</b>
Improvements made	4	1	3
No changes made	2	2	0
Carried forward to 2018-19	3	3	0

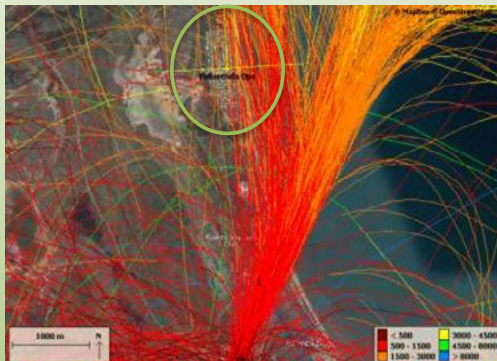
- 3.3 **Attachment 2** summarises the noise improvement opportunities considered in 2017-18. The following two case studies provide examples of the noise improvements that can arise following ANO reviews of agency decisions.

## C Why do the planes fly over the homes not the sea?

**A** In response to a complaint, the ANO asked Defence to consider if there were any viable options for aircraft to reduce the number of departures that flew over the residential area of Pallarenda to the north of RAAF Base Townsville. The ANO was seeking clarification of why the departing aircraft could not be required to track off the coast.

**S** Defence consulted stakeholders and considered the broader air traffic management implications. It was determined that a change could be introduced that kept departing aircraft on runway heading a little longer, until over the coast, before turning to the north, except when other traffic or weather conditions required otherwise. This meant that north-bound aircraft would generally remain over the sea rather than flying over Pallarenda.

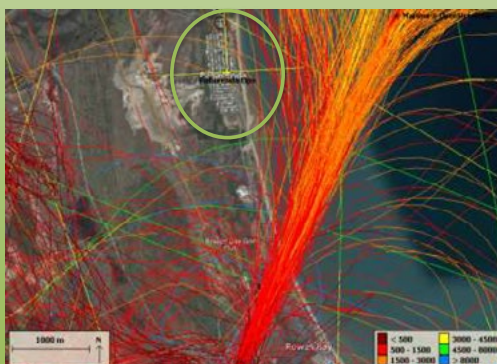
**1** The ANO requested Defence monitor the effect of the change which was introduced in late November 2017. The subsequent analysis provided in March 2018 demonstrated a reduction in noise events at the Pallarenda noise monitor and tracking data showing a clear reduction in the number of flights over the suburb.



**Nov 2017**  
(0600-1000)

1100 tracks

155 tracks (14%)  
within 1km of  
Pallarenda



**Feb 2018**  
(0600-1000)

882 tracks

40 tracks (4%)  
within 1km of  
Pallarenda

The ANO was satisfied that the measures taken by Defence led to a noticeable reduction in aircraft noise and flights over Pallarenda.

**CASE STUDY 2** Can the night-time flights be further out to sea?

Following ANO review of a complaint, Airservices re-visited its initial investigation into the feasibility of changing the standard instrument departure route for flights departing during the curfew and identified a potential opportunity to achieve a better noise outcome for coastal residents living to the south of Sydney Airport. Airservices undertook its formal change process, including detailed procedure design, necessary assessments and relevant consultation on an alternative departure path. A new path was introduced in November 2017.

**CASE STUDY 2**



**Pre-Nov 2017**

Flight path used by aircraft departing during the curfew hours up to 9 Nov 2017.



**Post-Nov 2017**

Flight path used by aircraft departing during the curfew hours after 9 Nov 2017.

The ANO was pleased that a change was introduced to move the curfew departure path further out to sea, reducing the noise experienced from these night-time flights by potentially thousands of coastal Sydney residents (particularly in Bundeena).

## 4 Community engagement and information provision

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- 4.1 As in previous years, the ANO office continued to attend a variety of community and aviation industry meetings across Australia during 2017-18. By observing these meetings we gain a first-hand perspective of community and industry issues, can identify emerging aircraft noise management issues and take the opportunity to monitor Airservices' and Defence's information presentation and consultation activities. It also helps to increase awareness of the ANO role and our recent activities.
- 4.2 During the 2017-18 financial year, ANO staff attended 16 Airport Community Aviation Consultation Group (or equivalent) meetings. We also attended various industry meetings, including the major annual conferences of the Australian Airports Association (AAA), and the Australian Mayoral Aviation Council (AMAC).

## 5 ANO reviews

5.1 **Attachment 3** summarises the ANO assessment of progress on all recommendations that were either open at the start of or made during this financial year.

### Airservices

5.2 Following an unusual influx of complaints from residents of Hobart about new flight paths introduced by Airservices, the ANO undertook a multiple complaints review, culminating in our report *Investigation into complaints about the introduction of new flight paths in Hobart*, published in April 2018. The report made thirteen recommendations for action by Airservices to:

- incorporate consideration of potential noise impacts from the commencement of flight path design and integrate that consideration throughout the design process;
- broaden the purpose of environmental assessment, widen the range of potential impacts to be considered, review the criteria on which assessments are based and bring to bear a critically analytical perspective on the assessment of the potential impact on the community of proposed flight paths;
- enhance complaint management by advising complainants at an early stage of efforts being made, including investigation, to address concerns; and
- develop and support a sophisticated approach to community consultation in line with and informed by modern standards of community engagement by:
  - obtaining and supporting subject matter expertise in the practice of community consultation;
  - reviewing concentration on Community Aviation Consultation Groups as the primary site of community consultation;
  - prioritising transparency towards and knowledge of communities impacted by aircraft noise;
  - turning a critically analytical perspective to its consultations; and
  - bringing these matters to bear on Airservices' current Review of Hobart SIDS and STARS.



**Defence**

- 5.4 No new Defence-related reviews were undertaken in 2017-18.
- 5.5 During the period, Defence did make excellent progress in finalising all but one of the recommendations from our *Review of Defence's Aircraft Noise Complaints Management System* (published in November 2016). The review assessed the effectiveness of Defence's handling of complaints about aircraft noise against the requirements for 'Operation of the Complaint Management System' set out in Chapter 8 of the Australian/New Zealand Standard 10002:2014 "Guidelines for complaint management in organizations". It culminated in seven recommendations, all of which Defence accepted. The outstanding recommendation relates to a website review required to enhance the quality and accessibility of aircraft noise information provided by Defence.

## 6 ANO publications

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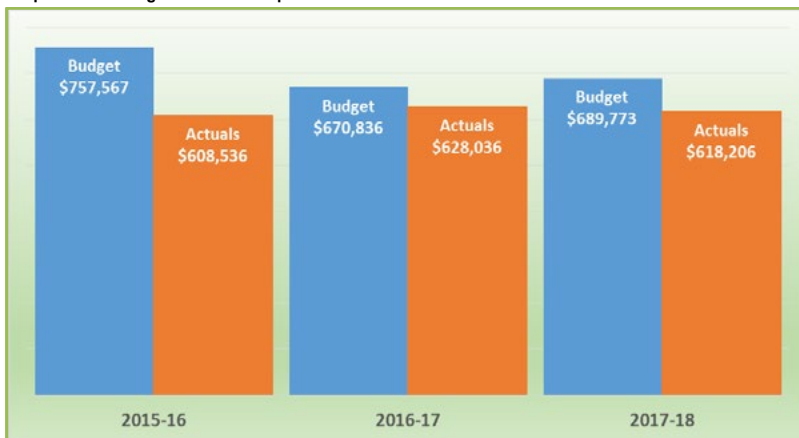
- 6.1 In addition to our quarterly reports and last year's annual report, the ANO published the following on our website during 2017-18:
- 27 April 2018 - *Investigation into complaints about the introduction of new flight paths in Hobart - April 2018* including Airservices' response



## 7 Financial results

- 7.1 The ANO operates autonomously in managing its financial accountabilities. In line with the ANO Charter, the ANO independently determines how funds and resources are allocated, within the budget provided by Airservices and Defence.
- 7.2 During 2017-18, the ANO has effectively managed its budget, with actual expenditure at 10% under budget for the financial year. The total operating expenditure of the office was \$618,206 against a total budget of \$689,773. The under-spend compared to budget mainly reflects savings in staff costs and reduced travel compared to expectations.

Graph 4: ANO budget and actual expenditure 2015-16 to 2017-18



## Attachment 1 ANO Complaint Statistics

The following summarises the ANO complaint statistics for 2017-18.

	Total	Airservices	Defence
Complaints carried forward from 2016-17	12	9	3
Complaints received 2017-18	103	96	7
<b>Total complaints handled in 2017-18</b>	<b>115</b>	<b>105</b>	<b>10</b>
<b><u>Closed complaints - reviewed</u></b>			
No change possible - explanation provided	41	39	2
Change adopted by Airservices or Defence	23	19	4
Change adopted by airport operator	1	1	0
Change adopted by operator	0	0	0
<b>Total complaints reviewed and closed</b>	<b>65</b>	<b>59</b>	<b>6</b>
<b><u>Closed complaints - not reviewed</u></b>			
Referred to agency to respond to directly	35	32	3
Complainant did not provide further information	3	3	0
Outside Charter scope	1	1	0
<b>Total complaints not reviewed and closed</b>	<b>39</b>	<b>36</b>	<b>3</b>
<b>Complaints closed during 2016-17</b>	<b>104</b>	<b>95</b>	<b>9</b>
<b>Complaints carried forward to 2018-19</b>	<b>11</b>	<b>10</b>	<b>1</b>

## Attachment 2 Noise improvement opportunities

A focus of ANO investigations into complaints is to evaluate whether the handling agency fully explored the potential to improve noise outcomes and provided sound reasons for its determinations. The following table summarises potential noise improvement opportunities arising from complaints reviewed by the ANO or through ANO monitoring during the 2017-18 financial year.

### Noise improvement opportunities considered during 2017-18

Complaint received by ANO	Description of initiative	Current status
Mar 2016	Sydney: adjustment to flight paths over water during curfew hours	The ANO asked Airservices to consider if a better noise outcome can be achieved for coastal residents south of Sydney Airport affected by flights departing during the curfew. Following ANO analysis and feedback, Airservices re-visited its initial investigation into the feasibility of changing the standard instrument departure. Airservices then undertook the formal change process, including detailed procedure design, necessary assessments and relevant consultation on an alternative departure path.  The ANO was pleased that a change was introduced in November 2017 to move the curfew departure path further out to sea, reducing the noise experienced by potentially thousands of coastal Sydney residents from these night-time flights.
Nov 2016	Pallarenda, Queensland: ATC procedure changes to reduce overflight of residential areas	In response to a complaint, the ANO requested that Defence consider options for reducing noise from overflights for residents in the Pallarenda area north of RAAF Base Townsville. Defence has since introduced new departure procedures to reduce overflight of the Pallarenda community. To further reduce noise impacts for residents, practice engine failures are no longer permitted in the area north to north-west of the main runway.  The ANO was pleased with these initiatives and finalised the case in March 2018 after the results of longer term monitoring demonstrated a significant reduction in the number of overflights of Pallarenda.
Feb 2017	Brisbane: adjustment to arrival flight path to reduce overflight of residential areas	Following a suggestion from a resident of Clear Mountain (north of Brisbane Airport), the ANO asked Airservices to give consideration to a possible noise improvement. The suggestion was to move one of the Standard Terminal Arrival Routes further west. This would potentially result in a significant reduction in the number of residential areas overflowed.  Airservices did a preliminary investigation and advised the ANO in August 2017 that the proposal was not feasible at this time. The ANO is satisfied by Airservices' reasoning that it would not be practical for Airservices to introduce a flight path change at Brisbane ahead of the major redesign work for the new runway, which is already well-advanced.
May 2017	Point Cook, Victoria: flying orders amendment	In response to complaints about a military exercise, Defence undertook a number of actions to improve its management of noise impacts. It updated its Fly Neighbourly Instruction for RAAF Base Williams in Point Cook to encourage helicopters to operate over less noise sensitive areas. The revised Instruction also includes restrictions on parking areas, where passenger loadings can take place and the times during which ground engine runs can occur. It also made changes to its complaint line, and has started using letterbox drops and an email distribution list to let local residents know about upcoming exercises.  The ANO commends Defence on its responsiveness in this case, which was finalised in October 2017.

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Complaint received by ANO	Description of initiative	Current status
Jun 2017	Perth: changes to northern smart tracking approach path to reduce noise impacts for residents	<p>This suggestion was first raised by residents prior to the new path being introduced in Sept 2015. At the time Airservices advised that the 12-month trial would be conducted with the path as designed and consideration of options to change the path would be part of the Post Implementation Review (PIR) process. The PIR report noted that "the Perth Aircraft Noise Technical Working Group will consider the input from...residents when reviewing the use and design of Smart Tracking during 2017". The ANO has recently reviewed some material already developed by Airservices for a potential alternative approach path, which will be consulted with relevant industry stakeholders ahead of possible community consultation later this year. We note that Airservices has emphasised that the changes are efficiency driven rather than purely noise focussed</p> <p>The ANO was pleased to see that Airservices has been pursuing this issue, albeit over a protracted period. We look forward to resolution by the end of 2018.</p>
Jun 2017	Wagga Wagga: changes to circuit operations	<p>The ANO received a complaint about Airservices not being able to pursue any changes to reduce the noise impacts of frequent circuit training flights over residential areas to the north of the airfield. The ANO sought advice from the airport operator, Wagga Wagga Council, about whether the sparsely populated area to the south could be used more often, when practical. The Council undertook to consider a change to the circuit direction.</p> <p>The ANO continues to monitor this case until a decision is reached.</p>
Oct-Nov 2017	Hobart: flight path changes introduced	<p>The ANO received multiple complaints about Airservices' introduction of new flight paths across Hobart, some of which were over new areas that had previously had only occasional overflights. In October 2017, we initiated a major investigation, culminating in a report that was published in April 2018. Meanwhile Airservices was working to address the significant community concerns and in March 2018, Airservices made a change to one of the new flight paths to reduce the number of residents overflown. Additionally, Airservices has commenced a review of all of the Hobart airspace to determine the best flight path design to minimise noise impacts while meeting its operational safety objectives and air traffic management efficiency goals. This airspace design review is anticipated to be completed by March 2019.</p> <p>The ANO continues to closely monitor Airservices' management of noise and flight path issues in Hobart.</p>
Nov 2017	Richmond, New South Wales: noise sensitive area	<p>Following a complaint about frequent low level training activities over a rural property north of the Base, RAAF Base Richmond introduced a procedure to avoid low level flights over the property when it is safe and practical to do so, designating the property be treated as a 'noise sensitive area'. It also implemented improvements to local complaint handling systems.</p> <p>The ANO is pleased to see Defence's commitment to undertaking its flying activities in a manner that is considerate of local communities and also to improving its complaint management processes at RAAF Base Richmond.</p>

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Complaint received by ANO	Description of initiative	Current status
Feb 2018	Wallan, Vic: changes to northern departure paths to reduce impacts on residential areas	<p>The ANO received a complaint about Airservices not being able to pursue any changes to reduce the noise impacts in the township of Wallan, some distance north of Melbourne Airport. The ANO sought an explanation of Airservices' advice to the complainant and Airservices advised that: "Airservices has identified a potential noise improvement for the flight path that passes to the north of Wallan. However, Airservices has decided not to progress this, or to explore any other potential improvements that may exist, for the reasons set out". These reasons include the likely timing of any change in relation to airspace changes required for introduction of the new runway at Melbourne Airport, the low priority of the change due to the noise levels being considered by Airservices as "not in the high range", and Airservices' resource commitments for other work it deems to be of higher priority.</p> <p>While the ANO is disappointed that Airservices has decided to not pursue this potential noise improvement opportunity, we accept Airservices has made a reasoned decision.</p>

### Attachment 3 ANO assessment of action on recommendations

At the start of the financial year, Defence had five recommendations not yet closed from our *Review of Defence's Aircraft Noise Complaints Management System (November 2016)* and Airservices had no recommendations outstanding from previous reviews.

During the 2017-18 financial year, the ANO finalised one major review of Airservices: *Investigation into complaints about the introduction of new flight paths in Hobart*, published in April 2018.

The following tables summarise the action taken by Defence and Airservices during the 2017-18 financial year to address each of the outstanding recommendations.

#### **Review of Defence's Aircraft Noise Complaints Management System (November 2016)**

Ongoing recommendations	ANO assessment of agency response
<b>Recommendation 1</b> – Defence should expand the focus of complaint investigation beyond compliance checking to also identify and pursue opportunities for noise improvements, improved community engagement and better public information.	<u>Completed</u> – Defence has updated its complaint tracking form (OA39 form) to include additional fields for identifying and documenting considerations of improvement opportunities.
<b>Recommendation 2</b> – To help in managing complainant expectations, Defence should improve the public information about the complaints process to address the information requirements outlined in the Standard and as identified within the report.	<u>Completed</u> – Defence has updated its website to provide good public information about its complaints handling process. The ANO considers this now addresses the information requirements of the Standard.
<b>Recommendation 3</b> – Defence should review the Defence Aircraft Noise web information and, taking account of comments in this report, make improvements to information provision, presentation and functionality.	<u>Ongoing</u> – Defence has advised that it has made some changes already, including launching its online complaint form. Defence is also reviewing the web information to address the issues identified in the review.
<b>Recommendation 4</b> – To support the timely release of written responses, Defence should: <ul style="list-style-type: none"> <li>a. document the procedures to be followed in the event of written complaints (whether received through post, email or an online form), ensuring such procedures incorporate a timely acknowledgement of the complaint</li> <li>b. streamline any necessary review and approval processes for written responses to complaints</li> <li>c. consider the provision of training and support material for staff that will be responding to complaints, in particular via email following the introduction of electronic complaint submission.</li> </ul>	<u>Completed</u> – Defence has advised that current procedures for complaint responses do not differentiate by lodgement method. Review and approval processes for release of written responses to complaints are aligned with normal Base procedures for external communications. Bases are obtaining complaint handling training from the ANO for personnel who deal with noise complaints to improve complaint handling across all complaint types. A shared complaint register enables Bases to draw on the responses of others to help develop their own.

Ongoing recommendations	ANO assessment of agency response
<p><b>Recommendation 5</b> – Defence should adhere to its existing requirements for complaint recording and tracking.</p>	<p><u>Completed</u> – Defence has updated the Air Command Aircraft Noise Management Standing Instruction and established a centralised register for complaint recording and tracking to help monitor compliance with existing requirements.</p>
<p><b>Recommendation 6</b> – Defence should update its localised recording systems and the OA39 form as appropriate to incorporate:</p> <ol style="list-style-type: none"> <li>Closing date</li> <li>A place to record consideration of noise improvement opportunities, community engagement improvements and public information improvements</li> <li>Undertakings or follow up action required (including who is accountable for delivery).</li> <li>A mechanism for tracking any undertakings or follow up actions through to completion.</li> </ol>	<p><u>Completed</u> – Defence has updated its complaint tracking form (OA39 form) to include additional fields for identifying and documenting the requirements of this recommendation. It has also established a centralised register for complaint recording and tracking as a mechanism for tracking any undertakings of follow up actions arising from complaints.</p>
<p><b>Recommendation 7</b> – Defence should:</p> <ol style="list-style-type: none"> <li>ensure that complaints not readily ascribed to a Base are managed as effectively as other complaints</li> <li>share data, experience and learnings across Bases to maximise noise improvement opportunities and enhance complaint management across Defence.</li> </ol>	<p><u>Completed</u> – Defence has established a procedure for handling complaints not readily ascribed to a Base and a centralised register for noise complaints to enhance the sharing of data, experience and learnings.</p>

**Airservices - Investigation into complaints about the introduction of new flight paths in Hobart (April 2018)**

Ongoing recommendations	ANO assessment of agency response
<p><b>Recommendation 1:</b> Airservices should incorporate consideration of potential noise impacts from the commencement of flight path design and integrate that consideration throughout the design process.</p>	<p><u>Ongoing</u> – Airservices has advised that it has taken a number of actions that it considers address this recommendation, including:</p> <ul style="list-style-type: none"> <li>- it has revised its National Operating Standard for the environmental management of flight path changes</li> <li>- it has amended its National ATS Administration Manual</li> <li>- it has delivered targeted training for all Airservices managers and staff involved in flight path change management, covering requirements for effective environmental assessment, community engagement and risk management.</li> </ul> <p>The ANO is awaiting evidence to support Airservices' advice and to determine whether the recommendation can be closed.</p>
<p><b>Recommendation 2:</b> Airservices should review its environmental assessment criteria to ensure they are appropriate as a quantitative measure for analysis against the EPBC Act requirements and for assessment of social impact.</p>	<p><u>Ongoing</u> – Airservices has advised that its actions to address this recommendation are 'in progress', including:</p> <ul style="list-style-type: none"> <li>- it is reviewing its environmental assessment referral criteria to ensure it is appropriate and aligned to the EPBC Act requirements and when complete will seek the advice of the Department of Environment. This review will be completed by June 2019;</li> <li>- it is also developing social impact criteria for aircraft noise management, to be completed December 2018.</li> </ul>



Ongoing recommendations	ANO assessment of agency response
<p><b>Recommendation 3:</b> Airservices should ensure that its additional analysis of social impact to form part of the Environmental Assessment:</p> <p>(a) includes a clearly defined purpose;</p> <p>(b) includes explicit commentary on social impact taking into account particular community history, context and sensitivities; and</p> <p>(c) incorporates a critically analytical assessment of the potential impact on the community of proposed change referring to both qualitative and quantitative values.</p>	<p><u>Ongoing</u> – Airservices has advised that its actions to address this recommendation are 'in progress', including:</p> <ul style="list-style-type: none"> <li>- it has amended its Environmental Assessment template to document the more detailed social impact information required;</li> <li>- its subsequent stakeholder engagement plans will incorporate the appropriate social impact analysis and context;</li> <li>- it has contracted a social impact specialist firm to strengthen its community engagement planning;</li> <li>- this focus is already included in the re-engagement with Hobart stakeholders and the community.</li> </ul> <p>Airservices' work to address this recommendation is expected to be completed in Q4-2018.</p>
<p><b>Recommendation 4:</b> In undertaking its Environmental Assessments and preparing reports on those assessments, Airservices should:</p> <p>(a) ensure that all assessment criteria, for both EPBC Act purposes and for assessment of social impact, are clearly explained in its documentation in a way that makes clear their purpose, whether they are primary or secondary, the assessment methodology, and the consequences that follow if a threshold is exceeded;</p> <p>(b) explicitly document any assumptions made and explain the basis for each assumption;</p> <p>(c) explicitly document its consideration of change proposals against its stated criteria;</p> <p>(d) undertake a more nuanced assessment of whether a change is 'significant' in social impact or under the EPBC Act requirements, taking into account both quantitative and qualitative values so that a non-binary and more informative approach is taken to assessment against criteria; and</p> <p>(e) refer to or document all relevant information that forms the basis of its environmental assessment and conclusions in a single explanatory Environmental Assessment report.</p>	<p><u>Ongoing</u> – Airservices has advised that its actions to address this recommendation are 'in progress', and that its response is the same as for Recommendation 3.</p> <p>Airservices' work to address this recommendation is expected to be completed in Q4-2018.</p>

Ongoing recommendations	ANO assessment of agency response
<p><b>Recommendation 5:</b> Airservices should access, through recruitment or otherwise, skilled and experienced subject matter expertise in the practice of community consultation. Leadership should give prominent support to this expertise so as to promote its influence and effect on Airservices' better performance in community consultation.</p>	<p><u>Ongoing</u> – Airservices has advised that its actions to address this recommendation are 'in progress', including:</p> <ul style="list-style-type: none"> <li>- it has engaged a community engagement consultant;</li> <li>- it is conducting recruitment for a Group Community Engagement Manager who will be required to have community engagement experience and skills. Expected completion of this recruitment is Aug 2018;</li> <li>- external assistance may be sought on a case-by-case basis for other sensitive changes in the future.</li> </ul>
<p><b>Recommendation 6:</b> Airservices should abandon its stated policy of making the Community Aviation Consultation Groups the primary site of its community consultation and instead, with the input and leadership of a skilled practitioner of community engagement, develop a community consultation strategy and guidelines to inform individual detailed strategies for individual changes.</p>	<p><u>Ongoing</u> – Airservices has advised that its actions to address this recommendation are 'in progress', and that its response is the same as for Recommendation 5.</p>
<p><b>Recommendation 7:</b> Airservices should develop a policy that, on those occasions when incorrect statements are made to the community or other stakeholders, it will acknowledge the error and remedy it.</p>	<p><u>Ongoing</u> – Airservices has advised that it has taken action that it considers addresses this recommendation, including:</p> <ul style="list-style-type: none"> <li>- it already has in place a number of mechanisms, policies and procedures that provide guidance to staff on Airservices expectations of appropriate behaviour, conduct and performance;</li> <li>- Airservices is on the public record with regard to the inadequate community consultation at Hobart and has now put robust plans in place to re-engage with all Hobart stakeholders.</li> </ul> <p>The ANO is seeking evidence of additional actions taken to ensure existing arrangements, policies and procedures that were already in place when the issues identified in our Review arose are followed.</p>

Ongoing recommendations	ANO assessment of agency response
<p><b>Recommendation 8:</b> Airservices should ensure that, before deciding to propose a change and to commence to engage with a community about that change, it has acquainted itself with the context and recent history of that community and takes those matters into account, as far as practicable, in its decision making and in its engagement design.</p>	<p><u>Ongoing</u> – Airservices has advised that its actions to address this recommendation are 'in progress', and that its response is the same as for Recommendation 3.</p> <p>Airservices' work to address this recommendation is expected to be completed in Q4-2018.</p>
<p><b>Recommendation 9:</b> Airservices should, as part of its community consultation activity, approach the assessments and other material on which it bases its consultations from a critically analytical perspective so as to ensure that all relevant matters have been considered and the information provided to the community is timely, correct, relevant, transparent, comprehensive, consistent and logically sound.</p>	<p><u>Ongoing</u> – Airservices has advised that its actions to address this recommendation are 'complete', and that its response is the same as for Recommendations 1, 2, 3 and 5.</p> <p>Given the interdependencies identified by Airservices, the ANO will await the evidence that supports closure of each of these recommendations before determining whether this supports closure of this recommendation.</p>
<p><b>Recommendation 10:</b> In its Hobart SIDS and STARS Review, Airservices should consult with the community well in advance of settling its findings and recommendations. Airservices should take immediate steps to obtain the community's views on the most practical and effective ways to arrange this consultation.</p>	<p><u>Ongoing</u> – Airservices has advised that it has taken a number of actions that it considers address this recommendation, including:</p> <ul style="list-style-type: none"> <li>- Airservices has engaged a community engagement specialist to help engagement with the Hobart community in relation to its SIDS and STARS review;</li> <li>- It held a series of engagement sessions in mid-June 2018 focusing on how the community would like to be consulted.</li> </ul> <p>The ANO is awaiting publication of the Community Engagement Strategy to see how the community's views have been obtained, analysed and incorporated, before determining whether this recommendation can be closed.</p>

Ongoing recommendations	ANO assessment of agency response
<p><b>Recommendation 11:</b> Where significant issues arise from complaints, Airservices should advise complainants and other stakeholders at the earliest possible stage of efforts being made, including investigation, to address concerns.</p>	<p><u>Ongoing</u> – Airservices has advised that it has taken a number of actions that it considers address this recommendation, including:</p> <ul style="list-style-type: none"> <li>- The experience at Hobart highlighted the need for Airservices' staff to regularly familiarise themselves with existing policies and procedures, particularly if these policies have been refined or changed. Managers are having these conversations with their staff and identifying and initiating training needs as required.</li> </ul> <p>The ANO notes that Airservices revised its Noise Complaints and Information Service procedures in April 2018 and is seeking to understand whether these procedural changes along with the identified training activities supports closure of this recommendation.</p>
<p><b>Recommendation 12:</b> Where Airservices identifies through complaints inconsistencies in information provided to residents and other stakeholders, Airservices should take early action to correct information given.</p>	<p><u>Ongoing</u> – Airservices has advised that it has taken a number of actions that it considers address this recommendation, and that its response is the same as for Recommendation 7.</p>
<p><b>Recommendation 13:</b> Airservices should not pre-empt the outcome of internal investigations in its responses to complaints by advising complainants that there is unlikely to be any change.</p>	<p><u>Ongoing</u> – Airservices has advised that it has taken a number of actions that it considers address this recommendation, and that its response is the same as for Recommendations 7 and 11.</p>

## Acronyms

<b>AASB</b>	Australian Accounting Standards Board	<b>FOI</b>	Freedom of information
<b>ACCC</b>	Australian Competition and Consumer Commission	<b>GRC</b>	Governance, risk and compliance
<b>A-CDM</b>	Airport collaborative decision-making	<b>HRIS</b>	Human Resource Information Management System
<b>ADF</b>	Australian Defence Force	<b>HSR</b>	Health Safety Representative
<b>ADS-B</b>	Automatic Dependent Surveillance Broadcast	<b>IAAS</b>	Infrastructure as a Service
<b>ANS</b>	Air Navigation Services	<b>ICAO</b>	International Civil Aviation Organization
<b>ANO</b>	Aircraft Noise Ombudsman	<b>IFR</b>	Instrument flight rules
<b>ARFFS</b>	Aviation Rescue Fire Fighting Services	<b>INTAS</b>	Integrated Tower Automation Suite
<b>ASD</b>	Australian Signals Directorate	<b>IRS</b>	Interest rate swaps
<b>ASPIRE</b>	Asia and South Pacific Initiative to Reduce Emissions	<b>KPI</b>	Key performance indicator
<b>ATM</b>	Air traffic management	<b>LR ATFM</b>	Long range air traffic flow management
<b>ATSC</b>	Air Traffic Services Centres	<b>LTIFR</b>	Lost time injury frequency rate
<b>CASA</b>	Civil Aviation Safety Authority	<b>NCIS</b>	Noise Complaints Information Service
<b>CEO</b>	Chief Executive Officer	<b>NPAT</b>	Net profit after tax
<b>CMATS</b>	Civil military air traffic management system	<b>P3M</b>	Portfolio, program and project
<b>CSE</b>	Customer Service Enhancement	<b>PFAS</b>	Per- and Poly-fluoroalkyl substances
<b>CSS</b>	Commonwealth Superannuation Scheme	<b>PGPA Act</b>	<i>Public Governance, Performance and Accountability Act 2013</i>
<b>EEO Act</b>	<i>Equal Employment Opportunity (Commonwealth Authorities) Act 1987</i>	<b>PIN</b>	Provisional Improvement Notice
<b>EMS</b>	Environmental Management System	<b>PSPF</b>	Protective Security Policy Framework
<b>EPBC Act</b>	<i>Environment Protection and Biodiversity Conservation Act 1999</i>	<b>RFDS</b>	Royal Flying Doctor Service
<b>ESD</b>	Ecologically sustainable development	<b>RoA</b>	Return on Assets
<b>FRR</b>	Financial reporting rules	<b>SIDs</b>	Standard Instrument Departures
<b>FEC</b>	Forward exchange contracts	<b>SOE</b>	Statement of Expectations
		<b>STARs</b>	Standard Arrival Routes
		<b>WHS</b>	Work health safety
		<b>VCS</b>	Voice communication system

## Compliance index

### List of Public Governance, Performance and Accountability (PGPA) Requirements

Under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), section 46, corporate Commonwealth entities are required to prepare an annual report in accordance with subdivision B, sections 17BA to 17BF of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule). This index lists where specific requirements are covered.

Section reference	Reference in PGPA Act 2013	Page no/Section
46(2)(a)	Timetable for providing report to Minister	Complies
46(3)	Compliance with requirements prescribed in rules	Compliance index
39(1)(b)	Inclusion of annual performance statements	19
43(4)	Inclusion of annual financial statements	33
Section reference	Reference in PGPA Rule 2014 sections 17BB to 17BF	Page no/Section
17BB	Approval by accountable authority	Letter of transmittal
17BC	Parliamentary standards of presentation	Complies
17BD	Plain English and clear design	Complies
17BE(a)	Enabling legislation	13
17BE(b)(i)	Objects and functions of the organisation	13
17BE(b)(ii)	Purpose of the organisation	13
17BE(c)	Responsible Minister	Letter of transmittal
17BE(d)(e)	Ministerial directions and government policy orders	14
17BE(f)	Any non-compliance with directions or orders	None
17BE(g)	Annual performance statement	19
17BE(h)(i)	Significant non-compliance with finance law	None
17BE(j)	Information about accountable authority	Appendix 1
17BE(k)	Organisational structure	15
17BE(l)	Location of the organisation	14
17BE(m)	Statement on corporate governance	13
17BE(n)(o)	Decision-making process regarding payments to other Commonwealth entities or companies	Not applicable
17BE(p)	Significant activities and changes affecting the organisation	4,6,17
17BE(q)	Judicial decisions or administrative tribunal decisions impacting the organisation	122
17BE(r)	Reports about the organisation by the Auditor General, Parliamentary Committee, Commonwealth Ombudsman or Office of the Australian Information Commissioner	122,123
17BE(s)	Lack of information from a subsidiary	Not applicable
17BE(t)	Indemnities and insurance premiums	99
17BE(u)	Index of requirements	Compliance index
17BF	Disclosure requirements for government business enterprises	Not applicable

<b>Other information requirements</b>		
<b>Legislative reference</b>	<b>Reference in text</b>	<b>Page no/Section</b>
<i>Environmental Protection and Biodiversity Conservation Act 1999</i> , section 516A	Ecologically sustainable development and environmental performance	Appendix 5
<i>Equal Employment Opportunity Act (Commonwealth Authorities) Act 1987</i> , section 9	Equity and Diversity Progress report	Appendix 3
<i>Work Health and Safety Act 2011</i>	Work Health and Safety update	Appendix 4
Aircraft Noise Ombudsman Charter 2016	Aircraft Noise Ombudsman annual report	Appendix 8
<i>Air Services Act 1995</i> , section 51	Adverse effect of non-commercial commitments	Not applicable

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