

2018-19  
Annual Report



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## Publication contact

Enquiries concerning reproduction rights should be addressed to:

Enterprise Analysis and Reporting Manager  
Airservices Australia  
GPO Box 367  
Canberra City ACT 2601

Telephone (02) 6268 4374

Email: **[EnterpriseReporting2@](mailto:EnterpriseReporting2@airservicesaustralia.com)**

**[AirservicesAustralia.com](http://airservicesaustralia.com)**

Web: **[www.airservicesaustralia.com](http://www.airservicesaustralia.com)**

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# Letter of transmittal



Chairman

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

t 02 6268 4959

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

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

Dear Deputy Prime Minister

## **Airservices Annual Report 2018–19**

On behalf of the Board of Airservices Australia, I am pleased to submit to you the Airservices Australia Annual Report for the financial year 2018–19 as required under section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

During 2018–19 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 24 September 2019.

The report has been prepared in accordance with the requirements of the *Air Services Act 1995*, the PGPA Act, the *Public Governance, Performance and Accountability 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 2019.

The performance statement has been prepared to demonstrate our performance over the 2018–19 period against the Airservices 2018–19 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 3 September 2019.

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

A handwritten signature in black ink that reads "John Weber".

John Weber  
Chairman

24 September 2019

# Chairman's report

This has been a remarkable year for global aviation. As the trusted partner for keeping 11 per cent of the world's skies safe, Airservices is rising to the challenge of leading Australia's aviation industry in an era of technological advancement.

In 2018-19, we saw very tangible evidence of the changes we have been anticipating for some time with the launch of a commercial drone delivery business in our nation's capital, Canberra, and the announcement of a trial of the world's first aerial taxi service in Melbourne from 2020. Meanwhile, air traffic and passenger movements of traditional aviation services continued to increase over the previous reporting period.

Amidst such significant change, the Airservices mandate remains constant. We are charged with ensuring the safe, regular and efficient use of airspace for all users through the provision of services that are valued by the industry. This requires us to deliver our services to a standard of excellence while also investing to deliver new and enhanced service offerings to anticipate and keep pace with change.

OneSKY, the world's first harmonised civil and military air traffic management system, remains the centrepiece of this investment program. In partnership with Defence, OneSKY is building our capacity to manage future air traffic growth, meet national security imperatives and integrate new aviation technologies. The program positions Australia as a world-leader in the delivery of innovative aviation technology.



Our program of work to integrate new and emerging airspace users with existing participants is well underway. We are striving to create a safe and efficient aviation ecosystem for all airspace users, which we believe will underpin the economic and social prosperity of our nation.

We do this while maintaining a focus on internal efficiency and commerciality. Since transforming our operations in 2016 we have been able to achieve annual cost savings year-on-year, culminating in our announcement on 1 July 2019 of a 2 per cent reduction in airways service charges for our customers. We are also returning funds to benefit the wider Australian community, in the form of increasing our annual dividend payment from 30 to 60 percent of net profit after tax, to our shareholder, the Australian Government.

Meanwhile, we continue to deliver the \$1.2 billion capital investment program that will facilitate the safe and efficient growth of Australia's aviation industry.

Finally, we recognise the important role we have to play in minimising the impact of aircraft operations on the environment and community. Each and every one of Australia's airports has a critical role to play in connecting the local community with global markets, creating local employment and enhancing the overall prosperity of the surrounding region. We remain focused on helping to enable these benefits while also delivering positive environmental outcomes for all stakeholders.

The 2018–19 Annual Report demonstrates Airservices is well-positioned to deliver safe and efficient services today, while delivering the full potential of a very different, high-tech tomorrow for Australia's aviation industry.



**JOHN WEBER**  
Chairman

---

“Amidst such significant change, Airservices mandate remains constant. We are charged with ensuring the safe, regular and efficient use of airspace for all users through the provision of services that are valued by the industry.”

---

# Chief Executive Officer's report

At Airservices, we are proud of our long-standing record of keeping Australian aviation safe, and 2018-19 was no exception.

Over the course of the year, we facilitated over 160 million passenger movements through Australia's skies while recording zero significant safety occurrences. Our aviation rescue firefighters responded to more than 6,700 events (468 aviation related) and saved 21 lives.

While our standards of day-to-day service delivery are second to none on the world stage, we are also undertaking the work required to serve our customers and the aviation industry in an exponentially more complex and busier future.

In 2018-19 we achieved several major milestones in the OneSKY program, including commissioning the Civil Military Air Traffic Management (CMATS) voice communication system in our Brisbane, Melbourne, Perth and Sydney facilities.

The new voice communication system enables greater efficiency of our air traffic resources, enhances safety outcomes and minimises service disruptions. These benefits are already being experienced by all users of Australian airspace, from the major airlines and their passengers, right through to the smallest ultralight aircraft.

This year we have been collaborating closely with industry to improve the efficiency and effectiveness of the national aviation network. We completed the foundation work for the Airport Collaborative Decision Making system and commenced implementation of the Long Range Air Traffic Flow Management platform in the second half of the year.



These initiatives will provide benefits such as decreased fuel burn and more predictable arrival flows into our major airports for our customers and the industry. Importantly, they will also minimise the impact of air traffic disruptions on the travelling public and contribute to improved environmental outcomes for the wider community.

We are also investing in innovative technologies to enhance safety and service delivery on the ground. A new internal access vehicle has been introduced at Melbourne Airport, allowing firefighters to quickly access and evacuate passengers safely without the need for ladders and emergency slides. This is a first for an Australian fire service.

We remain focused on supporting the long-term financial health of Australia's aviation industry. With continued strong financial performance, we have passed on the savings to our customers through a 2 per cent price reduction from 1 July 2019, which collectively saves our customers approximately \$20 million per annum. Together with the price freeze that has been in place since 2015, this represents a real price decrease of over 10 per cent.



Moreover, in 2018-19 we continued to waive more than \$2 million in annual service charges for the nation's not-for-profit aeromedical operators as part of our ongoing efforts to foster and promote Australia's civil aviation industry. We are always pleased to support those who deliver these essential services to rural and remote Australia.

We are building an agile organisation to anticipate and respond to the rapid change and disruption we are seeing in the global aviation industry. We also remained committed to building a genuinely safe and inclusive workforce that fosters diversity, and we commenced the refresh of our Reconciliation Action Plan. We also implemented a series of initiatives to support the application of our 'Just Culture' program, which is key to enabling a positive workplace culture.

Maturing our enterprise-wide cyber resilience also remained a key area for us and we have an ongoing investment program to ensure we are able to respond effectively in the event of a threat to our systems. Our Security Operations Centre came online this reporting period, providing continuous incident detection and response capabilities.

The 2018-19 Annual Report demonstrates the performance and value of the investment we are making in technology, people and infrastructure in delivering right across the value chain to meet the challenges that lie ahead for Australia's aviation industry.



**JASON HARFIELD**  
Chief Executive Officer

“We are building an agile organisation to anticipate and respond to the rapid change and disruption we are seeing in the global aviation industry.”

# Airservices year in review

In 2018–19, we focused on delivering distinctive value to our customers and industry, while keeping our skies safe and minimising the impacts of our operations on the community and the environment.

## Our purpose

We provide safe, secure, efficient and environmentally responsible services that are valued by the aviation industry and community.



3,584\*  
Employees



1,034\*  
Operational air traffic controllers



858\*  
Operational aviation rescue firefighters

\* As of 30 June 2019



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



29  
Air traffic control towers



26  
Aviation rescue firefighting service stations


Australian skies remains one of the safest while increasing in complexity and traffic growth.

SYD → MEL  
BNE → SYD

2 of the top 20  
busiest routes globally

OAG Punctuality League 2019: 12 months to February 2019


 **+4M** Air traffic movements

 **0** Significant attributable safety occurrences

 **+160M** Passenger movements

 **468** Aircraft occurrences responded to by aviation rescue firefighters

 **21** Lives saved

 **32** Times our aviation rescue firefighters supported local communities in times of emergencies

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

**42 seconds**

median arrival airborne delay\*\*

**< 3.8 minutes**

Arrival Airborne Delay experienced by 3 in 4 aircraft

 18 seconds\*

**99.9%**

Aviation Rescue Fire Fighter Service readiness

**2%**

price reduction introduced 1 July 2019

**3,000**

low-volume general aviation operators provided services at no cost

**\$2.5M**

in fees waived for not-for-profit aeromedical operators

\* compared to 2017-18

\*\* see definition on page 24

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

 **8.2%**  
RETURN ON ASSETS

 **1.2%**  
GROWTH IN AIRWAYS REVENUE\*

 **4.3%**  
BELOW TARGET OPERATING COST PER INSTRUMENT FLIGHT RULES FLIGHT HOUR

 **11 point**  
IMPROVEMENT IN INDUSTRY ADVOCACY SCORE\*

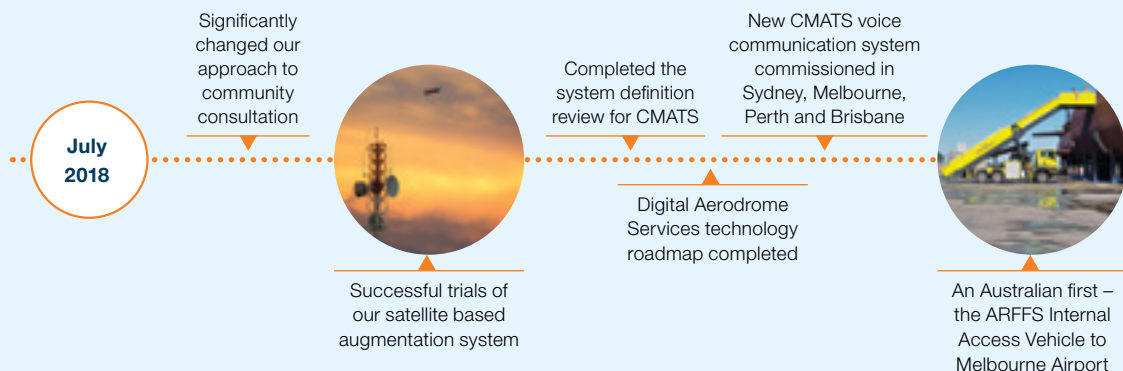
 **13%**  
IMPROVEMENT IN LOST TIME INJURY FREQUENCY RATE\*

 **\$62.4M**  
NET PROFIT AFTER TAX

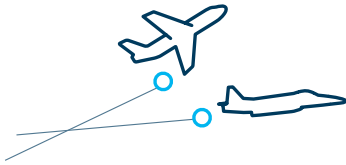
 **\$140M**  
INVESTMENT IN CAPITAL PROGRAM

\*Compared to 2017-18

## Year at a glance



We embrace innovation and invest in technology to deliver valued outcomes to the industry.



Air Traffic Management service facilities in Sydney, Melbourne, Perth and Brisbane were switched over to the Civil Military Air Traffic Management (CMATS) voice communication system.



Commenced design and prototype of a Tower continuity service for Sydney

## Invested in future benefits



OneSky

**\$1B+**

Reduction of **145,100** tonnes of CO<sub>2</sub> emissions per annum

Reduced carbon emissions (CO<sub>2</sub>)

**\$36m+**

Fuel savings

**\$368m+**

Passenger time savings

**\$303m+**

Airline savings

**\$157m+**

Productivity

**\$140m+**



A-CDM

**\$52M+**

Reduction of **183,000** tonnes of CO<sub>2</sub> emissions between 2022-2029

Reduced carbon emissions (CO<sub>2</sub>)

**\$4m+**

Fuel savings

**\$70m+**

Airline time savings

**\$4m+**

Airline maintenance

**\$17m+**



LR-ATFM

**\$22M+**

Reduction of **48,535** tonnes of CO<sub>2</sub> emissions between 2020-2027

Installed 360-degree control tower simulator in Brisbane

The successful Infrastructure-as-a-Service project was awarded best federal government IT project of the year—2019

The inaugural FlySafe 2019 Aviation Safety Forum was held at the Australian International Airshow, co-hosted by Airservices, Australian Transport Safety Bureau and Civil Aviation Safety Authority



Cyber Security—Security Operations Centre live

Announced a 2% reduction to our aviation charges

June 2019





# 1

## Corporate overview

### **Our purpose**

To provide safe, secure, efficient and environmentally responsible services that are valued by the aviation industry and community.

### **Our ambition**

To be the industry partner for keeping skies safe and delivering distinctive value.

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(pictured) Melbourne Substation Officer Carl Costin, who was honoured as Fire Fighter of the Year for his commitment to helping his colleagues learn continually on-the-job through debrief sessions and sharing lessons learnt from aviation incidents around the world. Carl is also involved in coordinating Airservices ongoing support of the Good Friday Appeal for the Royal Children's Hospital in Melbourne.

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## Our role

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

Our primary role, as defined under the Act, is to:

- provide facilities and services for the safety, regularity and efficiency of air navigation within Australian-administered airspace. This includes providing air traffic services, aviation rescue firefighting services, aeronautical information, radio navigation and telecommunications services.
- promote and foster civil aviation in Australia and overseas.

In undertaking our functions we 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.

We are funded through customer charges 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 (ACCC). Airservices does not receive any government funding.

We operate in accordance with the Act, the *Australian Airspace Policy Statement 2018*, the PGPA Act and the *Minister's Statement of Expectations* (page 104).

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)**

# Our values

Our values reflect what is important to us at Airservices. Embedded and shared, our values guide our daily interactions with our customers, community and each other.

Who we are today:



## We are proud of our people and our contribution

We recognise, acknowledge and celebrate our achievements and milestones

We take pride in the contribution we make and are confident in the capability of our people

We speak up to ensure we are just as safe and secure tomorrow as we are today



## We build relationships on trust and respect

We are professional in our work and interactions

We encourage diversity and value the difference it makes to our organisation

We actively listen to, communicate with and care for each other

We support each other to learn, grow, challenge and change



## We innovate for customer value

We put our customers at the centre of services and we work to deliver customer value and community benefit

We empower our people to exercise good judgement and develop better ways of working

We are resilient, flexible and we learn from mistakes to find solutions for our customers and community



## We achieve more together

Our collective efforts are more powerful than any individual

We cooperate across organisational boundaries to achieve the best outcome

We share knowledge through clear communication, foster collaboration and work towards a common goal



## We are authentic in our actions

We are committed to our vision

We act with integrity while delivering on our promises

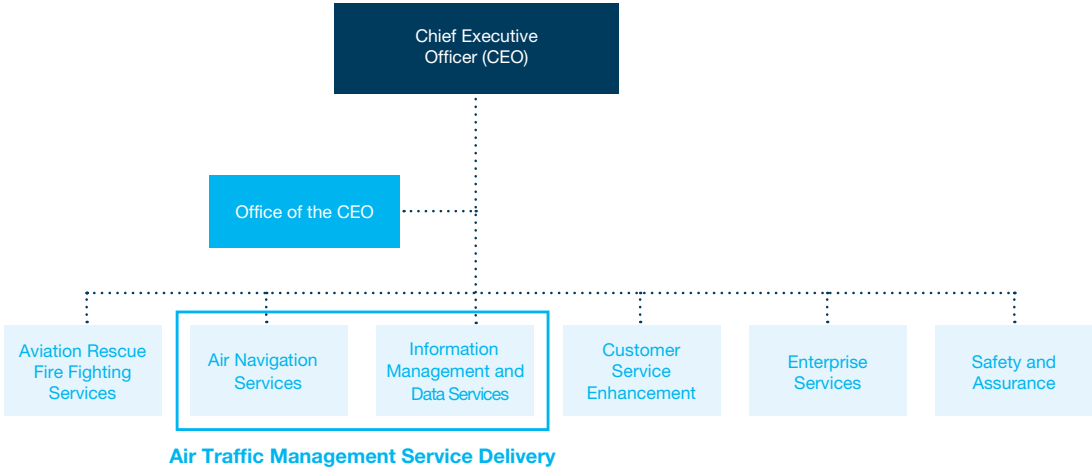
We know our roles and accountabilities and how they contribute to our success

We take responsibility and are honest when making tough decisions



# Organisational structure

Figure 1: Airservices Australia business structure at 30 June 2019



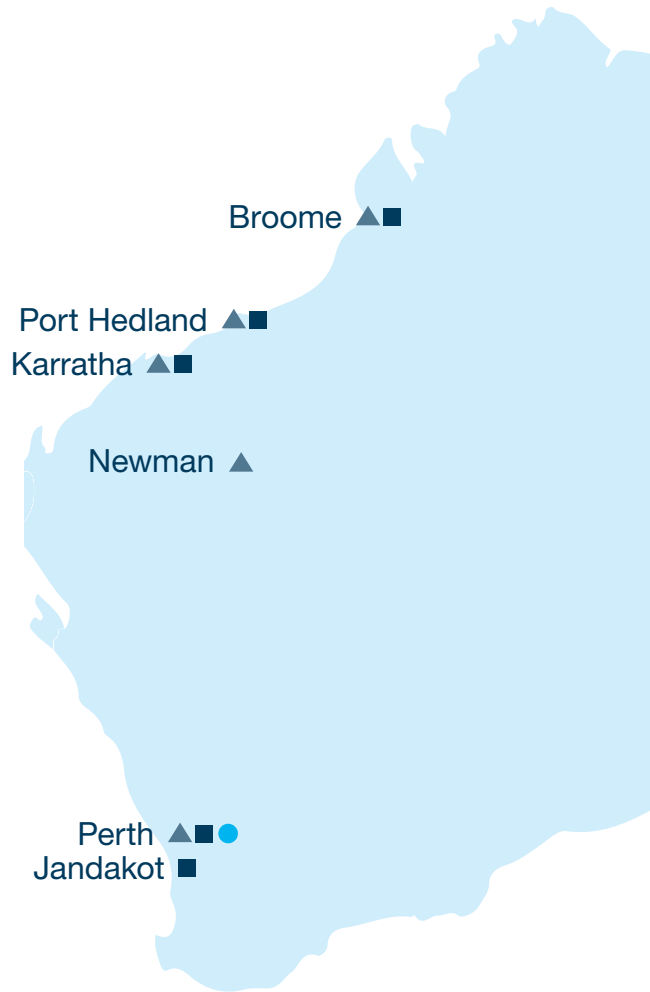
## Our locations

Our head office is in Canberra, with our 3,584 employees dispersed across Australia. This includes:

- over 1,300 air traffic management staff, working from two air traffic services centres (Brisbane and Melbourne), two terminal control units (Perth and Sydney) and 29 towers at international and regional airports
- over 850 aviation rescue firefighters supporting our services at 26 of Australia's busiest airports.

Further details on our workforce is on page 122. More information about our facilities is available at [www.airservicesaustralia.com/about/our-facilities](http://www.airservicesaustralia.com/about/our-facilities)

Figure 2: Our national facilities—as at 30 June 2019



### Legend

- Air traffic control towers – 29 locations
- ▲ Aviation rescue fire fighting stations – 26 locations
- Terminal control units – 2 locations
- ◆ Air traffic services centres – 2 locations





## 2

# Our performance

### **Annual performance statement**

As a corporate Commonwealth entity, our annual performance statement has been prepared in accordance with the PGPA Act. It accurately presents how we delivered against our key performance indicators (KPI) and four strategic pillars, outlined in our Corporate Plan 2018–19.

### **Our purpose**

Our purpose is to provide safe, secure, efficient and environmentally responsible services that are valued by the aviation industry and community.

### **Performance outcomes**

This section provides a detailed assessment of our 2018–19 performance against our KPIs and corporate plan initiatives.

Our KPIs provide a measure of our success and an analysis of our overall performance for 2018–19, demonstrating how we are fulfilling our purpose. Case studies provide supporting information on the efforts that have influenced our performance outcomes.

# Our 2018–19 plan on a page



## Our purpose

To provide safe, secure, efficient and environmentally responsible services that are valued by the aviation industry and community.



## Our ambition

To be the industry partner for keeping skies safe and delivering distinctive value.

## Strategic pillars and initiatives



### Service Excellence

- OneSKY Program
- Supporting Increased Airport Capacity
- Digital Aerodrome Services
- Environmental Impact of Aircraft Operations
- New Services.



### Service Innovation

- Airport Collaborative Decision Making
- Long Range Air Traffic Flow Management
- Network Management
- Information Strategy Implementation.



### Industry Leadership

- Fostering and Promoting Civil Aviation.



### Organisation Agility

- People
- Digital Capability
- Cyber Resilience.

## Performance outcomes



### Safe and secure

Our most important consideration is always the safety of air navigation.



### Valued and accountable

We deliver services that are valued by our customers and are environmentally responsible.



### Efficient and commercial

We make customer-centric and commercially rigorous decisions and commit to continually improving the way we do business.



### Innovative

We embrace and invest in innovation to build the Airservices of tomorrow.

## KPIs

Safety	Industry outcomes	Business operations efficiency	Organisational capability	Financial stewardship
Significant attributable safety occurrences	Arrival airborne delay	Total cost per instrument flight rules flight hour	Employee engagement index	Net profit after tax
Lost time injury frequency rate	Industry advocacy		Inclusion index	Return on assets

# Performance criterion – Safety

While the aviation industry operates in an environment of significant growth, unprecedented change and complexity, we remain focused on maintaining and enhancing the safety of our operations.

KPI results	2016-17	2017-18	2018-19	
	Result	Result	Target	Result
<b>Significant Attributable Safety Occurrences – Air Navigation Services (ANS)</b> Any loss of separation or runway incursion where the Risk Assessment Tool score is Category A.	0	0	0	<b>0</b>
<b>Significant Attributable Safety Occurrences – Aviation Rescue Fire Fighting Services (ARFFS)</b> Any aircraft incident on a runway in which the response did not meet the regulated response time of three minutes.	0	0	0	<b>0</b>
<b>Lost time injury frequency rate (LTIFR)</b> 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.	5.6	4.6	2.5	<b>4.0</b>

Source: Page 30 of the 2018-19 Corporate Plan

## Analysis

We achieved our target of no significant attributable safety occurrences recorded for our air navigation and aviation rescue and firefighting services.

Our LTIFR decreased by 13 per cent for this period. Although this is higher than our 2018-19 target we are continuing to deliver a downward trend year on year.

Our performance against these indicators demonstrate our ongoing commitment to being **safe and secure**.

## Achievements

Our major achievements for the year included:

- successfully trialling of a new, advanced satellite navigation system aimed at improving safety and efficiency at regional and rural airports. The trial demonstrated that Satellite Based Augmentation System (SBAS) technology is suitable for the needs of Australia's non-metropolitan airports, using avionics that is already prevalent in regional and general aviation aircraft
- putting into operation an Instrument Landing System (ILS) at Gold Coast Airport. This provides vertical and horizontal guidance to pilots when landing in low visibility weather conditions, reducing flight delays and diversions
- a first for Australia, officially commissioning the Internal Access Vehicle (IAV) in Melbourne. This specialised operational vehicle uses world-leading technology that enables aircraft passengers to be evacuated rapidly while providing safe access for emergency crews
- showcasing Australia's world-leading safety record at the inaugural FlySafe 2019 Aviation Safety Forum. Airservices worked alongside the Australian Transport Safety Bureau and Civil Aviation Safety Authority for this initiative, which was conducted as part of the Avalon Airshow in Victoria.

# Case Study

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## ARFFS Internal Access Vehicle

### Enhancing safety through investment in innovative vehicles and equipment

In an Australian first, the ARFFS team at Melbourne Airport have introduced a vehicle that enables firefighters to gain access to heights and facilitate mass evacuations quickly and safely.

The ARFFS emergency stairs can deliver a platform to even the tallest of commercial passenger planes in under 50 seconds, providing safe access for firefighters in emergencies and enabling passengers to evacuate without the need for individual ladders and emergency slides.

In aviation emergencies, and potentially structural fires, the stairs would respond alongside ARFFS ultra large fire vehicles, which would mobilise to control any fire threat and make access safer, extending a steady base for heights up to 8.5 metres.

The internal access vehicle has been specially adapted for Australian conditions after consultation between Airservices and the manufacturer Rosenbauer.

Operated by a single firefighter, the emergency stairs can be controlled from either the cab of the vehicle, or from the rescue platform itself, guided by three cameras: one forward-looking infra-red, one reversing and a camera on the rescue platform to assist with docking.

The vehicle features four stabilising jacks so it can be used on uneven ground. It is also equipped with eight firefighting outlets, including four underbody nozzles, three regulated delivery outlets and a connected 60-metre hose reel.

We are reviewing the success of the new internal access vehicle in Melbourne before introducing them at other major airports.







# Case Study

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## OneSKY Program

Significant progress has been made on the OneSKY Australia Program in the last financial year, with Airservices delivering a number of key milestones. The program remains on track to deliver the most modern and advanced air traffic management platform in the world – the civil and military air traffic management system (CMATS).

The new voice communication system was commissioned in Brisbane and Melbourne air traffic service centres, and the Perth and Sydney terminal control units. These are enabling greater efficiency of our air traffic resources and minimising service disruptions through more flexible and scalable communications between aircraft and air traffic controllers. The delivery of this milestone was significant for OneSKY as controllers are now using the first part of CMATS technology.

Construction has commenced at both the Melbourne and Brisbane air traffic service centres, marking the beginning of modernised facilities to provide air traffic services to airspace users. Construction at the Perth terminal control unit is expected to start in 2019–20.

We continue to engage with our customers on the tangible benefits of OneSKY and other future services provisions. We have adopted a more targeted and detailed approach to engagement, which ensures that the industry is well prepared for the introduction of CMATS, both from a business readiness and benefits realisation perspective. The benefits of the OneSKY program is estimated at more than \$1 billion for the industry.



# Performance criterion – Business Operations Efficiency

To anticipate and keep pace with our rapidly evolving aviation industry, we are introducing new technologies and ways of working to make our business operations more efficient and enhance service delivery and customer outcomes.

KPI results	2016-17	2017-18	2018-19	
	Result	Result	Target	Result
<b>Productivity</b>				
The total operating cost per instrument flight rules (IFR) flight hour (\$/hour)	\$367	\$325	\$347	<b>\$332</b>

Source: Page 30 of the 2018-19 Corporate Plan

## Analysis

We outperformed our primary KPI in this area for the operating year. Our sustained focus on internal efficiency led to productivity improvements and benefits for stakeholders. We delivered this result despite a reduction in traffic and instrument flight rules (IFR) flight hours across international aircraft operations during the second half of the year.

Our performance against this indicator, ensures we continue to be **valued and accountable**, and **efficient and commercial**.

## Achievements

Our major achievements for the year included:

- installing a new 360-Degree control tower simulator in Brisbane, enabling more efficient operational training for staff in both the major air traffic service centres
- migrating our IT infrastructure to a secure government cloud. This has reduced IT operating costs, improved availability and service quality, and heightened information security
- commencing an Enterprise Network Modernisation Program to improve network capacity, availability, flexibility and security

- significant progress in our Cyber Security program including establishing the Security Operations Centre. This has improved our cyber resilience and security posture.

We also achieved a number of significant OneSKY program milestones, including:

- switching over to the new Civil Military Air Traffic Management System (CMATS) voice communication system at Sydney, Melbourne, Perth and Brisbane facilities. This is enabling our air traffic resources to be more efficient, enhancing safety and minimising the risk of service disruptions
- completing the system definition review of the detailed design on the CMATS platform
- commencing construction at the Air Traffic Services Centres (ATSCs) in Brisbane and Melbourne
- establishing an initial transition plan as a foundation to realise the benefits of the OneSKY program.

# Case Study

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## Our cyber security transformation program

New technologies and concepts, together with exponential growth in data and information sharing is fundamentally changing the way Airservices and the aviation industry operates. Simultaneously the volume and complexity of cyber threats is increasing at unprecedented rates.

Our ongoing cyber security program ensures we adapt and prepare ourselves to these changing conditions, and that we can recover rapidly from an event. We call this cyber resilience.

We measure cyber resilience against an industry benchmark – the National Institute of Standards and Technology Cybersecurity Framework. We have also adopted and use the Australian Government's Protective Security Policy Framework and Information Security Manual as our control framework. This gives us a strong sense of our maturity levels and where to focus our efforts.

During 2018–19, we delivered a range of initiatives that lifted our cyber resilience, including:

- enhancing our security culture by educating and training our people in cyber hygiene and threats
- establishing a Security Operations Centre that provides threat intelligence, continuous incident detection and response capabilities
- improving our supply chain security through enhanced procedures and analysis of security requirements
- managing our corporate technology infrastructure as a managed service that is operated within a secure cloud environment designed for critical infrastructure
- ongoing investment in certification and accreditation activities to ensure we identify security risks associated with our systems and applications.

Given the unique challenges of the aviation industry, during the year we also teamed up with a small group of leading air navigation service providers to share information and improve cyber resilience.

# Performance criterion – Organisational Capability

Building a diverse, engaged and high-performing workforce is critical to delivering our current services to a standard of excellence, and build the services we need to lead the aviation industry to a very different future.

KPI results	2016-17	2017-18	2018-19	
	Result	Result	Target	Result
<b>People engagement survey—values focused</b> Expressed as a percentage of satisfaction and specific values-related results.	74%	73%	n/a	n/a
	48%**	Pulse survey conducted	48%	<b>47%</b>
<b>Diversity and inclusion index</b> Expressed as a percentage of the extent to which employees feel their work environment is inclusive of all employees and supports diversity.	68%	62%	n/a	n/a
	**Change in method	Pulse survey conducted	<i>Baselined (as a %)</i>	<b>38%</b>

Source: Page 31 of the 2018-19 Corporate Plan

\*\* The methodology for the KPI was adapted from a 5-point to a 7-point scale. This change enabled a more accurate analysis to identify opportunities and improvements, and better align with comparative industry benchmarking.

## Analysis

Our Employee Engagement Index is broadly aligned with our target. We continue to build in this area so we can establish an environment where innovation, learning and leadership thrive.

Our performance against these indicators, ensure we continue to be **valued and accountable, efficient and commercial** and **innovative**.

## Achievements

Our major achievements for the year included:

- delivering refreshed leadership development solutions (such as diagnostics, coaching and action learning programs) that target the transformational capabilities and behaviours required of our leaders now and into the future
- finalising the enterprise-level workforce transformation roadmap. This identifies and prioritises key talent segments to address factors that impact attraction, selection and retention, aligned with forecasted industry trends
- investing in technology, with the implementation of SuccessFactors to support our learning and development program.

# Case Study

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## Just Culture

We foster a Just Culture across our entire organisation in all that we do. This major cultural shift creates an environment that:

- encourages reporting
- supports staff to recognise human error
- fosters risk based decision making
- advocates understanding how and why errors occur to help improve our systems and support appropriate action.

A Just Culture supports our values by enabling a shared understanding of expectations and facilitating trust. It is key to a positive workplace culture and helps us remain agile as an organisation. It is achieved by empowering people to exercise good judgement and improving the robustness and resilience of our systems and processes.

Throughout 2018–19 we implemented a series of initiatives to improve Just Culture across our entire organisation. This included focussing on:

- Engagement – we are connecting differently with our people, and using a ‘get the conversation started’ approach to engage with staff, including engaging executive videos and Just Culture coasters.
- Robustness – by implementing a significant Just Culture training program for all staff that conduct or oversee investigations and providing them with appropriate tools to assist in applying Just Culture principles, to ensure outcomes of investigations are in line with the principles.
- Commitment – by ensuring leader behaviours align with our Just Culture policy, through leader education and provision of leader-led Just Culture conversation packs to all leaders to conduct with their teams.
- System – by redrafting our Code of Conduct to encompass our Just Culture approach.

# Performance criterion – Financial Stewardship

Responsible financial stewardship is critical to delivering our purpose and providing certainty to our customers and the community.

KPI results	2016-17	2017-18	2018-19	
	Result	Result	Target	Result
<b>Net Profit After Tax (NPAT)</b>				
Net profit after tax	\$34.0m	\$74.5m	\$64.0m	<b>\$62.4m</b>
<b>Return on assets (RoA)</b>				
Airservices annual earnings as a percentage of assets	5.6%	8.5%	6.9%	<b>8.2%</b>

Source: Page 30 of the 2018-19 Corporate Plan

## Analysis

In 2018-19 our net profit after tax and return on assets continued to perform strongly.

Our performance against these indicators, ensure we continue to be **efficient and commercial**.

## Achievements

Our major achievements for the year included:

- NPAT of \$62.4m was in line with expectations, with lower than planned revenues being largely offset by costs being managed below planned levels
- following a price freeze that has been in place since 2015, the significant cost efficiencies we have achieved and sustained has enabled us to reduce our prices by 2 per cent from 1 July 2019. This improved financial stewardship has resulted in multi-million dollar savings for Australia’s airlines and the aviation industry more broadly
- approximately \$2.5 million in annual service charges were waived for Australia’s not-for-profit aeromedical providers, that provide vital services in remote parts of Australia.

# Case Study

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## Sharing the benefits of responsible financial stewardship

Over the last three years we have realised and sustained significant efficiency savings that have improved the financial sustainability of the organisation.

This improvement in our financial position has enabled us to invest in new levels of cyber resilience, digital infrastructure and the information management capabilities required to meet the demands of continuing growth, and the complexity that will occur across the aviation industry over the next decade.

It also provides a robust foundation to fund our major investments in:

- the new OneSKY air traffic management system
- the modernisation of our operational networks across the country
- new infrastructure that supports continuing growth of airport capacity through new and extended runways, and a new Western Sydney Airport.

After taking this investment into account, and following four years of holding prices at 2015 levels, on 1 July 2019 we reduced prices to all our customers by 2 per cent.

As per previous years, we have supported not-for-profit aeromedical operators such as the Royal Flying Doctor Service, CareFlight, LifeFlight, Angel Flight and Little Wings by waiving \$2.5 million in annual charges. We have also provided services to 3,000 low-volume general aviation operators at no cost through our light aircraft charging option.

Going forward, through continued responsible financial stewardship our corporate plan sets out our strategy to resume normal levels of returns to the Government, our owner.

## Our corporate plan initiatives

Our four strategic pillars—Service Excellence, Service Innovation, Industry Leadership and Organisational Agility—are the foundation of our value proposition to our customers, our community and industry. This section provides our 2018–19 assessment against the service delivery and capability initiatives that are central to our performance.

### Performance status key

<b>Fully met</b>	100% of deliverables for 2018–19 were achieved
<b>Substantially met</b>	50–99% of deliverables for 2018–19 were achieved with some minor exceptions
<b>Partially met</b>	Less than 50% of deliverables for 2018–19 were achieved





## Service Excellence

Delivering our services to a standard of excellence, while improving safety and efficiency for our customers and the community.

While the aviation industry operates in an environment of significant growth, unprecedented change and complexity, we remain focussed on delivering service excellence to our customers. Our commitment to service excellence drives us to continually improve safety and efficiency, cognisant of our environmental responsibilities, while rewarding the trust placed in us by communities and the Government.

The outcomes of the initiatives below ensure we are **safe and secure, valued and accountable** and **efficient and commercial**.

Initiatives	Deliverables	Status
OneSKY Program	System design review complete	<b>Fully met</b>
	Brisbane, Melbourne, Perth and Sydney voice communication systems commissioned	
Supporting Increased Airport Capacity	Air Traffic Service Centre modernisation program (Brisbane, Melbourne, Perth) construction commenced	<b>Substantially met</b> Construction commenced in Melbourne and Brisbane. Perth to progress in 2019–20.
	Brisbane new runway airspace design	<b>Fully met</b>
Digital Aerodrome Services	Melbourne new runway airspace design	<b>Partially met</b> Deferment of the Master Development Plan and construction schedule were announced during the year. Our work has been realigned to the new schedule
	Digital Aerodrome Services technology roadmap finalised	<b>Fully met</b>
Environmental Impact of Aircraft Operations	Develop social impact criteria for aircraft noise management	<b>Fully met</b>
	Implement improved community engagement practices	
	Implement new environmental assessment referral criteria	
New Services	Public Works Committee submission for Proserpine ARFFS	<b>Fully met</b>

Source: Pages 18–19 of the 2018–19 Corporate Plan



## Service Innovation

Investing to deliver enhanced and new service offerings, valued by our customers now and into the future.

We are continually identifying and exploring opportunities to work in new ways to add value to our customers and industry with improved safety, economic and operational outcomes. We are embracing innovation to develop valued services for our customers, while providing the flexibility they need to succeed in an ever changing and growing industry.

In 2018–19, we focused on activities that enhanced traditional air traffic management to minimise off-route constraints, improve the flexible use of airspace and implement a collaborative connective forecasting capability.

The outcomes of the initiatives below ensure we are **efficient and commercial** and **innovative**.

Initiatives	Deliverables	Status
Airport Collaborative Decision Making	Airport Collaborative Decision Making (A-CDM) system implementation commenced  Brisbane, Sydney, Melbourne, Perth implementation complete	<b>Substantially met</b>  The implementation completion dates were rescheduled, based on the readiness of airport and airline partners to adopt the system
Long Range Air Traffic Flow Management	Long Range Air Traffic Flow Management (LR-ATFM) implementation commenced	<b>Fully met</b>
Information Strategy Implementation	Information management technology and services roadmap	<b>Fully met</b>

Source: Page 22 of the 2018–19 Corporate Plan



## Industry Leadership

Promoting opportunities to enhance the safe and secure growth of the aviation industry, anticipating future needs.

Our role in fostering and promoting civil aviation challenges us—as an industry leader—to be more proactive across the entire aviation ecosystem. We exemplify leadership by anticipating changes rather than responding, and bringing together stakeholders from across our industry and community to navigate complex issues. This collaboration supports industry growth, and helps create an environment for the aviation industry to thrive.

The outcomes of the initiatives below ensure we are **valued and accountable, efficient and commercial** and **innovative**.

Initiatives	Deliverables	Status
Fostering and Promoting Civil Aviation	ARFFS emergency airport planning established nationally	<b>Fully met</b>
	Commence Class E airspace trial	<b>Partially met</b>
	National standardisation of Class A and Class E airspace	Deliverables are part of the 2019–20 Airspace Modernisation Program

Source: Page 24 of the 2018–19 Corporate Plan



## Organisational Agility

Operating efficiently and effectively, while remaining agile to meet and exceed our customer and industry expectations.

Our organisational capability and capacity underpins everything we do. We need to set the internal conditions for service delivery and innovation to thrive, as we aim to be more agile to respond to a rapidly changing and complex environment.

This means continuing to develop a culture which is customer centric and commercially focused, and with the processes and systems in place to support our people.

The outcomes of the initiatives below are essential for us to succeed in being **safe and secure, valued and accountable, efficient and commercial, and innovative.**

Initiatives	Deliverables	Status
People	Workforce transformation roadmap delivered	<b>Fully met</b>
	Inclusion and diversity action plan delivered	<b>Fully met</b>
Digital Capability	Agile workplace technology implemented	<b>Fully met</b>
Cyber Resilience	Cyber security transformation program complete	<p><b>Substantially met</b></p> <p>The Security Operations Centre went 'live' in June 2019. The final phase of the program is scheduled for completion in quarter one of 2019-20. This includes the introduction of the Cyber Security Plan 2019-2021 and benefit realisation metrics</p>

Source: Page 27 of the 2018-19 Corporate Plan





### 3

# Financial Statements

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## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Infrastructure and Transport and Regional Development

#### Opinion

In my opinion, the financial statements of Airservices Australia ('the Entity') for the year ended 30 June 2019:

- comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- present fairly the financial position of the Entity as at 30 June 2019 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following statements as at 30 June 2019 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 the Entity 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.

#### Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Directors are responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under the Act. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation 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 the ability of the Entity 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 the Accountable Authority 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



Scott Sharp  
Executive Director

Delegate of the Auditor-General

Canberra

25 September 2019

# Financial statements


for the year ended 30 June 2019

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

In our opinion, the attached financial statements for the year ended 30 June 2019 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



**JASON HARFIELD**  
Chief Executive Officer



**PAUL LOGAN**  
Chief Financial Officer

Melbourne, 24 September 2019

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## Statement of Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
<b>CONTINUING OPERATIONS</b>			
<b>INCOME</b>			
Airways revenues	1.1	<b>1,093,958</b>	1,080,897
Finance income	1.1	<b>5,979</b>	2,150
Reversal of previous asset write-down		<b>955</b>	1,580
Other business revenue		<b>24,940</b>	22,273
Net gain on disposal of non-current assets	1.1	<b>710</b>	-
Miscellaneous income		<b>534</b>	3,647
<b>TOTAL INCOME</b>		<b>1,127,076</b>	1,110,547
<b>EXPENSES</b>			
Employee benefits	1.2	<b>644,538</b>	618,143
Suppliers		<b>219,516</b>	203,770
Depreciation and amortisation	2.3	<b>141,650</b>	147,250
Finance costs	1.2	<b>21,906</b>	21,791
Impairment loss allowance on financial instruments	1.2	<b>618</b>	1,762
Write-down and impairment of other assets	1.2	<b>11,027</b>	9,059
Net loss on disposal of non-current assets	1.2	<b>-</b>	1,901
<b>TOTAL EXPENSES</b>		<b>1,039,255</b>	1,003,676
<b>PROFIT BEFORE INCOME TAX</b>		<b>87,821</b>	106,871
Income tax expense	1.3	<b>25,414</b>	32,377
<b>PROFIT AFTER INCOME TAX</b>		<b>62,407</b>	74,494
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Changes in asset revaluation reserve		<b>14,056</b>	4,166
Actuarial gain on defined benefit fund	4.2	<b>(39,090)</b>	23,111
Income tax on items that will not be reclassified to profit or loss		<b>7,510</b>	(8,183)
<b>Items that may be reclassified subsequently to profit or loss</b>			
Loss on foreign exchange hedges		<b>(150)</b>	(1,277)
Income tax on items that may be reclassified to profit or loss		<b>45</b>	383
<b>TOTAL OTHER COMPREHENSIVE INCOME NET OF TAX</b>		<b>(17,629)</b>	18,200
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>44,778</b>	92,694

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

## Statement of Financial Position

As at 30 June 2019

	Notes	2019 \$'000	2018 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3.1	381,706	198,792
Trade and other receivables	2.1	126,662	122,436
Prepayments		32,436	33,359
Inventories		1,926	1,827
Assets classified as held for sale	2.2	3,272	-
Other current financial assets	2.6	338	1,076
<b>TOTAL CURRENT ASSETS</b>		<b>546,340</b>	357,490
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	2.3	911,987	969,124
Intangible assets	2.3	94,630	91,168
Assets under construction	2.3	259,903	219,061
Defined benefit fund asset	4.2	210,402	262,839
Other non-current financial assets	2.6	16,156	10,461
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,493,078</b>	1,552,653
<b>TOTAL ASSETS</b>		<b>2,039,418</b>	1,910,143
<b>CURRENT LIABILITIES</b>			
Trade and other payables	2.5	106,766	91,491
Employee provisions	4.1	221,311	216,322
Income tax payable		39,751	1,133
Other provisions	2.5	19,612	30,434
Borrowings	3.3	4,989	9,974
Other current financial liabilities	2.6	841	348
Other current liabilities	2.7	375	299
<b>TOTAL CURRENT LIABILITIES</b>		<b>393,645</b>	350,001
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	1.3	14,252	41,246
Employee provisions	4.1	42,617	41,120
Other provisions	2.5	62,813	51,134
Borrowings	3.3	672,354	671,340
Other non-current financial liabilities	2.6	14,890	6,669
Other non-current liabilities	2.7	89,125	37,446
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>896,051</b>	848,955
<b>TOTAL LIABILITIES</b>		<b>1,289,696</b>	1,198,956
<b>NET ASSETS</b>		<b>749,722</b>	711,187
<b>EQUITY</b>			
Retained earnings		408,317	367,313
Reserves		119,215	121,684
Contributed equity		222,190	222,190
<b>TOTAL EQUITY</b>		<b>749,722</b>	711,187

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 2019

	Retained earnings		Asset revaluation reserve	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Opening balance</b>				
Balance carried forward from previous period	367,313	289,594	122,482	123,795
Adjustment for changes in accounting policies	(1,410)	-	-	-
<b>Adjusted opening balance</b>	<b>365,903</b>	289,594	<b>122,482</b>	123,795
<b>Comprehensive income</b>				
Defined benefits actuarial gains – gross	(39,090)	23,111	-	-
Defined benefits actuarial gains – income tax effect	11,727	(6,933)	-	-
Net revaluation – gross	-	-	14,056	4,166
Net revaluation – income tax effect	-	-	(4,217)	(1,250)
Profit/(loss) for the period	62,407	74,494	-	-
<b>Total comprehensive income</b>	<b>35,044</b>	90,672	<b>9,839</b>	2,916
<b>Transactions with owners</b>				
Returns on capital				
Dividends	(9,800)	(18,900)	-	-
<b>Transfers between equity components</b>				
Revaluation reserve – disposals	17,363	5,947	(17,363)	(5,947)
Revaluation reserve – disposals (income tax effect)	(193)	-	5,209	1,784
Revaluation reserve – impairments (net of tax)	-	-	(49)	(66)
<b>Closing balance</b>	<b>408,317</b>	367,313	<b>120,118</b>	122,482

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	
2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
(798)	96	121,684	123,891	222,190	222,190	711,187	635,675
-	-	-	-	-	-	(1,410)	-
(798)	96	121,684	123,891	222,190	222,190	709,777	635,675
-	-	-	-	-	-	(39,090)	23,111
-	-	-	-	-	-	11,727	(6,933)
(150)	(1,277)	13,906	2,889	-	-	13,906	2,889
45	383	(4,172)	(867)	-	-	(4,172)	(867)
-	-	-	-	-	-	62,407	74,494
(105)	(894)	9,734	2,022	-	-	44,778	92,694
-	-	-	-	-	-	(9,800)	(18,900)
-	-	(17,363)	(5,947)	-	-	-	-
-	-	5,209	1,784	-	-	5,016	1,784
-	-	(49)	(66)	-	-	(49)	(66)
(903)	(798)	119,215	121,684	222,190	222,190	749,722	711,187

## Cash Flow Statement

For the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Receipts from customers (inclusive of GST)		<b>1,241,082</b>	1,223,688
Income tax refund		-	-
Interest received		<b>4,975</b>	2,012
<b>Total cash received</b>		<b>1,246,057</b>	1,225,700
<b>Cash used</b>			
Payments to employees		<b>(612,029)</b>	(632,773)
Payments to suppliers (inclusive of GST)		<b>(292,043)</b>	(287,781)
Borrowing costs		<b>(19,033)</b>	(20,021)
Income tax paid		<b>(1,048)</b>	-
<b>Total cash used</b>		<b>(924,153)</b>	(940,575)
<b>Net cash flows from operating activities</b>	3.2	<b>321,904</b>	285,125
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant, equipment and intangibles		<b>20,371</b>	1,856
<b>Total cash received</b>		<b>20,371</b>	1,856
<b>Cash used</b>			
Purchase of property, plant, equipment and intangibles		<b>(144,561)</b>	(129,133)
<b>Total cash used</b>		<b>(144,561)</b>	(129,133)
<b>Net cash flows used in investing activities</b>		<b>(124,190)</b>	(127,277)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash used</b>			
Dividends paid		<b>(9,800)</b>	(18,900)
Repayments of borrowings		<b>(5,000)</b>	(20,000)
<b>Total cash used</b>		<b>(14,800)</b>	(38,900)
<b>Net cash flows used in financing activities</b>		<b>(14,800)</b>	(38,900)
Net increase in cash and cash equivalents		<b>182,914</b>	118,948
Cash and cash equivalents at the beginning of the reporting period		<b>198,792</b>	79,844
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	3.1	<b>381,706</b>	198,792

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 2019.

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 24 September 2019.

### 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

Airservices applied AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

#### AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue* and related interpretations and applies to all revenues arising from contracts with customers, unless the contracts are within the scope of other standards such as AASB 16 *Leases*.

To determine whether to recognise revenue, Airservices follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Airservices enters into transactions involving a range of services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) Airservices satisfies the performance obligations by transferring the promised services to its customers.

Airservices recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if Airservices satisfies a performance obligation before it receives the consideration, either a contract asset or a receivable will be recognised in the statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

### Airways Revenue

Airways Revenue is primarily generated from contracts with airlines for the provision of the following services provided by Airservices:

- Terminal Navigation
- Enroute Charge
- Rescue and Firefighting
- Meteorological Service Charge
- Training Movements.

Customers are billed based on the flights movements. This revenue is comprised of the following two significant contracts:

- **Airways Revenue (non-GAO)** – These are charges regulated by the ACCC and are based on a model of cost recovery plus a return on our assets. Details of these charges are available in the current Contract for Aviation Facilities and Services Agreement.
- **General Aviation Option (GAO)** – This option is available to smaller aircraft operators for flight activities outside the control zone of major capital cities and customers receive an upfront discount when choosing to pay annually or quarterly in advance. Where customers choose to take up on the GAO, they are billed upfront for the corresponding financial year.

Based on the analysis performed by Airservices, it is determined that the adoption of AASB 15 will not have a material impact upon Airways Revenue.

### Other Commercial Revenue

Other Commercial Revenue is made up of a number of different contracts related to a range of services delivered by Airservices. The services constituting the majority of the balance include:

- Air Traffic Management Services
- Other Service Delivery Revenue
- Non-Aviation Revenue
- Fire Services.

Based on the analysis performed by Airservices, it is determined that the adoption of AASB 15 will not have a material impact upon Other Commercial Revenue.

### Miscellaneous Income

The Miscellaneous Income revenue stream records reimbursements and legal costs. Based on the analysis performed by Airservices, it is determined that the adoption of AASB 15 will not have a material impact upon Miscellaneous Income.

### AASB 9 Financial Instruments

AASB 9 *Financial Instruments* changed accounting policies for financial assets and liabilities covering classification and measurement, hedge accounting and impairment. Airservices first adopted AASB 9 on 1 July 2018 and has applied it retrospectively in respect of classification, measurement and impairment without restating comparatives, consistent with the requirements under AASB 9. Any cumulative effects of initial application have been recognised as an adjustment to the opening balance sheet for the period beginning 1 July 2018.

The following are the changes in the classification of Airservices financial assets and liabilities:

- **Cash and cash equivalents, and Receivables** – previously classified as held to maturity are now classified and measured as amortised cost. The change in classification had no impact on the carrying amounts as at 1 July 2018.
- **Medium Term Notes, Commercial Paper and Trade and other payables** – previously classified as held to maturity are now classified and measured as amortised cost. The change in classification had no impact on the carrying amounts as at 1 July 2018.
- **Navigation and augmentation systems receivable** – financial assets that related to future royalty streams arising from the expected sales of Ground Based Augmentation Systems (GBAS) and expected use of Instrument Landing System (ILS) at Wagga Airport were assessed. Under AASB 139, the royalty streams were classified as a financial asset, being the right (conditional) to receive contractual cash-flows which arise from a past transaction (i.e. the Royalty Agreement with Honeywell and Wagga Council). Airservices used the fair value option to account for the royalty stream at fair value through the income statement. As at 30 June 2018, the fair value of these financial assets were \$1.41m. Any future royalty payments from these royalty streams are conditional on something other than the passage of time. It is not highly probable that a significant reversal in the revenue will not occur and as such, the royalty streams are not considered a contract asset. Hence on initial adoption of AASB 9, any future payment is neither a contract asset nor a receivable. The fair values of these previously recognised financial assets at Fair Value Through Profit and Loss (FVTPL) are derecognised and an adjustment taken through 2018-19 opening retained earnings.

#### Reconciliation of carrying amounts of financial assets on the date of initial application of AASB 9

	AASB 139 carrying amount at 30 June 2018 \$'000	Reclassification \$'000	Remeasurement \$'000	AASB 9 carrying amount at 1 July 2018 \$'000
<b>Financial assets at amortised cost</b>				
Receivables	122,436	-	-	<b>122,436</b>
Other financial assets	11,537	(1,410)	-	<b>10,127</b>
<b>Total amortised cost</b>	<b>133,973</b>	<b>(1,410)</b>	<b>-</b>	<b>132,563</b>

#### Impact on the financial statements

The total impact on the group's retained earnings as at 1 July 2019 is as follows:

	\$'000
Closing retained earnings 30 June 2018	367,313
Derecognise financial assets previously designated at FVTPL	(1,410)
<b>Opening retained earnings 1 July – AASB 9</b>	<b>365,903</b>

## Impairment of Financial Assets

The adoption of AASB 9 has changed Airservices accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires Airservices to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. Airservices has determined that while trade and other receivables are subject to the impairment requirements of IFRS 9, the change to the identified impairment loss was not material.

No other new standards that were issued prior to the sign-off date and are applicable to the current reporting period had a material effect, and are not expected to have a future material effect on the entity's financial statements. No accounting standard has been adopted earlier than the application date as stated in the standard.

## Future Australian Accounting Standard requirements

The following new standard was 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 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 liabilities of Airservices. It will also significantly change the presentation of lease expenses in the income statement and impact profit.</p> <p><b>Transition Options</b></p> <p>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.</p> <p>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.</p> <p>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.</p>	1 Jan 2019	1 July 2019

Reference	Title	Summary	Application date of standard	Application date for Airservices																																								
AASB 16	Leases	<p><b>Estimated impact of the adoption of AASB 16</b></p> <p>Airservices have 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.</p>	1 Jan 2019	1 July 2019																																								
		<table border="1"> <thead> <tr> <th></th> <th>AASB 117 \$'000</th> <th>AASB 16 \$'000</th> <th>Impact \$'000</th> </tr> </thead> <tbody> <tr> <td colspan="4"><b>Statement of Financial Performance</b></td> </tr> <tr> <td>Right of Use Asset</td> <td>-</td> <td>177,295</td> <td>177,295</td> </tr> <tr> <td>Lease Liability</td> <td>-</td> <td>(180,872)</td> <td>(180,872)</td> </tr> <tr> <td><b>Net Assets</b></td> <td>-</td> <td>(3,577)</td> <td>(3,577)</td> </tr> <tr> <td colspan="4"><b>Profit</b></td> </tr> <tr> <td>Lease rentals</td> <td>(14,966)</td> <td>-</td> <td>14,966</td> </tr> <tr> <td>Amortisation</td> <td>-</td> <td>(15,923)</td> <td>(15,923)</td> </tr> <tr> <td>Finance Costs</td> <td>-</td> <td>(3,896)</td> <td>(3,896)</td> </tr> <tr> <td><b>Profit / (Loss) before tax</b></td> <td>(14,966)</td> <td>(19,819)</td> <td>(4,853)</td> </tr> </tbody> </table> <p>Airservices will continue to assess the potential impacts of AASB 16 on its financial statements during the 2019/20 financial year.</p>		AASB 117 \$'000	AASB 16 \$'000	Impact \$'000	<b>Statement of Financial Performance</b>				Right of Use Asset	-	177,295	177,295	Lease Liability	-	(180,872)	(180,872)	<b>Net Assets</b>	-	(3,577)	(3,577)	<b>Profit</b>				Lease rentals	(14,966)	-	14,966	Amortisation	-	(15,923)	(15,923)	Finance Costs	-	(3,896)	(3,896)	<b>Profit / (Loss) before tax</b>	(14,966)	(19,819)	(4,853)		
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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.

## 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 2019.

### 1.1 Revenue

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Airways revenue</b>		
Airways Revenue	<b>1,093,958</b>	1,080,897

#### *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 35% (2018: 36%) related to the Qantas Group including the Jetstar Group, and 18% (2018: 18%) 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**

Deposits	<b>5,393</b>	1,462
Cash at bank	<b>445</b>	456
Other	<b>141</b>	232
<b>Total finance income</b>	<b>5,979</b>	2,150

### Accounting Policy

#### *Finance income*

Finance income is recognised using the effective interest method as set out in AASB 9 *Financial Instruments*. 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.

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Net gain on disposal of non-current assets</b>		
Property, plant and equipment:		
Proceeds from sale	<b>20,371</b>	-
Written down value of scrapped assets	<b>(19,661)</b>	-
<b>Net gain on disposal of non-current assets</b>	<b>710</b>	-
<b>1.2 Expenses</b>		
<b>Employee benefits</b>		
Wages and salaries	<b>441,935</b>	441,806
Superannuation (defined contribution funds)	<b>49,507</b>	48,485
Leave and other entitlements	<b>138,863</b>	112,538
Separation and redundancies – other	<b>542</b>	851
<b>Employee benefits (excluding defined benefit superannuation expense)</b>	<b>630,847</b>	603,680
<b>Net defined benefit superannuation expense recognised in employee benefits</b>		
Current service cost	<b>24,681</b>	25,154
Net interest expense	<b>(10,990)</b>	(10,691)
<b>Defined benefit superannuation expense</b>	<b>13,691</b>	14,463
<b>Total employee benefits</b>	<b>644,538</b>	618,143
<b>Finance Costs</b>		
Borrowing costs	<b>20,232</b>	20,982
Interest rate swap fair value loss	<b>1,674</b>	809
<b>Total finance costs</b>	<b>21,906</b>	21,791
<b>Impairment loss allowance on financial instruments</b>		
Movement in allowance for impairment (receivables)	<b>(1,138)</b>	1,458
Bad debts written off	<b>1,756</b>	304
<b>Total impairment loss allowance on financial instruments</b>	<b>618</b>	1,762
<b>Write-down and impairment of other assets</b>		
Impairment of property, plant and equipment	<b>6,405</b>	3,260
Revaluation decrements	<b>4,622</b>	5,799
<b>Total write-down and impairment of other assets</b>	<b>11,027</b>	9,059
<b>Net loss on disposal of non-current assets</b>		
Proceeds from disposal of non-current assets	-	(1,856)
Written-down value of disposed non-current assets	-	3,657
Proceeds from disposal of assets held for sale	-	-
Written-down value of disposed assets held for sale	-	100
<b>Net loss on disposal of non-current assets</b>	-	1,901
<b>Operating lease charges</b>	<b>14,966</b>	18,018

## 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 2 to 3 years, with some printers having a lease term up to 5 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:**

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Within 1 year	<b>31,658</b>	11,802
Between 1 to 5 years	<b>97,951</b>	46,068
More than 5 years	<b>89,902</b>	101,499
<b>Total operating lease commitments</b>	<b>219,511</b>	159,369

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

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Income tax expense</b>		
Current tax expense	<b>39,666</b>	35,669
Deferred tax expense	<b>(14,252)</b>	(3,292)
<b>Income tax expense attributable to profit from continuing operations</b>	<b>25,414</b>	32,377
<b>Reconciliation of income tax expense to prima facie tax payable</b>		
Profit from continuing operations before income tax expense	<b>87,821</b>	106,871
Prima facie income tax expense at 30%	<b>26,346</b>	32,061
Tax effect of amounts which are not deductible/assessable in calculating taxable income:		
Non-deductible legal costs	<b>25</b>	11
Prior year over provision of tax	<b>792</b>	(251)
Other non-deductible/(assessable) expenditure	<b>(1,749)</b>	556
<b>Income tax expense</b>	<b>25,414</b>	32,377

### 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.

	<b>2019</b>	2018
	<b>\$'000</b>	\$'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	<b>(8,970)</b>	(17,259)
Allowance for impairment	<b>684</b>	1,025
Employee benefits	<b>57,828</b>	52,079
Provision for revenue to be returned to customers	<b>182</b>	152
Provision for legal costs	<b>548</b>	253
Other provisions	<b>24,721</b>	23,235
Accruals	<b>1,670</b>	2,908
Movement in booked losses	-	-
	<b>76,663</b>	62,393
<i>Amounts recognised directly in equity</i>		
Foreign exchange hedge reserve	<b>387</b>	209
Revaluation of land, buildings, plant and equipment	<b>(51,676)</b>	(52,495)
Defined benefit (asset) / liability	<b>(39,626)</b>	(51,353)
	<b>(90,915)</b>	(103,639)
<b>Net deferred tax (liability) / assets</b>	<b>(14,252)</b>	(41,246)
<b>Movements:</b>		
Opening balance at 1 July	<b>(41,246)</b>	(3,894)
Charged to the statement of comprehensive income	<b>14,252</b>	3,292
Credited to equity	<b>12,742</b>	(6,110)
Movement in booked losses/tax offsets	-	(34,534)
<b>Closing balance at 30 June</b>	<b>(14,252)</b>	(41,246)

## **Tax losses**

Airservices has capital losses of \$5.0m (2018: \$5.0m) 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 that 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 2019 of \$4.8m (2018: \$8.9m) was paid on 14 June 2019. A final dividend of \$5.0m for the year ended 30 June 2018 was paid on 28 February 2019 (2018: \$10.0m final dividend for the year ending 30 June 2017).

### ***Franking credits***

Franking credits available for subsequent financial years based on a tax rate of 30% (30 June 2018: 30%) are \$294.1m (30 June 2018: \$293.1m).

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

	2019 \$'000	2018 \$'000
<b>Trade and other receivables</b>		
Trade receivables (a)	<b>124,854</b>	122,701
Less impairment loss allowance (b)	<b>(2,278)</b>	(3,416)
	<b>122,576</b>	119,285
Accrued revenue and interest	<b>3,908</b>	2,689
Other receivables	<b>178</b>	462
<b>Total current receivables</b>	<b>126,662</b>	122,436
<b>(a) Ageing analysis of trade receivables</b>		
Current	<b>95,781</b>	98,851
<b>Overdue by:</b>		
1 to 30 days	<b>25,688</b>	20,177
31 to 60 days	<b>1,524</b>	790
61 to 90 days	<b>881</b>	603
90 + days	<b>980</b>	2,280
<b>Total trade receivables</b>	<b>124,854</b>	122,701
<b>Trade and other receivables (net) expected to be recovered</b>		
No more than 12 months	<b>124,854</b>	122,701
More than 12 months	-	-
<b>Total trade and other receivables (net)</b>	<b>124,854</b>	122,701
<b>(b) Reconciliation of the impairment loss allowance</b>		
Opening balance	<b>3,416</b>	1,958
Increase recognised in net profit	<b>(1,138)</b>	1,458
Closing balance	<b>2,278</b>	3,416
The provision for impairment of receivables is aged as follows:		
Current	<b>151</b>	163
<b>Overdue by:</b>		
1 to 30 days	<b>356</b>	149
31 to 60 days	<b>283</b>	182
61 to 90 days	<b>390</b>	247
90 + days	<b>1,098</b>	2,675
<b>Total provision for impairment of receivables</b>	<b>2,278</b>	3,416

Credit terms for goods and services are 28 days.

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## 2.2 Assets classified as held for sale

Two land assets have been identified as surplus to the requirements of Airservices and have been classified as assets held for sale. Disposal is expected to be completed within the 2019–20 financial year. The carrying amount of the asset amounts is \$3.3m (30 June 2018: \$nil).

## 2.3 Property, plant and equipment and intangibles

### Non-current assets – property, plant, equipment and intangibles

	Land \$'000	Buildings \$'000	Plant and equipment \$'000
<b>As at 1 July 2018</b>			
Gross book value	49,547	399,040	761,112
Accumulated depreciation and impairment	-	(25,516)	(215,059)
<b>Net book value 1 July 2018</b>	<b>49,547</b>	<b>373,524</b>	<b>546,053</b>
Additions	-	9,700	65,590
Revaluations	(3,605)	3,027	10,967
Impairments – recognised in profit and loss	-	(66)	(247)
Impairments – recognised in other comprehensive income	-	-	(67)
Commissioned assets under construction	-	-	-
Depreciation/amortisation expense	-	(32,225)	(87,665)
Transfers	-	-	-
Disposals – other	(16,720)	(1,255)	(1,299)
Transferred to assets held for sale	(3,272)	-	-
<b>Net book value 30 June 2019</b>	<b>25,950</b>	<b>352,705</b>	<b>533,332</b>
<b>Net book value as of 30 June 2019 represented by:</b>			
Gross book value	25,950	410,144	731,775
Accumulated depreciation and impairment	-	(57,439)	(198,443)
	<b>25,950</b>	<b>352,705</b>	<b>533,332</b>

<sup>1</sup> Total Assets under Construction includes \$188.59m of intangible assets which is mainly comprised of the OneSKY – Civil Military Air Traffic Control System and \$62.0m of property, plant and equipment.

Total property, plant and equipment \$'000	Internally developed software \$'000	Other intangible assets \$'000	Total intangibles \$'000	Assets under construction \$'000	Total \$'000
1,209,699	321,254	86,594	407,848	219,061	1,836,608
(240,575)	(235,687)	(80,993)	(316,680)	-	(557,255)
969,124	85,567	5,601	91,168	219,061	1,279,353
75,290	28,266	52	28,318	145,677	249,285
10,389	-	-	-	-	10,389
(313)	(2,631)	(78)	(2,709)	(3,383)	(6,405)
(67)	-	-	-	-	(67)
-	-	-	-	(101,452)	(101,452)
(119,890)	(18,932)	(2,828)	(21,760)	-	(141,650)
-	-	-	-	-	-
(19,274)	(330)	(57)	(387)	-	(19,661)
(3,272)	-	-	-	-	(3,272)
911,987	91,940	2,690	94,630	259,903	1,266,520
1,167,869	344,675	83,301	427,976	259,903	1,855,748
(255,882)	(252,735)	(80,611)	(333,346)	-	(589,228)
911,987	91,940	2,690	94,630	259,903	1,266,520

## Non-current assets – property, plant, 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 1 July 2017</b>	<b>51,127</b>	<b>341,638</b>	<b>577,051</b>
Additions – internally developed	-	-	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 – other	(980)	(410)	(2,138)
<b>Net book value 30 June 2018</b>	<b>49,547</b>	<b>373,524</b>	<b>546,053</b>
<b>Net book value as of 30 June 2018 represented by:</b>			
Gross book value	49,547	399,040	761,112
Accumulated depreciation and impairment	-	(25,516)	(215,059)
	49,547	373,524	546,053



<b>Total property, plant and equipment \$'000</b>	<b>Internally developed software \$'000</b>	<b>Other intangibles assets \$'000</b>	<b>Total intangibles \$'000</b>	<b>Assets under construction \$'000</b>	<b>Total \$'000</b>
1,122,865	316,511	85,559	402,070	209,097	1,734,032
(153,049)	(212,754)	(77,508)	(290,262)	-	(443,311)
969,816	103,757	8,051	111,808	209,097	1,290,721
14,031	-	-	-	128,916	142,947
(53)	-	-	-	-	(53)
-	-	-	-	(3,260)	(3,260)
(95)	-	-	-	-	(95)
109,197	4,761	1,734	6,495	(115,692)	-
(120,244)	(22,951)	(4,055)	(27,006)	-	(147,250)
-	-	-	-	-	-
(3,528)	-	(129)	(129)	-	(3,657)
969,124	85,567	5,601	91,168	219,061	1,279,353
1,209,699	321,254	86,594	407,848	219,061	1,836,608
(240,575)	(235,687)	(80,993)	(316,680)	-	(557,255)
969,124	85,567	5,601	91,168	219,061	1,279,353

### (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 Jardine Lloyd Thompson Pty Ltd (JLT) to value its land and buildings (Jones Lang LaSalle (JLL) Australia were used for the previous year). The effective date of the revaluation was 30 June 2019.

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

Capital commitments for property, plant, equipment and intangibles was \$42.1m (2018: \$24.8m). 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 \$1.2bn, with capital commitments at 30 June 2019 of \$1.1bn.

### (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:

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Land</b>		
At cost	<b>2,271</b>	2,271
	<b>2,271</b>	2,271
<b>Buildings</b>		
At cost	<b>565,340</b>	556,792
Accumulated depreciation	<b>(249,283)</b>	(229,986)
Net book amount	<b>316,057</b>	326,806
<b>Plant and Equipment</b>		
At cost	<b>1,357,994</b>	1,309,050
Accumulated depreciation	<b>(786,567)</b>	(719,180)
Net book amount	<b>571,427</b>	589,871

### (e) Borrowing Costs

The amount of borrowing costs capitalised during the year ended 30 June 2019 was \$5.1m (2018: \$4.5m). As Airservices borrows money generally to fund both operating and capital expenditure, the weighted average cost of borrowings of 3.71% (2018: 3.73%) 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 2019.

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.

	2019	2018
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 Note 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 2019.

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 2019 by hierarchy for assets and liabilities

	Fair value measurements at the end of the reporting period				
	2019 \$'000	2018 \$'000	Category (Level 1, 2, or 3)	Valuation technique	Inputs used
<b>Financial assets</b>					
Forward exchange contracts	709	591	2	ADCF	[1]
Foreign currency receivable	-	366	2	ADCF	[1]
Interest rate swaps	15,785	9,170	2	ADCF	[2]
<b>Total financial assets at fair value</b>	<b>16,494</b>	<b>10,127</b>			
<b>Non-financial assets</b>					
Land	25,950	990	2	DC	[3]
	-	48,557	3	DC	[4]
Buildings	352,705	373,524	3	DRC	[5]
Plant and equipment	533,332	546,053	3	DRC	[6]
Assets held for sale	3,272	-	2	DC	[3]
<b>Total non-financial assets at fair value</b>	<b>915,259</b>	<b>969,124</b>			
<b>Total fair value measurements of assets</b>	<b>931,753</b>	<b>979,251</b>			
<b>Financial liabilities</b>					
Forward exchange contracts	1,974	1,288	2	ADCF	[1]
Interest rate swaps	13,757	5,729	2	ADCF	[2]
<b>Total financial liabilities at fair value</b>	<b>15,731</b>	<b>7,017</b>			
<b>Total fair value measurements of liabilities</b>	<b>15,731</b>	<b>7,017</b>			

Notes:

DC – Direct Comparison

DRC – Depreciated Replacement Cost

DCF – Discounted Cash flows

ADCF – Adjusted Discounted Cash flows

WA – Weighted Average

[1] Current foreign exchange market rates.

[2] Current market interest rates.

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

[4] 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.

[5] Historical capitalised costs adjusted to current date by the application of specific indices (range used: +1.5% – +3.75%)

[6] Historical capitalised costs adjusted to current date by the application of specific indices considered appropriate to particular asset categories (range used: -4%–+2%)

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 have been derived using the direct comparison approach whereby the evidence derived from 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 area, contours, locations, access and alternate potential. The sales were analysed on a sale price per square metre of land area and adjusted accordingly to reflect any character differences between the subject property and the comparable sales data.

### ***Buildings***

Non-specialised building assets where the asset can be identified as having capability to be compared to open market conditions have been valued using the capitalised income approach whereby a yield is applied to the properties income (actual or assumed) to assess the value.

Specialised buildings and site improvements have been valued on the basis of Depreciated Replacement Cost (Summation Method). This has been determined by first establishing the estimated cost to replace with an equivalent new asset less depreciation for their physical, functional and economic obsolescence.

Most building assets possess an alternate use potential, however, that potential can only be realised if the underlying conditions of the land permit an alternate use. In most instances the land lease agreements Airservices Australia has entered into preclude using the underlying land and the buildings upon the land in any other way than to provide the specialised services specifically related to Airservices Australia. Where the land lease conditions preclude Airservices Australia from partaking in otherwise normal market conditions, the building assets were valued as a specialised asset.

### ***Plant and Equipment***

All plant and equipment assets are considered to be specialised and have been valued using the Cost Approach (depreciated replacement cost). Generally, the plant and equipment assets are typical at each airport and only vary subject to the operational requirements of each airport. Airservices assets include navigational aids, en-route surveillance systems, airport infrastructure and fire and rescue vehicles. These assets 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.

## 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
	2019 \$'000	2019 \$'000	2019 \$'000	2019 \$'000
<b>Opening balance</b>	<b>48,557</b>	<b>373,524</b>	<b>546,053</b>	<b>968,134</b>
Total gains/(losses) recognised in Statement of Comprehensive Income	-	-	955	955
Total gains/(losses) recognised in Other Comprehensive Income	(3,630)	2,961	9,698	9,029
Purchases	-	9,700	65,590	75,290
Disposals	(16,720)	(1,255)	(1,299)	(19,274)
Depreciation	-	(32,225)	(87,665)	(119,890)
Transfers out of Level 3 <sup>1</sup>	(28,207)	-	-	(28,207)
<b>Closing balance</b>	<b>-</b>	<b>352,705</b>	<b>533,332</b>	<b>886,037</b>

<sup>1</sup> A transfer from Level 3 to Level 2 inputs has occurred as a result of the direct comparison approach being adopted as the primary method of assessment. Previous assessments were conducted with the assumption of the land being capable of being rezoned in line with similar land zonings of surrounding developments.

## 2.5 Other provisions and payables

	2019 \$'000	2018 \$'000
<b>Current payables and other provisions</b>		
<b>Current trade and other payables</b>		
Trade payables	14,927	15,081
Employees		
Salaries and wages	12,695	10,867
Superannuation	1,594	1,211
Tax payables		
Accrued payroll tax	2,847	2,844
Net goods and services tax payable	13,267	14,554
Group tax payable	6,149	5,842
Revenue received in advance	1,153	879
Interest payable	2,806	2,848
Other accrued expenses	51,328	37,365
<b>Total current trade and other payables</b>	<b>106,766</b>	<b>91,491</b>
<b>Current other provisions</b>		
Revenue to be returned to customers	607	505
ARFFS decontamination	15,743	23,875
Litigation and legal costs	1,825	844
Makegood on leasehold assets	614	3,797
Other	823	1,413
<b>Total current other provisions</b>	<b>19,612</b>	<b>30,434</b>
<b>Total current provisions and payables</b>	<b>126,378</b>	<b>121,925</b>
<b>Non-current other provisions</b>		
ARFFS decontamination	38,781	32,302
Makegood on leasehold assets	24,032	18,832
<b>Total non-current provisions</b>	<b>62,813</b>	<b>51,134</b>

### *Description of provisions*

#### **ARFFS decontamination**

The provision relates to the assessment, management and containment of possible contaminated ARFFS training sites as outlined 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.

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Movements in provisions</b>		
(i) Revenue to be returned to customers (Current)		
Carrying amount at start of period	<b>505</b>	373
Additional provisions made	<b>102</b>	132
Carrying amount at end of period	<b>607</b>	505
(ii) ARFFS decontamination (Current/Non-current)		
Carrying amount at start of period	<b>56,177</b>	23,242
Additional provisions made	<b>4,191</b>	36,842
Payments	<b>(5,844)</b>	(3,907)
Carrying amount at end of period	<b>54,524</b>	56,177
(iii) Litigation and legal costs (Current)		
Carrying amount at start of period	<b>844</b>	394
Additional provisions made	<b>1,825</b>	775
Payments	<b>(844)</b>	(325)
Carrying amount at end of period	<b>1,825</b>	844
(iv) Makegood on leasehold assets (Current/Non-current)		
Carrying amount at start of period	<b>22,629</b>	8,815
Additional provisions made	<b>2,161</b>	14,031
Payments	<b>(144)</b>	(217)
Carrying amount at end of period	<b>24,646</b>	22,629
(vi) Other (Current)		
Carrying amount at start of period	<b>1,413</b>	1,574
Payments	<b>(590)</b>	(161)
Carrying amount at end of period	<b>823</b>	1,413

## 2.6 Other financial assets and liabilities

	2019 \$'000	2018 \$'000
<b>Other current financial assets</b>		
Interest rate swaps	-	3
Forward exchange contracts	338	414
Foreign currency receivable	-	366
Navigation and augmentation systems receivable	-	293
<b>Total other current financial assets</b>	<b>338</b>	<b>1,076</b>
<b>Other non-current financial assets</b>		
Interest rate swaps	15,785	9,167
Forward exchange contracts	371	177
Navigation and augmentation systems receivable	-	1,117
<b>Total other non-current financial assets</b>	<b>16,156</b>	<b>10,461</b>

Refer to Note 2.4 for basis of fair value measurement.

### Other current financial liabilities

Interest rate swaps	506	184
Forward exchange contracts	335	164
<b>Total other current financial liabilities</b>	<b>841</b>	<b>348</b>

### Other non-current financial liabilities

Interest rate swaps	13,251	5,545
Forward exchange contracts	1,639	1,124
<b>Total other non-current financial liabilities</b>	<b>14,890</b>	<b>6,669</b>

## 2.7 Other assets and other liabilities

	2019 \$'000	2018 \$'000
<b>Other current liabilities</b>		
Lease liability <sup>1</sup>	375	299
<b>Total other current liabilities</b>	<b>375</b>	<b>299</b>
<b>Other non-current liabilities</b>		
Lease liability <sup>1</sup>	4,063	375
Other <sup>2</sup>	85,062	37,071
<b>Total other non-current liabilities</b>	<b>89,125</b>	<b>37,446</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 \$13.9m (2018: \$13.4m).

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

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Cash and cash equivalents</b>		
Cash at bank and in hand	<b>36,006</b>	33,792
Deposit at call	<b>80,700</b>	140,000
Term deposits	<b>265,000</b>	25,000
<b>Total cash and cash equivalents</b>	<b>381,706</b>	198,792

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

Cash at bank has a floating interest rate of 1.45% (30 June 2018: 1.70%) for balances up to \$25m. For balances greater than \$25m, the interest rate is 1.25% (30 June 2018: 1.50%). Cash in hand and some non-interest bearing bank accounts have a zero interest rate.

##### (b) Deposits at call

The deposits at call have a floating interest rate of 1.25% (30 June 2018: 1.50%). These 11am cash deposits are rolled over on a daily basis.

##### (c) Term deposits

This represents \$40m maturing on 12 July 2019, \$20m maturing on 24 July 2019, \$25m maturing on 6 August 2019, \$45m maturing on 8 August 2019, \$35m maturing on 10 September 2019, \$30m maturing on 20 September 2019, \$35m maturing on 11 October 2019 and \$35m maturing on 14 November 2019. Term deposits have a weighted average interest rate of 2.26%.

## 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

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Reconciliation of net profit after income tax to net cash flows from operations</b>		
Net profit after income tax	<b>62,407</b>	74,494
Adjustments for:		
Depreciation expense	<b>141,650</b>	147,250
Impairment recognised for property, plant and equipment	<b>6,405</b>	3,260
Reversal of previous asset write-downs	<b>(955)</b>	(1,580)
Net gain on sale/write-down of non-current assets	<b>(710)</b>	-
Net loss on sale/write-down of non-current assets	<b>2,258</b>	8,735
Fair value adjustments to derivatives	<b>(1,410)</b>	-
AvSuper defined benefit contributions movement (after tax)	<b>(27,363)</b>	16,178
Change in assets		
(Increase)/decrease in gross receivables	<b>(1,312)</b>	(952)
(Increase)/decrease in inventories	<b>(99)</b>	(35)
(Increase)/decrease in prepayments	<b>923</b>	(24,031)
(Increase)/decrease in other assets	<b>(6,733)</b>	2,872
(Increase)/decrease in deferred tax	<b>(27,095)</b>	36,969
Change in liabilities		
Increase/(decrease) in employee benefits	<b>61,134</b>	(51,240)
Increase/(decrease) in allowance for impairment	<b>(1,138)</b>	1,458
Increase/(decrease) in legal provisions	<b>981</b>	450
Increase/(decrease) in other liabilities	<b>100,658</b>	32,068
Increase/(decrease) in other provisions	<b>(226)</b>	25,514
Increase/(decrease) in creditors and accruals	<b>12,427</b>	13,583
Increase/(decrease) in revenue to be returned to customers provision	<b>102</b>	132
Net cash flow from operating activities	<b>321,904</b>	285,125

### 3.3 Borrowings

	2019 \$'000	2018 \$'000
<b>Unsecured borrowings</b>		
Current <sup>1</sup>	4,989	9,974
Non-current <sup>2</sup>	672,354	671,340
<b>Total borrowings</b>	<b>677,343</b>	681,314

1 This represents an amount issued under a \$300m commercial paper program in one tranche on 21 May 2019.

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

### 3.4 Standby arrangements and unused credit facilities

	2019 \$'000	2018 \$'000
<b>Unused credit facilities – bank overdraft</b>	<b>5,000</b>	5,000
Borrowing facilities		
Commercial paper (only expires if cancelled)	300,000	300,000
Medium term note program	975,000	975,000
Committed standby facilities	180,000	200,000
Uncommitted 11am borrowing	60,000	60,000
<b>Total borrowing facilities</b>	<b>1,515,000</b>	1,535,000
Amount utilised	(680,000)	(685,000)
<b>Unused borrowing facilities</b>	<b>835,000</b>	850,000

### 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.

## Financial assets and liabilities – classification and measurement

### Cash and cash equivalents

Airservices cash and cash equivalents are overnight or short term deposits that are held to maturity and have cash flows that solely represent principal and interest. All cash and cash equivalents are classified under AASB 9 as financial assets at amortised cost.

### Trade and other receivables

All Airservices trade receivable cash flows solely represent principal and interest payments and are classified under AASB 9 as financial assets at amortised cost. When measuring its trade and other receivables, Airservices has adopted the AASB 9 simplified approach to measure the impairment loss allowance at an amount equal to the lifetime expected credit loss.

### Medium term notes and commercial papers

Airservices financial liabilities include medium term notes and commercial papers which are initially measured at fair value less transactions costs and subsequently remeasured using the effective interest method. Under AASB 9 these instruments are all classified as financial liabilities at amortised cost.

### ***Trade and other payables***

Supplier and other payables are recognised at amortised cost as all cash flows solely represent payment of principal. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

### ***Derivative financial instruments***

Under AASB 9, all Airservices derivative financial liabilities by default are measured and classified as financial assets or liabilities at fair value through profit and loss.

## **Derivative financial instruments – hedge accounting under AASB 9**

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 on reporting date. Derivatives are carried as current or non-current financial assets when the fair value is positive and as current and non-current 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, which is recognised in other comprehensive income.

### ***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 does not apply netting to the fair values of its financial assets and liabilities. The Statement of Financial Position separates the fair values into current and non-current financial assets and liabilities. However, as at 30 June 2019, if netting was applied to the FEC portfolio then currency derivative assets of \$709,022 would have been reduced by currency derivative liabilities of \$1,973,853 to the net liability amount of \$1,264,831 (30 June 2018: currency derivative assets of \$591,027 would have been reduced by currency derivative liabilities of \$1,287,955 to the net liability amount of \$696,928). If netting was applied to the IRS portfolio then interest rate swap assets of \$15,784,746 would have been reduced by interest rate swap liabilities of \$13,756,379 to the net asset amount of \$2,028,367 (30 June 2018: interest rate swap assets of \$9,169,616 would have been reduced by interest rate swap liabilities of \$5,729,034 to the net asset amount of \$3,440,582).

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.

	<b>AASB 139 accounting classification</b>	<b>AASB 9 accounting classification</b>	<b>Carrying amount 2019 \$'000</b>	<b>Fair value 2019 \$'000</b>	<b>Carrying amount 2018 \$'000</b>	<b>Fair value 2018 \$'000</b>
<b>Assets</b>						
Forward exchange contracts	FVTPL	FVTPL	-	-	-	-
Cash and cash equivalents	HTM	AC	<b>381,706</b>	<b>381,706</b>	198,792	198,792
Receivables	AC	AC	<b>126,662</b>	<b>126,662</b>	122,436	122,436
Interest rate swaps	FVTPL	FVTPL	<b>2,028</b>	<b>2,028</b>	3,441	3,441
Other financial assets	FVTPL	FVOCI (equity instruments)	-	-	1,410	1,410
<b>Total assets</b>			<b>510,396</b>	<b>510,396</b>	326,079	326,079
<b>Liabilities</b>						
Forward exchange contracts	FVTPL	FVTPL	<b>1,265</b>	<b>1,265</b>	697	697
Medium Term Notes	HTM	AC	<b>672,354</b>	<b>712,458</b>	671,340	686,245
Trade and other payables	AC	AC	<b>106,766</b>	<b>106,766</b>	91,491	91,491
Commercial Paper	HTM	AC	<b>4,989</b>	<b>4,991</b>	9,974	9,951
<b>Total liabilities</b>			<b>785,374</b>	<b>825,480</b>	773,502	788,384

Notes:

AC – Amortised Cost

FVTPL – Fair Value Through Profit and Loss

HTM – Held to Maturity

FVOCI – Fair Value Through Other Comprehensive Income

## Financial risk

The financial risk management policy is aligned to Airservices risk appetite statement. The policy identifies financial risks and provides effective guidance on how Airservices manages 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 \$150 million. Counterparty credit exposure is assessed using the principles of the 'Current Exposure Method'. As at 30 June 2019, the maximum risk exposure to all authorised counterparties after applying the Current Exposure Method was \$471.8m (30 June 2018: \$264.6m).

Airservices is exposed to credit risk arising from potential default of debtors. This is equal to the total amount of trade and other receivables (2019: \$126.662m and 2018: \$122.436m). Airservices has assessed the risk of default on payment and has allocated \$2.28m in 2019 (2018: \$3.416m) 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 2019 \$'000</b>	Not past due nor impaired 2018 \$'000	<b>Past due or impaired 2019 \$'000</b>	Past due or impaired 2018 \$'000
Loans and receivables	<b>95,781</b>	98,688	<b>29,073</b>	24,013
<b>Total</b>	<b>95,781</b>	98,688	<b>29,073</b>	24,013

Airservices is exposed to concentration of risk with respect to trade receivables. 53% of revenues earned are from the following dominant operators: Qantas Group (including Jetstar), Virgin Group (including Tiger Airways Australia).



## 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.

2019	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	-	-	-	-	-	106,766	106,766
Commercial paper	1.61	5,000	-	-	-	-	5,000
Medium term notes	3.89	-	25,063	524,031	213,000	-	762,094
<b>Derivative</b>							
Interest rate swaps <sup>1</sup>	-	-	(6,604)	(8,655)	(870)	-	(16,129)
Interest rate swaps <sup>2</sup>	-	-	3,717	9,837	638	-	14,192
<b>Net financial liabilities</b>		<b>5,000</b>	<b>22,176</b>	<b>525,213</b>	<b>212,768</b>	<b>106,766</b>	<b>871,923</b>

1 Weighted average interest rates at 30 June were pay float at 1.59% and receive fixed at 3.33%.

2 Weighted average interest rates at 30 June were pay fixed at 2.73% and receive float at 1.61%.

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>3</sup>	-	-	(4,023)	(4,201)	879	-	(7,345)
Interest rate swaps <sup>4</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>

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%.

## 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% (2018: +/- 0.20%).

Airservices has adopted a simplified approach to calculate market risk sensitivities for foreign exchange contracts. A standard sensitivity variable of 8.7% (2018: 9.2%) 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.

2019	Carrying amount \$'000	Change in risk variable +/--%	Effect of positive movement		Effect of negative movement	
			Profit and loss \$'000	Equity \$'000	Profit and loss \$'000	Equity \$'000
<b>Currency risk</b>						
Buy USD	681	8.70	-	(928)	-	1,066
Buy EUR	(1,946)	8.70	(73)	(4,420)	87	4,740
<b>Interest rate risk</b>						
Cash and cash equivalents	381,706	0.20	737	-	(737)	-
Medium term notes	672,354	-	-	-	-	-
Interest rate swaps	2,028	0.20	116	-	(116)	-
Commercial paper	4,989	0.20	(10)	-	10	-
<hr/>						
2018	Carrying amount \$'000	Change in risk variable +/--%	Effect of positive movement		Effect of negative movement	
			Profit and loss \$'000	Equity \$'000	Profit and loss \$'000	Equity \$'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	-

### 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	
	2019 \$'000	2018 \$'000	2019 EURO/\$1	2018 EURO/\$1
<b>Buy EUROS</b>				
<b>Maturity</b>				
3 months or less	5,944	7,994	0.6131	0.6375
Greater than 3 months but less than 1 year	16,407	11,568	0.6011	0.6288
Greater than 1 year	34,389	50,924	0.5550	0.5714
	Sell Australian Dollars		Average Exchange Rate	
	2019 \$'000	2018 \$'000	2019 US/\$1	2018 US/\$1
<b>Buy US Dollars</b>				
<b>Maturity</b>				
3 months or less	2,189	352	0.7382	0.7699
Greater than 3 months but less than 1 year	2,820	3,299	0.7582	0.7589
Greater than 1 year	5,814	5,387	0.7590	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 & 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). Whilst this agreement notionally expired on 30 June 2016, Airservices has kept its prices unchanged through to 30th June 2019, and announced a 2% price reduction from 1 July 2019.

Airservices target was to achieve a return on equity after tax for 2019 of 10.3%; during the year ended 30 June 2019 there was a return of 9.60% (30 June 2018: 11.1%).

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

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Current employee provisions</b>		
Employee benefits		
Recreation leave	<b>62,212</b>	60,808
Long service leave	<b>137,639</b>	128,146
Separations and redundancies	<b>9,023</b>	16,011
On-costs associated with employee benefits	<b>12,124</b>	11,024
Workers compensation	<b>313</b>	333
<b>Total current employee provisions</b>	<b>221,311</b>	216,322
<b>Non-current employee provisions</b>		
Employee benefits		
Long service leave	<b>36,000</b>	34,911
Separations and redundancies	<b>2,273</b>	2,116
On-costs associated with employee benefits	<b>2,257</b>	2,074
Workers compensation	<b>2,087</b>	2,019
<b>Total non-current employee provisions</b>	<b>42,617</b>	41,120

#### *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 \$7.7m (30 June 2018: \$7.6m) in early retirement benefits which have been elected to be taken by employees as a lump sum on retirement, and \$3.6m (30 June 2018: \$10.3m) for redundancy provisions.

The provision for early retirement benefits includes \$7.2m (30 June 2018: \$7.0m) 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.

	<b>2019</b>	2018
	<b>\$'000</b>	\$'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>(710,657)</b>	(659,384)
Fair value of defined benefit plan assets	<b>921,059</b>	922,223
<b>Net benefit asset – non-current</b>	<b>210,402</b>	262,839
<b>Categories of plan assets</b>		
The major categories of plan assets are as follows:		
Cash	<b>173,896</b>	209,531
Equity instruments	<b>381,595</b>	384,510
Debt instruments	<b>148,935</b>	166,493
Other assets	<b>216,633</b>	161,689
	<b>921,059</b>	922,223
<b>Reconciliations</b>		
<i>Reconciliation of the present value of defined benefit obligation:</i>		
Balance at the beginning of the year	<b>659,384</b>	652,962
Current service cost	<b>24,681</b>	25,154
Contribution by members	<b>9,372</b>	9,746
Interest cost	<b>26,098</b>	26,913
Remeasurements		
Effect of changes in financial assumptions	<b>56,694</b>	15,198
Effect of experience adjustments	<b>(9,306)</b>	(16,480)
Benefits paid	<b>(56,266)</b>	(54,109)
Balance at the end of the year	<b>710,657</b>	659,384
<i>Reconciliation of the fair value of plan assets:</i>		
Balance at the beginning of the year	<b>922,223</b>	884,333
Interest Income	<b>37,088</b>	37,604
Remeasurements		
Return on plan assets (excluding interest income)	<b>8,298</b>	21,829
Contribution by Airservices	<b>344</b>	22,820
Contribution by members	<b>9,372</b>	9,746
Benefits paid	<b>(56,266)</b>	(54,109)
Balance at the end of the year	<b>921,059</b>	922,223

<b>2019</b>	2018
<b>\$'000</b>	\$'000

### Net amount recognised in the Statement of Comprehensive Income

The amounts recognised in the Statement of Comprehensive Income are as follows:

#### i. Defined benefit cost recognised in profit or loss

Current service cost	<b>24,681</b>	25,154
Interest on the net defined benefit asset	<b>(10,990)</b>	(10,691)
Total included in employee benefits expense	<b>13,691</b>	14,463

#### ii. Remeasurements (recognised in Other Comprehensive Income)

Effect of changes in financial assumptions	<b>56,694</b>	15,198
Effect of experience adjustments	<b>(9,306)</b>	(16,480)
Return on plan assets (excluding interest income)	<b>(8,298)</b>	(21,829)
Total remeasurements included in Other Comprehensive Income	<b>39,090</b>	(23,111)

#### iii. Total defined benefit income recognised in the Statement of Comprehensive Income

<b>52,781</b>	(8,648)
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Actual return on plan assets	<b>47,954</b>	56,002
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### Principal actuarial assumptions

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

	<b>2019</b>	<b>2018</b>
Discount rate	<b>2.90%</b>	4.10%
Future salary increases	<b>3.50%</b>	4.00%

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

- a discount rate of 2.90% p.a. derived by interpolation between the yield on 13 year and 14 year bonds at 30 June 2019 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.

### 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>2019</b>	<b>Increase \$'000</b>	<b>Decrease \$'000</b>
Discount rate (0.5% movement)	<b>43,818</b>	<b>(38,217)</b>
Future salary increases (0.5% movement)	<b>(35,627)</b>	<b>41,832</b>
	Increase \$'000	Decrease \$'000
2018		
Discount rate (0.5% movement)	38,442	(38,604)
Future salary increases (0.5% movement)	(36,462)	36,828

### Maturity profile

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

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Undiscounted Benefit Payments</b>		
1 year or less	<b>42,538</b>	41,496
2 to 5 years	<b>214,034</b>	207,133
5 to 10 years	<b>255,328</b>	267,615
Greater than 10 years	<b>883,377</b>	1,038,137
<b>Total expected payments</b>	<b>1,395,277</b>	1,554,381

The average duration of the defined benefit plan obligation at the end of the reporting period is 10 years (2018: 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 2018. This disclosed a surplus of \$260m.

For the year ended 30 June 2019 the employer contribution rate was:

- 3% of gross salary for those employees who remain members of the Commonwealth Superannuation Scheme (CSS category) (2017-18: 3%);
- From 1 July 2018 contributions ceased for other Airservices employees (FULL category) (2017-18: 16.5%) 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:

- the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable; and
- 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 2020 are \$0.3m 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 2018), when a surplus of \$260.1m was reported. Last year in these financial statements Airservices recognised a defined benefit asset of \$229.6m 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 2019 these financial statements disclose a defined benefit asset of \$210.6m (30 June 2018: \$262.8m). 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 2019 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 2019 are based on collective agreements that were applicable during the year. These include a 3.5% annual salary increase, staff turnover rates ranging from 7% to 19% (depending on period of service), and average long service leave taken of 0.23 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:

<b>Liability</b>	<b>Mean term</b>	<b>Corporate Bonds</b>	<b>Discount Rate</b>
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	2.9% p.a.
Long Service Leave	6.5 years	7 year and 8 year	2.3% p.a.
Early Retirement Benefit	4.4 years	4 year and 5 year	1.9% p.a.

### 4.3 Key management personnel remuneration

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Key executive remuneration expense for the reporting period</b>		
<b>Board of Directors</b>		
Short-term employee benefits:		
Salary	<b>542</b>	537
Allowances and other benefits	<b>92</b>	77
<b>Total short-term employee benefits</b>	<b>634</b>	614
Post-employment benefits:		
Superannuation (post-employment benefits)	<b>59</b>	56
<b>Total post-employment benefits</b>	<b>59</b>	56
<b>Total Board of Directors remuneration</b>	<b>693</b>	670
The information about non-executive directors included in the table above relates to 8 individuals (2017: 8 individuals)		
<b>Key Executive Management</b>		
Short-term employee benefits:		
Salary	<b>2,975</b>	2,562
Allowances and other benefits	<b>58</b>	99
At risk component <sup>1</sup>	<b>242</b>	182
<b>Total short-term employee benefits</b>	<b>3,275</b>	2,843
Post-employment benefits:		
Superannuation (post-employment benefits)	<b>293</b>	315
<b>Total post-employment benefits</b>	<b>293</b>	315
Other long-term benefits:		
Recreation leave accrued	<b>81</b>	220
Long service leave	<b>69</b>	70
<b>Total other long-term benefits</b>	<b>150</b>	290
Termination benefits	-	-
<b>Total Key Executive Management remuneration</b>	<b>3,718</b>	<b>3,448</b>
<b>Total key management personnel remuneration<sup>2</sup></b>	<b>4,411</b>	<b>4,118</b>

The information about executives included in the above table relates to 7.3 Full Time Equivalents (FTEs) (2018: 8.0 FTEs).

1 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.

2 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.

## 4.4 Related party transactions

### (a) Board members

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

	Status	Commenced	Finished
<b>Chairman</b>			
John Weber	On-going	3 June 2018	Current
<b>Deputy Chairman</b>			
Mark Binskin	On-going	13 September 2018	Current
<b>Board members</b>			
Fiona Balfour	On-going	3 June 2013	Current
Samantha Betzien	On-going	4 June 2012	3 September 2019
Marlene Kanga	On-going	4 September 2017	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
<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	20 June 2016	15 February 2019
Craig Charker	A/g Executive GM Air Navigation Services	16 February 2019	5 May 2019
Peter Curran	Executive GM Air Navigation Services	6 May 2019	Current
Michelle Bennetts	Executive GM Customer Service Enhancement	16 April 2018	Current
Paul Logan	Chief Financial Officer	2 July 2015	Current
Christopher Seller	Chief Information Officer	1 July 2016	Current
Robert Weaver	Executive GM Safety & Assurance	25 January 2013	2 November 2018
Claire Marrison	Executive GM Safety & Assurance	3 November 2018	Current
Robert Porter	Executive GM Aviation Rescue Fire Fighting Services	7 January 2019	Current
Craig Oakley	A/g Executive GM Aviation Rescue Fire Fighting Services	16 April 2018	6 January 2019

### (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:

#### **2019**

- Airservices received legal services from Minter Ellison under a standing panel arrangement amounting to \$334,461 for the period 1 July 2018 to 30 June 2019 during which time Samantha Betzien was both a Board member of Airservices Australia and a partner with Minter Ellison.
- Airservices received professional services from PriceWaterhouseCoopers under a standing panel arrangement amounting to \$3,840,601 for the period 1 July 2018 to 30 June 2019 during which time John Weber was Chairman of the Airservices Board and Advisor for PriceWaterhouseCoopers. John Weber was acting as an Advisor for PriceWaterhouseCoopers up until 30 September 2018.
- Airservices provided rent payments to Sydney Water Corporation amounting to \$20,353 for the period 1 July 2018 to 30 June 2019 during which time Dr Marlene Kanga was both a Board member of Airservices Australia and a Board member of the Sydney Water Corporation.
- Airservices provided rent payments to Queensland Rail Limited amounting to \$67,120 for the period 1 July 2018 to 30 June 2019 during which time David Marchant was both a Board member of Airservices Australia and a Chair of the Queensland Rail Limited.
- Airservices provided annual fire alarm monitoring services to BAE Systems Australia amounting to \$1,039 and provided air navigation services to BAE Systems Flight Training amounting to \$95,440 for the period 1 July 2018 to 30 June 2019 during which time Mark Binskin was both Deputy Chair of the Airservices Board and Non-Executive Director of BAE Systems Australia. During this period, in relation to the services provided to BAE Systems Flight Training, \$89 of charges were written off to bad debts.

#### **2018**

- Airservices received legal services from Minter Ellison 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 Minter Ellison.
- 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 2019 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 contained in certain firefighting foams. Airservices has been managing issues arising from the use of these firefighting 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 to meet regulatory requirements. 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 2018-19 financial year has been to continue to progress site investigations to understand the extent of potential PFAS contamination due to Airservices operations; to conduct research and development activities to identify potential practicable solutions to manage existing contamination; and to continue working with Commonwealth and State/Territory agencies and regulators to consistently manage PFAS contamination at airports within Australia.

To facilitate this work and continued PFAS related activity, a sum of \$54.5m has been provided at 30 June 2019 (2018: \$56.2m).

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 and/or remediation strategies, and stakeholder communications and engagement activities.

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

A representative class action was commenced against Airservices by a former employee in the Federal Court of Australia, alleging underpayment of employment benefits, including redundancy payments, to managerial level employees. Airservices defended the claims. On 26 July 2019, the Federal Court found in favour of Airservices and the proceedings were dismissed. Following judgment there is a 28 day period during which the Applicant may lodge an appeal. If an appeal is not lodged, there is no further liability for Airservices in relation to this matter. Airservices is now considering whether it will seek costs in relation to the litigation.

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 from the historical use of PFAS containing firefighting foams. 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 Aggregate Assets and Liabilities

	2019 \$'000	2018 \$'000
<b>Aggregate assets and liabilities</b>		
<b>Assets expected to be recovered in:</b>		
No more than 12 months	503,777	315,715
More than 12 months	1,535,641	1,594,428
<b>Total assets</b>	<b>2,039,418</b>	1,910,143
<b>Liabilities expected to be settled in:</b>		
No more than 12 months	397,708	350,001
More than 12 months	891,988	848,955
<b>Total liabilities</b>	<b>1,289,696</b>	1,198,956

### 6.2 Remuneration of auditors

	2019 \$	2018 \$
<b>Remuneration of auditors</b>		
Auditing services provided by the Australian National Audit Office	337,000	337,000

### 6.3 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 \$0.593m (2018: \$0.550m) for the Solomon Islands and \$0.087m (2018: \$0.071m) for Nauru.

### 6.4 Events after the Reporting Date

As disclosed in Airservices 2019-20 Corporate Plan, through sustained levels of profitability, dividend planning and management of capital expenditure funding, Airservices is in a position to make a \$200.0m capital repayment to the Government. The timing of this payment has not been determined at this stage.



## 4

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## Appendix A: Board memberships, meetings and committees

### Board committees

The *Audit and Risk Committee* assists the Board to maintain 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* and the Public Governance, *Performance and Accountability Act 2013*. The committee has at least four members, all of who 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 Chairman 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 Chairman 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 Chairman and CEO, both of who are ex-officio committee members.

## Airservices Board membership

### **John Weber** Chairman *LLB, MAICD*



John Weber has been a member of Airservices Board since April 2017 and was appointed Chairman on 3 June 2018. He serves as a member of the Safety Committee, Remuneration and Human Resources Committee and Technology and Investment Committee. His current term expires on 2 June 2021.

Mr Weber served as 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. Prior to that he was Chief Executive of Minter Ellison, a leading Australian law firm, for six years and a member of its executive management team for eleven years.

Mr Weber has worked extensively in the transport sector (rail and aviation), health, financial services, 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, director of the Australian Maritime Systems Group and a director of the Dimeo group.

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

### **Air Chief Marshal Mark Binskin ac (Ret'd)**

Deputy Chairman  
*GAICD, FRAeS*



Air Chief Marshal Mark Binskin (Ret'd) was appointed Deputy Chairman of the Board on 13 September 2018. He serves as a member of the Safety Committee and Technology and Investment Committee. His current term expires on 13 September 2021.

Air Chief Marshal Binskin (Ret'd) is a highly decorated and respected senior executive and leader in the national security, defence and aerospace sectors. Most recently as Chief of the Defence Force of Australia from 2014–2018, and earlier Vice Chief of the Defence Force (2011–2014) and Chief of Air Force (2008–2011). He is currently Deputy Chair of the Sir Richard Williams Foundation, and on the Boards of the Western City and Aerotropolis Authority and the Australian International Military Games (Invictus Games Sydney 2018) and is Non-Executive Director Defence and National Security Policy with BAE Systems Australia.

As Chief of Defence, Air Chief Marshal Binskin (Ret'd) successfully led the Australian Defence Force—comprising 80,000 permanent and reserve personnel—to significantly improve capabilities and responses to major global events and championed organisational change across areas of national security, culture, diversity and leadership performance. He oversaw the First Principles Review of Defence and delivered the successful implementation of the One Defence approach.

Air Chief Marshal Binskin (Ret'd) has provided specialist advice to the highest levels of governments, industry leaders and international stakeholders and his aerospace knowledge and expertise is extensive. He has over 3,500 hours in single seat fighter aircraft including the A-4G Skyhawk, Mirage 1110, F-16C and F/A-18 Hornet, and continues to be active in general aviation, is a warbird owner and holds Commercial, Remote and Recreational Aviation Australia pilot licences.

Air Chief Marshal Binskin (Ret'd) has completed the Harvard Business School Advanced Management Program, is a graduate of the Australian Institute of Company Directors and a Fellow of the Royal Aeronautical Society.

**David Marchant AM**

Chair, Board  
Technology  
and Investment  
Committee  
*GAICD*



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, Remuneration and Human Resources Committee and Audit and Risk Committee. His current term expires on 20 July 2021.

Mr Marchant has extensive experience in the transport industry, and is the Chairman of QR and QR Ltd. He is a former Managing Director and Chief Executive Officer of Australian Rail Track Corporation Ltd and Director and Chair of the Australasian Railways Association. Mr Marchant also served as a Director of the Rail Industry Safety and Standards Board.

Mr Marchant has worked as Managing Director of Lend Lease Engineering and Managing Director of Lend Lease Infrastructure Services, and was a director of the Hunter Valley Coal Chain Coordination Company Pty Ltd.

He was appointed a member of the General Division of the Order of Australia in 2013 for significant service to the rail industry through national structural reform and infrastructure upgrades, and is a Graduate of the Australian Institute of Company Directors.

**Fiona Balfour**

Chair, Board Safety Committee  
*BA (Hons), GradDipIM, MBA, FAICD, Fellow of The University – Monash University*



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

Ms Balfour has almost 40 years' experience across aviation, information and telecommunication services, distribution and logistics and corporate governance. She has been an advisor to Medibank Private Limited and was previously Chief Information Officer at Telstra Corporation Limited. Following several years in technology consulting, Ms Balfour spent 14 years as a senior executive with Qantas Airways Limited, during which time she held various positions including Chief Information Officer and Executive General Manager of Qantas Business Services.

Ms Balfour has been an independent non-executive director since 2002, and currently sits on the boards of Metcash Limited (ASX:MTS) and Western Sydney Airport Co. She is also a nominee director for the Public Sector Investment Board (Canada) at Land Services South Australia. Ms Balfour is a former director of SITA SC (Geneva), Salmat Limited (ASX:SLM), Knox Grammar School, Wahroonga, TAL (Dai-ichi Life) Australia Pty Limited (formerly Tower Australia Limited (ASX:TAL)) and the Australian Red Cross Blood Service.

**Tim Rothwell**

Chair, Board Audit and Risk Committee  
*BEconAcc (Hons), FCA, MAICD*



Tim Rothwell was appointed to the Board on 21 July 2014. He is Chair of the Board Audit and Risk Committee, a member of the Remuneration and Human Resources Committee, and the Technology and Investment Committee. His current term expires on 20 January 2020.

Mr Rothwell retired as Chief Financial Officer of Brisbane Airport Corporation in 2013, after 20 years with the organisation and is now a consultant to industry. He is a Board member of the Cross River Rail Development 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 lectures to University of New South Wales undergraduates each year as part of their Aviation Business Degree.

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

**Samantha Betzien**

Chair, Remuneration and Human Resources Committee  
*BA, LLB (Hons), MAICD*



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 expired on 3 September 2019.

Ms Betzien is a partner in the human resources and industrial relations team in Minter Ellison's Brisbane office. She has over 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 also 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 listed in the Australian Financial Review's Best Lawyers and Doyle's Guide 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 Queensland University of Technology and a Bachelor of Arts (Double Major in Psychology) from the University of Queensland.

**Dr Marlene Kanga AM**

*BTech, MSc, PhD, HonFIEAust, HonFICHEM FTSE, FAICD*



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

Dr Kanga has extensive experience in process safety systems engineering in the oil and gas and energy industry. She is an experienced non-executive director and is on the board of Sydney Water Corporation and a past member of the boards of Innovation Science Australia and Engineers Australia, where she was Chair and National President in 2013. She is President of the World Federation of Engineering Organisations. Dr Kanga is a director of iOmniscient Pty Ltd which has artificial intelligence based video analytic technologies.

Dr Kanga is an Honorary Fellow of Engineers Australia, an Honorary Fellow of the Institution of Chemical Engineers (UK), a Fellow of the Australian Academy of Technological Sciences and Engineering and a Fellow the Australian Institute of Company Directors.

Dr Kanga is the Engineers Australia 2018 Professional Engineer of the Year, and has been listed among the Top 100 Women of Influence in Australia and the Top 100 Engineers in Australia. She is a Member of the Order of Australia, in recognition of her leadership of the engineering profession.

**John McGee**

John McGee was appointed to the Board on 4 September 2015. He is a member of the Board Audit and Risk Committee, Technology and Investment Committee and Safety Committee. His current term expires on 3 December 2019.



Prior to joining the Airservices Board, Mr McGee was Managing Director of BNY Mellon Australia Pty Ltd for nine years, heading up 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 Chair of the Audit and Compliance Committee), Delhi Petroleum, and other companies in the financial and pharmaceutical industries.

In his executive roles, Mr McGee has also been a director of many subsidiaries and held responsible manager status on various ASIC and APRA licences. He was also Head of Funds Management, and later Chief Financial Officer, for a listed life insurer.

**Jason Harfield**

Chief Executive Officer  
*MBA, DipAv (ATS), FAICD, FRAeS*



Jason Harfield was appointed Chief Executive Officer on 9 March 2016, beginning his career with Airservices as a flight data officer in Adelaide in 1989. He serves as a member of the Safety Committee, Remuneration and Human Resources Committee and Technology and Investment Committee.

With more than 30 years of experience in aviation and the air traffic management industry, Mr Harfield has been a core member of the Airservices executive leadership team since 2005. His executive leadership roles included leading the safety and future services functions, as well as leading and transforming the 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.

Prior to this, Mr Harfield held a number of operational management and senior management positions including Australia’s Head Air Traffic Controller and Australian Airspace Regulator, as well as operating as a qualified operational air traffic controller.

He has an Executive MBA from 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 Royal Aeronautical Society. He is also a private pilot.

## Meeting attendance

The number of meetings of the Board and Board Committees held during the period ended 30 June 2019, along with corresponding attendance by each Board member, are shown in the table below.

Table 1: Board and Board Committee meeting attendance 2018–19

	Board		Safety		Audit and Risk		Remuneration and Human Resources		Technology and Investment	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
J Weber	7	7	5	5	0	0	4	4	5	5
M Binskin	6	5	2	2	0	0	0	0	2	2
D Marchant	7	7	5	5	4	4	4	4	5	5
F Balfour	7	6	5	5	4	3	0	0	5	4
T Rothwell	7	7	0	0	4	4	4	4	5	5
S Betzien	7	7	5	4	0	0	4	4	0	0
M Kanga	7	6	1	1	4	2	4	4	5	3
J McGee	7	7	5	5	4	3	0	0	5	4
J Harfield	7	7	5	5	0	0	4	4	5	5

### Notes:

1. Mark Binskin appointed Deputy Chairman effective 13 September 2018
2. Mark Binskin appointed to Safety Committee and Technology and Investment Committee effective 23 November 2018
3. Marlene Kanga appointed to Safety Committee effective 5 February 2019
4. While not members of the Audit and Risk Committee, the Chairman and Chief Executive Officer were present for all meetings

## 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 2018–19, 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 or the insurer consents in writing to such disclosure.

## Appendix B: Ministerial expectations

The Government issues a Statement of Expectations (SOE) and directions that also inform the performance of our functions. The Airservices Australia Board sets our Statement of Intent (SOI) against the SOE.

In addition to the SOE, the Minister can issue directions which inform the performance of our functions. This section outlines the SOE, SOI and Ministerial directions current for 2018–19.

### Ministerial directions and government policy orders

Four ministerial directions remain current:

- handling of 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)
- provision of approach radar services at specific airports (issued 31 August 2004).

The government can issue policy orders with which we must comply. During 2018–19, no government policy orders applied to Airservices.

### Statement of Expectation and Statement of Intent

For period 22 May 2017 to 30 June 2019.

#### Overview

#### Statement of Expectation

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.

#### Statement of Intent

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.



## Governance

### Statement of Expectation

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.

### Statement of Intent

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.

## Key Aviation Initiatives

### Statement of Expectation

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

- 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
- 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)
- c. cooperate fully with the Civil Aviation Safety Authority (CASA) in their safety regulatory oversight of the OneSKY project

### Statement of Intent

Airservices will complete of the Accelerate Program by 30 June 2017. A post implementation review will be completed by 30 December 2017.

A harmonised civil 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.

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.

## Key Aviation Initiatives

### Statement of Expectation

- 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
- e. work with the Department and CASA in the implementation of the agreed recommendations arising out of the ARFFS regulatory policy review
- f. work with the Department and CASA in modernising airspace protection policy
- g. assist in implementing the Government's environmental initiatives including:
- supporting the ongoing role of the independent Aircraft Noise Ombudsman (ANO) and implementation of agreed recommendations made by the ANO
  - appropriate resourcing of the Noise Complaints and Information Service to continue to improve the flow and quality of information to noise affected communities
  - the ongoing commitment to the Sydney Airport Long Term Operating Plan as required by Legislative Instrument F2009BOO158

### Statement of Intent

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.

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.

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 Airspace Protection Paper which seeks to modernise airspace protection regulation and identify non-regulatory measures to enhance the safety of aircraft operations.

We will continue to support the role of the ANO by:

- maintaining an independent ANO office
- engaging regularly with the ANO and staff
- implementing agreed recommendations made by the ANO

Effectively managing noise complaints through the Noise Complaints Information Service (NCIS).

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.

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.

## Key Aviation Initiatives

### Statement of Expectation

- 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
  - 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
  - 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
- 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.

### Statement of Intent

Airservices will continue to implement our national PFAS management program, including site investigations, in response to Airservices and other organisations' historical use of aviation firefighting foams containing these chemicals. Airservices will also continue to work closely with Government agencies in developing a whole-of-government approach to managing PFAS.

Airservices will continue to produce and report against an annual environmental work plan which outlines initiatives to manage and monitor the environmental effects of aircraft operations.

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.

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 programmes that deliver safe, harmonised and integrated outcomes that are aligned with their neighbouring states, including Australia.

Airservices works closely with the Department and CASA to ensure that we are executing Australia's International Civil Aviation Organization (ICAO) responsibilities.

## Stakeholder Engagement

### Statement of Expectation

I expect that in performing its functions Airservices will:

- 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
- 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
- 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
- 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
- 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.

### Statement of Intent

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.

Airservices will continue to provide information, assistance or advice to other Government agencies, including in the performance of their regulatory and policy functions.

Airservices is committed to ongoing participation in the National Aviation Safeguarding Advisory Group to support a national land use planning framework that improves:

- community amenity by minimising aircraft noise-sensitive developments near airports
- safety outcomes by ensuring aviation safety requirements are recognised in land use planning decisions.

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.

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.

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.



## Appendix C: Environmental management and performance

The following report meets the requirements of section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* (Cth) (EPBC Act). It describes our:

- environmental management approach (including key potential impacts)
- management activities which accord with the principles of Ecologically Sustainable Development.

### Environmental management approach

#### Environmental oversight and accountability

We continue to define and document specific role based accountabilities for senior managers, who hold key environmental obligations under legislation and/or the Airservices Environmental Management System (EMS). These roles include the CEO and Executive Committee.

#### Environmental policy

Our Environmental Policy describes our highest level of commitment to reducing environmental impacts, improving environmental performance and embedding sustainability principles. The policy describes specific commitments for the protection and management of key environmental values and issues, including energy, water, waste and biodiversity. It focuses the organisation on achieving positive environmental outcomes for our customers, stakeholders and the community.

## Environmental Management System

We maintain and continually improve our environmental management system (EMS), in line with ISO 14001:2015 *Environmental Management*. Two sites at Gold Coast Airport and Canberra Airport are ISO 14001 certified.

Our EMS, with the environmental policy, embeds a framework of hierarchical standards, procedures and controls that set the way we:

- manage our environmental impacts
- comply with regulatory obligations
- achieve positive environmental outcomes.

Key potential environmental impacts arising from our activities—and the way these are managed under the EMS—are outlined in Table 2.

Table 2: Key environmental impacts and associated EMS control measures and assurances

Potential impact	EMS control measures	Assurance mechanism
Aircraft noise and emissions impacts from flight path changes (includes community, wildlife, and social amenity impacts)	<ul style="list-style-type: none"> <li>• Application of mandatory management standard 'Environmental Management of Changes to Aircraft Operations', which requires:               <ul style="list-style-type: none"> <li>– targeted environmental impact and risk assessment of proposed changes</li> <li>– seeking advice under the EPBC Act for changes deemed to trigger potential 'significant impact'</li> <li>– iterative environmental design to minimise impacts</li> <li>– social impact analysis and community consultation for proposed changes.</li> </ul> </li> <li>• Provision of a Noise Complaint Information Service, which:               <ul style="list-style-type: none"> <li>– receives and responds to complaints through a dedicated call centre</li> <li>– investigates and actions complaints</li> <li>– reports complaints 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>– Safety and Assurance Group</li> <li>– Airservices audit function.</li> </ul> </li> <li>• External reviews/audits undertaken by:               <ul style="list-style-type: none"> <li>– ISO 14001 auditors</li> <li>– external stakeholders as required (including the Aircraft Noise Ombudsman and CASA).</li> </ul> </li> </ul>
Impacts from on-ground changes—including construction projects (includes soil, water and biodiversity impacts)	<ul style="list-style-type: none"> <li>• Application of 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>• Application of other subsidiary EMS standards and procedures (including 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>– Safety and Assurance Group</li> <li>– Airservices audit function</li> <li>– project support staff from within relevant business groups.</li> </ul> </li> <li>• External audits undertaken by:               <ul style="list-style-type: none"> <li>– ISO 14001 auditors</li> <li>– Stakeholders as required (e.g. Airport Environment Officers).</li> </ul> </li> </ul>

Potential impact	EMS control measures	Assurance mechanism
Legacy contamination from the historic use of firefighting foams containing PFAS	<ul style="list-style-type: none"> <li>• Implementation of the Per-and polyfluoroalkyl substances (PFAS) Program Management Plan, including:               <ul style="list-style-type: none"> <li>– 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 in the field aimed at containing PFAS migration</li> <li>– working with relevant government authorities to develop regulatory guidance required to better address these issues.</li> </ul> </li> <li>• Application of ARFFS and ANS Environmental Management Instructions.</li> <li>• Application of 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>– Safety and Assurance Group</li> <li>– Airservices audit function.</li> </ul> </li> <li>• External audits undertaken by:               <ul style="list-style-type: none"> <li>– ISO 14001 auditors</li> <li>– Stakeholders as required (e.g. Airport Environment Officers; State Environmental Protection Authority).</li> </ul> </li> </ul>
Impacts from on-ground operational activities (includes soil, water and biodiversity impacts)	<ul style="list-style-type: none"> <li>• Application of mandatory standard 'Environmental Performance Requirements and Controls for Airservices Infrastructure', which prescribes:               <ul style="list-style-type: none"> <li>– objectives and key controls for managing each lifecycle stage of infrastructure development (including the operational phase).</li> </ul> </li> <li>• Application of ARFFS and ANS Environmental Management Instructions.</li> <li>• Application of other subsidiary EMS standards and procedures (including Incident Management Standards, Chemical Management Procedures and Weed and Pest Control Guidelines).</li> </ul>	
Resource usage (including energy waste, water)	<ul style="list-style-type: none"> <li>• Application of mandatory standard 'Environmental performance requirements and controls for Airservices Infrastructure', which requires:               <ul style="list-style-type: none"> <li>– incorporation of resource efficient and sustainable technologies in the development and refurbishment of infrastructure.</li> </ul> </li> <li>• Monitoring and metering of emissions, energy and fuel usage through the ENVIZI energy management service (to enable reporting in accordance with <i>National Greenhouse and Energy Reporting Act 2007</i>).</li> </ul>	



## Accordance with Ecologically Sustainable Development Principles

We are committed to the principles of ecologically sustainable development (ESD) which are enshrined within our corporate plan, environmental policy and EMS.

Key improvements and management initiatives for 2018–19, which accord with ESD principles under the EPBC Act, are described in Table 3.

Table 3: Key ESD aligned activities in 2018–19

Ecologically Sustainable Development 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>A redesign of the flight path change management process has focused on enhancing and integrating social and environmental impact assessment methodologies. Informing the delivery of effective community engagement activities and environmentally responsible flight path design.</p> <p>Key improvements enacted under the program included:</p> <ul style="list-style-type: none"> <li>• peer review and revision of our quantitative assessment criteria, and associated methodologies, for determining potential ‘significant’ impacts under the EPBC Act</li> <li>• development of a Social Impact Analysis process and procedure to identify social factors which could influence community acceptance of a flight path change</li> <li>• improved community engagement procedures to ensure effective communication and consideration of potential environmental and social impacts from proposed changes</li> <li>• revision of change management standards and associated procedures to enact and integrate the above improvements.</li> </ul> <p>The Department of the Environment and Energy, and Department of Infrastructure, Transport, Cities and Regional Development, were consulted throughout development of the improvement program, with the Aircraft Noise Ombudsman briefed on the key outcomes.</p> <p>To support the environmental efficiency of our customers’ operations (both 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>We are implementing the Airport Collaborative Decision Making (A-CDM), and Long Range Air Traffic Flow Management (LR-ATFM) platforms. A-CDM is a form of smart airport technology that allows Airservices, airports and airlines to share data and synchronises operations. LR-ATFM allows greater scheduling and control of aircraft airport arrivals, which avoids holding patterns and associated landing delays. These platforms will improve environmental outcomes by reducing fossil fuel use and emissions.</p>

**Precautionary principle:**

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

In 2018–19 we implemented a new enterprise risk classification matrix that better aligns with our defined organisational appetite for environmental risk management—a level considered As Low as Reasonably Practicable (ALARP). To support implementation of the new matrix, we revised our environmental risk management procedures defining key approaches for processes with a heightened environmental risk (including on ground change management and operational site management activities).

We continued to progress implementation of the Per- and polyfluoroalkyl substances (PFAS) Program Management Plan. This 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
- working with relevant government authorities to develop the regulatory guidance required to better address these issues.

A key milestone of the plan—delivered this reporting period—was an agreement with the Department of Defence (Defence) to transition from the use of PFAS containing aqueous film forming foam (AFFF) at Darwin and Townsville airports, to PFAS-free Solberg RF6 foam. Although we ceased operational use of AFFF nationally in 2010, its use has continued at Darwin and Townsville under contractual obligations with Defence. This agreement marks a positive precautionary step for our efforts to minimise further national impacts from the use of PFAS containing firefighting foams.

We have completed the Darwin transition to PFAS-free foam. In partnership with Defence we anticipate that the transition at Townsville will be completed during 2019–20.

**Intergenerational principle:** the present generation should ensure that the health, diversity and productivity of the environment is maintained or enhanced for the benefit of future generations.

We continue to evolve and develop the EMS to ensure the application of programs and controls that protect the environment from our activities for current and future generations.

Key EMS improvements made in 2018–19 include:

- revised change and infrastructure management standards to better reflect lifecycle approaches to environmental management and improved risk assessment in decision making
- revised risk management methodologies and processes for operational processes
- improved organisational incident management processes and procedures.

To ensure our EMS is fit for purpose and continually improving, we maintain our certification under ISO 14001:2015, for our two key representative sites—Gold Coast Airport and Canberra Airport. In 2018–19, we were independently verified as having successfully transitioned from the 2004 version to the 2015 version of ISO 14001, implementing all necessary system improvements.

We continue to promote environmental awareness and train key staff on environmental issues, while undertaking a targeted audit and assurance program to check on, and improve, our performance.

We worked with the Civil Aviation Historical Society 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 for the Heritage of the Air Project (a research project investigating how aviation has transformed Australian society over the last 100 years).

We reviewed and released our new Heritage Strategy for 2018–2020, in accordance with Section 341ZA of the EPBC Act. During the previous financial year (and in accordance with the strategy), we completed Heritage Management Plans for six air traffic control towers listed on the Commonwealth Heritage List, and commenced digital recording work for four navigational aids with known heritage values, that will soon be divested by Airservices.

We continue to work towards improving the monitoring of greenhouse gas emissions, energy consumption and production. We reported in accordance with *National Greenhouse and Energy Reporting Act 2007* requirements for 2018–19.

**Ecologically Sustainable  
Development Principles**

**Activities**

**Biodiversity principle:**  
the conservation of biological diversity and ecological integrity should be a fundamental consideration in decision making

The protection of biodiversity values is a key requirement of the EMS with associated controls are built in to the management of all our activities (from flight path changes to on-ground operations).

Our revised requirements for flight path change management include additional quantitative and qualitative measures for assessing biodiversity impacts. Our internal standards for infrastructure development, includes targeted controls to protect flora and fauna values throughout projects and operational activities.

**Valuation principle:**  
improved valuation, pricing and incentive mechanisms should be promoted

We continue to build and manage our asset base through implementing our Portfolio, Program and Project (P3M) framework. Under P3M, investment projects are strategically prioritised to deliver value and innovation to our customers and ensure sustainment of our ageing asset base.

In 2018-19, we completed an assurance review of business performance in meeting environmental requirements (including ESD considerations) at key project gate stages. This resulted in a range of improvements made to both project processes and internal EMS requirements requiring the incorporation of ESD technologies through a cost benefit assessment, and enshrining requirements for sustainable procurement in product sourcing.

## Noise Complaints and Information Service data

The number of residents contacting the Noise Complaints and Information Service (NCIS) increased by 464 to a total of 3824 in 2018–19. This compares to 3360 in 2017–18.

The number of residents concerned about activities at the 10 major airports rose by 25 per cent, however levels remained under those seen in 2016–17 and previous years. The most-raised issue at major airports continued to be about standard flight path corridors. 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. While concerns about standard flight paths are investigated, few opportunities to mitigate noise for residential areas in close proximity to the major airports.

Table 4 shows during 2018–19 there was an 85 per cent increase in complaints from residents about Perth Airport. This is due to prolonged use of the crossing runway during periods when the north-south runway was closed. While some of these closures were due to required maintenance and upgrades, tunnelling for the Forrestfield Airport Link rail project also disrupted the runway's use for significant periods.

A 51 per cent increase in complaints for Gold Coast Airport was a result of implementing an instrument landing system and associated new flight path in the first half of 2019. Noise Abatement Procedures have been implemented to ensure that use of the system by jet aircraft is restricted to periods of low cloud and poor visibility, or when operationally required by the pilot.

Brisbane Airport experienced a 28 per cent rise which in part represents a growing awareness of noise as the new runway nears completion. Numbers declined for Adelaide and Melbourne Airports and remained steady for Sydney and Cairns Airports.

In May 2019, we released our review of the Hobart flight paths introduced in 2017. 2018–19 saw a large decrease in residents from Hobart reporting concerns, with a total of 38 people compared to 152 the previous year. The figures shown in Table 4 show all complainants in the Hobart basin. Consultations with Sunshine Coast residents on the proposed flight paths for the area's new runway revealed concerns about existing aircraft noise, which had increased to 70 in 2018–19, compared to 51 in 2017–18.

Table 4: Number of residents who contacted the NCIS for the 10 major airports

Airport	2016–17	2017–18	2018–19
Adelaide	111	102	<b>89</b>
Brisbane	247	197	<b>252</b>
Cairns	38	30	<b>30</b>
Canberra	43	21	<b>30</b>
Darwin	13	4	<b>5</b>
Gold Coast	210	153	<b>231</b>
Hobart	3	384	<b>293</b>
Melbourne	155	177	<b>160</b>
Perth	791	388	<b>716</b>
Sydney	773	714	<b>713</b>
<b>Total</b>	<b>2,384</b>	<b>2,170</b>	<b>2,519</b>

# Appendix D: Our equity and diversity approach

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

As a Commonwealth authority employer, we are bound by the:

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

The table below is the annual programme report in accordance with the requirements set out in section 6 of the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987 (Cth) (EEO Act)*.

Table 5: Equity and diversity reporting

EEO Act (1987)	2018-19 activities
<p><b>Informing employees—S.6 (a)</b></p> <p>Without limiting the generality of the definition of program in subsection 3(1), the program of a relevant authority shall provide for action to be taken:</p> <ul style="list-style-type: none"><li>• to inform employees of the contents of the program and of the results of any monitoring and evaluation of the program under paragraph (h).</li></ul>	<p>Our <i>Inclusive, Healthy and Supported Workforce</i> pillar in our People Strategy reflects our commitment to having a genuinely inclusive workforce that fosters diversity. Our dedicated <i>Inclusion and Support</i> intranet site is available to all employees, supports our people with information about the work program and progress of our whole-of-enterprise Diversity and Inclusion Council, as well as providing 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>• communication about internal and external awareness events conveying important messages on inclusion, support and diversity</li><li>• our annual report and quarterly workforce report accessible to all employees.</li></ul>

**Conferring responsibility—S.6(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 and Executive hold overall accountability 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 maintains oversight of initiatives within and progress against our Diversity and Inclusion Action Plan. The council meets monthly with regular engagement with our Chief Executive Officer and Executive Committee about implementation of the Action Plan.

All our employees have a responsibility to ensure 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.

**Consultation with trade unions—S.6 (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 our employees and their representative organisations prior to the implementation of new policies and procedures relating to employment matters. These organisations are Professionals Australia, Communications, Electrical and Plumbing Union, Civil Air, Community and Public Sector Union and the United Firefighters Union.

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

**Consultations with employees—S.6 (d)**

To consult with employees of the relevant authority, particularly employees who are women or persons in designated groups

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 consultation with employees about diversity and inclusion matters. Council members are representative of our broader workforce and are supported by a Diversity and Inclusion Network of employees who are active in identifying matters that should be considered in the development of diversity and inclusion initiatives.

**Collection of statistics—S.6 (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.

Please refer to Tables 7–13 for more information on our employee diversity profile, including staff numbers by gender, demographic groups and by 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.

## EEO Act (1987)

## 2018-19 activities

### Consideration of policies, examination of practices—S.6 (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.

Following a major people documentation review in 2017-18, in 2018-19, we have continued to iterate our guidance and processes to maintain inclusive, fit-for-purpose and contemporary working principles, processes and standards. This includes the introduction of paid and unpaid Domestic and Family Violence Leave to support our people with time off for seeking medical and legal assistance, attending court appearances, counselling, relocation or to make other safety arrangements associated with domestic and family violence.

### Setting objectives and selecting indicators—S.6 (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 are being systematic about ensuring that we have the right people with the right skills in the right location at the right time and working in the right ways to deliver on our service objectives. Our *People Strategy (2017-2025)* supports the development of a future-proofed, resilient and fit-for-purpose workforce by presenting an enterprise view of workforce drivers, issues and strategies with 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 People Strategy.

### Monitoring and evaluation—S.6 (h)

To monitor and evaluate the implementation of the program and:

- (i) to assess the achievement of those objectives; and
- (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.

Under our People Strategy governance model, 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 Inclusion Index, a key performance indicator in our Corporate Plan.



## Enquiries and complaints

The number of complaints and enquiries, which may include equity and diversity, for the reporting period are shown in Table 6.

Table 6: Enquiries and complaints 2014–2019 (may include equity and diversity)

	2014–15	2015–16	2016–17	2017–18	2018–19
Employee numbers	4493	4468	3711	3534	<b>3584</b>
Ethics Hotline enquiries <sup>1</sup>	2	5	8	4	<b>6</b>
Ethics Hotline disclosures <sup>2</sup>	16	16	12	11	<b>24</b>
Formal complaints <sup>4</sup>	40	18	-	-	-
	4 <sup>4</sup>	27 <sup>4</sup>	6	2	<b>0</b>

1. These relate to all enquiries received through the Ethics Hotline, which may include equity and diversity.

2. These relate to all formal disclosures received through the Ethics Hotline which may include equity and diversity.

3. These complaints were made via the Fair Treatment Review System.

4. Prior to 2017–18, these related to complaints reported via the Process Review Procedure where an individual believes that an Airservices system, policy, or procedure has been applied incorrectly as well as any complaints that were escalated to the Grievance Board. From 2017–18, it includes only complaints presented to the Grievance Board.

## Progress update on Diversity and Inclusion activities

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

In 2018–19, we made significant progress on a broad range of key actions including:

- increasing our leaders' capacity to build a shared social identity within their teams in ways that value diversity and promote inclusiveness through our *Leading Inclusive Teams* program
- showcasing stories of our people and promoting best practice as part of our diversity and inclusion campaign
- driving continued awareness and adoption of flexible work benefits
- embedding regular unconscious bias training into our learning and development curriculum
- establishing business-owned gender targets within our core operational workforce segments and senior leadership
- elevating our career profile with a diverse pool of potential applicants through *Women in Air Traffic Control Career Information Sessions*, our *Stay Fit, Save Lives* campaign for aviation firefighter recruits, and representation at the *Women in Aviation/Aerospace Summit*
- hosting Dr Anita Heiss, a Wiradjuri woman, contemporary Australian author Indigenous Literacy Day Ambassador and Professor of Communications at the University of Queensland as part of events to celebrate National Reconciliation Week.

To support contemporary practice and ensure our employees and leaders are able to access the latest thinking on diversity and inclusion, we have continued 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 five reporting periods.

There has been a slight increase in the percentage of Aboriginal and Torres Strait Islander employees to 1.7 per cent. This includes new employees as well as existing employees who have now chosen to self-identify as Aboriginal and Torres Strait Islander People.

There has been a slight decrease in the number of people from Culturally and Linguistically Diverse backgrounds to 6 per cent. Women in the workforce has increased to 17.7 per cent, with women in leadership sitting at 21.3 per cent.

A significant proportion of our workforce is mature-aged with 45.9 per cent of employees aged 45 or over.

Table 7: Representation of designated groups in overall headcount 2014–2019

Designated groups*	2014–15	2015–16	2016–17	2017–18	2018–19
Indigenous Australians	1.1%	1.2%	1.4%	1.6%	<b>1.7%</b>
People with a disability	1.1%	1.1%	0.8%	0.9%	<b>0.7%</b>
People from a culturally or linguistically diverse background	6.7%	6.8%	6.5%	6.3%	<b>6.0%</b>
Female employees	19.3%	19.3%	16.9%	16.9%	<b>17.7%</b>

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

Table 8: Employees in diversity groups by job role classification at 30 June 2019\*

Job family	Aboriginal and Torres Strait Islander	CALD	Disability
Air Traffic Management	10	57	9
Aviation Rescue Fire Fighting	36	12	2
Engineering	0	29	2
Technical & Trade	3	32	4
Information & Communications Technology	2	18	0
Enabling Professions	9	57	7
Senior Leadership	2	11	0
<b>Total by diversity groups</b>	<b>62</b>	<b>216</b>	<b>24</b>
<b>Percentage of workforce</b>	<b>1.7%</b>	<b>6.3%</b>	<b>0.7%</b>

\* Personal information, as recorded in the Airservices HRIS, is treated confidentially according to the *Privacy Act 1988*.

Table 9: Gender by job role classification as at 30 June 2019

Job family	Female by percentage	Female by number	Male by number
Air Traffic Management	14.7%	200	1162
Aviation Rescue Fire Fighting	3.6%	31	827
Engineering	15.2%	25	140
Technical & Trade	6.3%	17	256
Information & Communications Technology	18.3%	20	89
Enabling Professions	47.4%	305	338
Senior Leadership	21.3%	37	137
<b>Total by gender</b>	<b>17.7%</b>	<b>635</b>	<b>2949</b>

Table 10: Employee age profile at 30 June 2019

Age range	Under 25	25–34	35–44	45–54	55–64	65+
Number of employees	59	829	1051	1001	591	53
Percentage of employees	1.6%	23.1%	29.3%	27.9%	16.5%	1.5%

Table 11: Average retirement age

Data at 30 June 2018	2014–15	2015–16	2016–17	2017–18	2018–19
Average Retirement Age	61.1	60.9	61.9	61.0	<b>61.3</b>

Table 12: Part-time employees by age bracket

Flexibility	Under 25	25-34	35-44	45-54	55-64	65+	Total
Permanent part-time	0	24	52	61	49	7	<b>193</b>
Temporary part-time	0	1	3	1	0	0	<b>5</b>
Casual	4	0	0	0	4	5	<b>13</b>

Table 13: Employee location

	Male				Female				Total
	Full-time	Part-time	Casual	Total Male	Full-time	Part-time	Casual	Total Female	
NSW	309	13	4	326	24	9	0	33	<b>359</b>
Qld	941	26	3	970	137	28	2	167	<b>1137</b>
SA	100	2	0	102	7	2	0	9	<b>111</b>
Tas	67	0	0	67	3	0	0	3	<b>70</b>
Vic	805	26	2	833	149	38	0	187	<b>1020</b>
WA	252	0	0	252	16	2	0	18	<b>270</b>
ACT	311	5	0	316	168	47	2	217	<b>533</b>
NT	83	0	0	83	1	0	0	1	<b>84</b>
<b>Total</b>	<b>2868</b>	<b>72</b>	<b>9</b>	<b>2949</b>	<b>505</b>	<b>126</b>	<b>4</b>	<b>635</b>	<b>3584</b>



# Appendix E: Work Health and Safety

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

## Work Health and Safety – Executive commitment

In 2018–19, the Board and Executive reinvigorated their focus on the minimisation of risk exposure and improving assurance over related controls. In line with this commitment, key work health and safety (WHS) initiatives across 2018–19 primarily focused on proactive risk identification, early intervention strategies, and supporting staff health & wellbeing.

## Our Work Health and Safety Strategy

In 2018–19, our WHS risk baseline was redeveloped to provide a more consistent and appropriate representation of risk exposure across the organisation. This redevelopment outlines clear accountability for WHS risk, transitioning our WHS Risk Baseline from a business group focus to an activity focus whereby risk ownership is aligned to the Business Group with the greatest exposure to risk.

## Work Health and Safety initiatives

*Proactive Risk Identification:* The proactive identification and reporting of WHS hazards has been a key area of focus throughout the year, as a mechanism to proactively manage risks before injuries are realised. As reflected in Table 14 a series of dedicated activities promoting positive WHS reporting practices has led to a significant increase in the number of reported WHS hazards in comparison to 2017–18.

*Early Intervention:* Multiple WHS early intervention strategies were implemented during 2018–19 in efforts to control and mitigate risks, including:

- *Contractor Risk Management:* An external review of contractor management WHS arrangements was undertaken. This review informed the revision of contractor management processes and procedures (including induction) and ensured alignment with industry best practice and compliance with legislative requirements.
- *Fixed Ladder Use:* An assessment of risks associated with the climbing of fixed ladders and access systems on communications towers, masts and buildings was completed during the year. This has provided clarity to our technical workforce on specific risk controls to be used when climbing these structures.

*Supporting staff health and wellbeing:* a series of initiatives targeting employee health and wellbeing were developed and delivered throughout the year—seeking to improve employee engagement with safety (MyWhy) as well as physical health (Stepathlon, participation in the Corporate Games) and mental health (Safety Talk/Safety Walk).

In June 2019, a reinvigorated Peer Support Programme was launched to focus on supporting the mental health of our people and engendering a workplace that promotes mental health and empowers people to seek help. The programme consists of a network of trained peer support volunteers who are able to recognise and respond to those with mental health conditions appropriately. The volunteers provide a confidential peer-based support option, with referral to a range of services. The programme's guiding principles are to Recognise, Respond and Refer.

*Early Medical Assessment:* in order to optimise return to work outcomes for workers, we continue our commitment to early intervention—including the introduction of the mandatory assessment by a medical practitioner for all work-related injuries.

## Work Health and Safety reporting

### Consultation and health and safety committees

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

Four WHS forums were held to discuss issues and to promote information sharing specific to the technical nature of work performed by our technical staff.

### Workers compensation premium

The Comcare premium for 2018–19 was 0.81 per cent of payroll as compared to 0.92 per cent in 2017–18. This continues to decline from one per cent in 2016–17.

### Improvement notices and Comcare investigations

Nil for the reporting period.

Table 14: Work health and safety occurrences and hazards 2014–15 to 2018–19

Incident category	2014–15	2015–16	2016–17	2017–18	2018–19
Reported work-related WHS occurrences	236	267	221	250	<b>251</b>
Reported work-related WHS hazards	157	155	197	335	<b>1368</b>
Workplace fatality	0	0	1 <sup>1</sup>	0	<b>0</b>
Serious Injury or Illness requiring Comcare notification	3	3	2 <sup>2</sup>	3 <sup>3</sup>	<b>3</b>
Dangerous Incidents requiring Comcare notification	17	11	11 <sup>4</sup>	18 <sup>5</sup>	<b>11</b>

1 Reported to Comcare based on historical claim for cancer related death. Subsequently Comcare rejected claim, recoded as non-work related

2 One reported serious injury or illness was recoded as non-work related based on further information

3 One reported serious injury or illness was recoded as non-work related based on a pre-existing health condition

4 Four reports recoded to non-dangerous incidents based on further information received

5 Five reports recoded to non-dangerous incidents based on further information received

# Appendix F: Governance and accountability

## Corporate governance

The Airservices Board is responsible, under the *Air Services Act 1995 (Cth)* (the Act), for deciding the objectives, strategies and policies to be followed by Airservices, and ensuring that we perform our functions in a proper, efficient and effective manner. The functions of the Board are set out in Section 21 of the Act.

Further information about our corporate governance is available on our website at [www.airservicesaustralia.com/about/our-governance](http://www.airservicesaustralia.com/about/our-governance).

## Risk management

### Our approach to risk management

We support a culture of proactive risk management by ensuring Governance, Risk and Compliance (GRC) practices are embedded in our business. Our risk management practices meet the requirements of Section 16 of the *Public Governance, Performance and Accountability Act 2013* and are aligned to *ISO31000:2018 Risk Management* and the *Commonwealth Risk Management Policy*. We also apply the *Airspace and Air Traffic Management Risk Management Policy Statement* that outlines the Australian Government's aviation agencies commitment to adopting a common approach to risk management in relation to the assessment of airspace and air traffic management.

The Board's Risk Appetite Statement drives effective risk management and decision making processes through better understanding of the level of risk that we are willing to accept. It articulates our need to maintain the safety of air navigation as the most important consideration, while delivering value and innovative services for our customers and the aviation industry.

Risk management is integral to the achievement of our organisational objectives, and all employees are responsible for identifying, assessing and reporting risks, as well as complying with our regulatory obligations, policies and procedures as appropriate in the context of their roles.

### Compliance risk management

Regulatory compliance obligation registers, supported by legislation monitoring processes, have been embedded into the business to manage ongoing compliance risks. Non-compliance management reporting processes have been implemented to assure transparency and drive proactive remediation of compliance issues. The three lines of defence model continues to be embedded through assurance mapping and execution of assurance activities across the organisation.

### Maturing risk management

During 2018-19, we implemented a revised enterprise risk classification matrix, which better supports application of our Risk Appetite Statement and is aligned to our business strategy. Particular focus was placed on the development of improved consequence criteria to focus on service provision to our customers, from both safety and efficiency perspectives. Implementation of the revised risk matrix was supported by a comprehensive transition plan.



## Internal audit

Internal audit has a unique role in the organisation and is a key part of our governance framework. It supports our commitment to be a learning organisation, to add value and improve our operations.

It helps us accomplish our objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.

During 2018–19, our internal audit team conducted 21 business audits with 10 conducted by external independent contractors. We additionally conducted 14 *Civil Aviation Safety Regulations 1998* (CASR) site locations audits.

No significant issues were identified, only continued ongoing improvement recommendations were made. Recommendations arising from these audits are tracked and reported to the Board Audit and Risk Committee.

## Ethical standards and fraud control

We promote and uphold the highest standards of ethical behaviour and does not tolerate fraudulent behaviour, including corruption and bribery. We maintain 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 Executive Ethics and Fraud Committee monitors, advises and provides assurance on the maintenance and implementation of our Ethics and Fraud Framework.

The Ethics and Fraud Control Plan 2018–2020, Ethics and Fraud Framework, Fraud Control Policy, Code of Conduct Policy inform employees, contractors and consultants about ethical standards and our approach to fraud control. All alleged incidents of fraud, corruption and bribery including ‘disclosable conduct’ under the *Public Interest Disclosure Act 2013 (Cth)* are managed in accordance with this framework and policy. This covers investigation and any action taken, including reporting alleged wrongdoing that is potentially criminal or illegal in nature, to the appropriate law enforcement agency.

We routinely review fraud risks and monitor controls for effectiveness. All reasonable measures are undertaken to minimise and investigate incidents of fraud, with recovery of fraud losses also occurring wherever possible.

Our processes promote, assist and support individuals in reporting wrongdoing through their management channels and other confidential means including an externally serviced Ethics Hotline.

## Resilience

Organisational resilience is defined within ISO 22316:2017 (Security and Resilience – Organisational resilience – Principles and attributes) as “the ability of an organisation to absorb and adapt in a changing environment”. During 2018–19, we continued to embed the principles of ISO 22316:2017 and ISO 22301:2017 within the Resilience Program. Efforts were focused on supporting the implementation of business impact analysis tools, the conduct of an annual enterprise exercise program and an external assessment of the maturity of our approach (Level 3 – Defined, on a 5 level scale).

We also actively supported the Australian Government’s preparations for the Asia Pacific Economic Cooperation summit in Port Moresby in November 2018 with airspace management planning.

## Security

Our Board and leadership 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 *Protective Security Policy Framework (PSPF)* and the *Information Security Manual (ISM)*.

During 2018–19, security risk management was streamlined by integrating enterprise level cyber and protective security risks to facilitate a holistic overview of the security control environment. This facilitated improved performance reporting with the introduction of security dashboards, refined qualitative key performance and risk indicators. A range of assurance activities were conducted to support the effectiveness of security controls.

An external maturity assessment was conducted to rate our management against the 16 core principles of the PSPF which confirmed our progress to reach control effectiveness in line with the new Cyber Security Plan. Further governance improvements were made, resulting in the appointment of a Chief Security Officer to manage the oversight of all security domains of protective, aviation and cyber security.

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 programs are approved by the Aviation & Maritime Security Division, Department of Home Affairs, as required under the *Aviation Transport Security Act 2004* and the *Aviation Transport Security Regulations 2005*. We are active participants in various government and industry security forums, including local airport security committees, personnel security forums, PSPF Communities of Practice and working groups. We actively engage with both law enforcement and intelligence agencies to ensure our threat intelligence is current and commensurate with our National Security Alert Plan.

## Privacy

We continue to promote a culture of privacy that values and protects information. Our culture of privacy is championed by the steps we take ensuring compliance with the Notifiable Data Breach Scheme (NDBS) and the Australian Government Agencies Privacy Code (the Code).

These steps include:

- appointment of a Privacy Champion, who advocates privacy as a core priority—for 2018–19 the Chief Financial Officer was appointed Privacy Champion
- trained and appointed eight Privacy Officers across our business, providing an initial point of contact for advice on privacy matters
- a Privacy Management Plan identifying specific measurable goals and targets
- Privacy Impact and Privacy Threshold Assessments, setting recommendations for assessing, managing, mitigating or eliminating potential impacts our projects may have on privacy of individuals
- a Privacy Impact Assessment on our website
- a Data Breach Response Plan to record, manage and mitigate data breaches, and preventing similar breaches in the future
- a Data Breach Response Team, who puts our Data Breach Response Plan into action
- regular communication to all employees in relation to privacy matters, and conducting an Privacy Impact Assessment during Privacy Awareness Week.

During 2018–19 we identified five suspected privacy breaches. Only one breach was assessed to meet the NDBS criteria, whereby the Office of the Australian Information Commissioner (OAIC) was informed.

In the five incidences, a Privacy Officer was notified who conducted a preliminary investigation into the suspected breach. The Privacy Breach Response Team (PBRT) is convened to consider the facts and if a privacy breach did actually occur. If the PBRT determines a breach occurred, it assesses the breach against the NDBS criteria.

During 2018–19, the OIAC did not undertake any investigations under section 40 of the *Privacy Act 1988* in relation to our activities.

Our Privacy Policy is available at [www.airservicesaustralia.com/terms-copyright-privacy](http://www.airservicesaustralia.com/terms-copyright-privacy).

## Freedom of Information (FOI)

We are required to publish information to the public as part of the *Freedom of Information Act 1982* (FOI Act) *Information Publication Scheme* (IPS). The IPS replaces the former annual report requirements in section 8 of the FOI Act.

During 2018–19, we received 65 FOI requests and completed 68 requests. Three requests were received prior to 1 July 2018.

These requests are published on our website in accordance with the IPS requirements—[www.airservicesaustralia.com/about/information-publication-scheme](http://www.airservicesaustralia.com/about/information-publication-scheme)

The only requests not published are where information:

- contain personal or business details which would be unreasonable to publish
- access was refused or exempt from release under the FOI Act
- has been published or released outside the FOI Act.

Our Office of Legal Counsel maintain the primary response to FOI requests. Processing FOI requests within timeframes is achieved through the support of FOI Action Officers across our business.

We continue to increase our employee's awareness to FOI requirements through regular communication through fact sheets and facilitating FOI and Privacy Information sessions.

During 2018–19, the OIAC did not review any requests for review under the FOI Act.

## Commonwealth Ombudsman activity

During 2018–19, we received no formal requests for information from the Office of the Commonwealth Ombudsman.

## Fair Work Commission (FWC)

The FWC reviewed and approved the following:

- *Aviation Rescue and Fire Fighting Enterprise Agreement 2018–2021*
- *Airservices Australia Enterprise Agreement 2019–2022*.

These came into effect on 7 December 2018 and 13 May 2019 respectively.

## Judicial decisions 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.

## External audits

We were subject to two performance audits by the Auditor General during 2018–19, being:

- *OneSKY: Contractual Arrangements—Report 4 of 2019–20*
- *Implementation of ANAO and Parliamentary Committee Recommendations—Report 6 of 2019–20.*

Both reports were tabled in early 2019–20 and are available on <https://www.anao.gov.au>.

## Adverse effect of non-commercial commitments

No non-commercial commitments were recorded in 2018–19.

# Appendix G: Airservices Remuneration Report 2018-19

## 2018-19 Remuneration Report

The purpose of this section is to summarise the:

- remuneration for Board Members
- performance outcomes and remuneration of the Executive
- remuneration for leadership roles (other than the Executive) and other staff who were remunerated \$220,000 and over.

The Board of Airservices uses a remuneration strategy and industry-based remuneration model for the Chief Executive Officer (CEO) and Executive General Managers (EGMs) that directly aligns to Airservices performance and the achievement of organisational strategic objectives and customer value.

This year's report has changed from previous disclosures to align with the amended reporting requirements released by the Department of Finance.

## Board Members and Executive

### Board Members

We are governed by a Board that consists of a Chair, Deputy Chair, six non-executive Members and the CEO. The Board, other than the CEO, is appointed by the Minister. The CEO is appointed by the Board.

The Board is responsible for determining the corporate direction and strategies, and ensuring that we perform our functions in a proper, efficient and effective manner.

Table 15: Board Members

Name	Status	Commenced	Finished
<b>Chair</b>			
John Weber <sup>1</sup>	Ongoing	6 April 2017	Current
<b>Deputy Chair</b>			
Mark Binskin	Ongoing	13 September 2018	Current
<b>Board Members</b>			
Fiona Balfour	Ongoing	3 June 2013	Current
Samantha Betzien	Ongoing	4 June 2012	3 September 2019
Marlene Kanga	Ongoing	4 September 2017	Current
David Marchant	Ongoing	21 July 2014	Current
John McGee	Ongoing	4 September 2015	Current
Tim Rothwell	Ongoing	21 July 2014	Current
<b>Chief Executive Officer</b>			
Jason Harfield	Ongoing	11 August 2015	Current

<sup>1</sup> Board Member from 6 April 2017 to 3 September 2017, Deputy Chair from 4 September 2017 to 2 June 2018 and Chairman from 3 June 2018

## Executives

The Executive is accountable for leading, planning and managing our operations, activities and performance in pursuit of our mission.

Table 16: Executive General Managers

Name	Title	Commenced	Finished
Stephen Angus <sup>2</sup>	EGM Air Navigation Services	20 June 2016	30 June 2019
Michelle Bennetts	EGM Customer Service Enhancement	25 January 2013	Current
Craig Charker	Acting EGM Air Navigation Services	16 February 2019	5 May 2019
Peter Curran	EGM Air Navigation Services	6 May 2019	Current
Paul Logan	Chief Financial Officer	2 July 2015	Current
Claire Marrison <sup>3</sup>	EGM Safety and Assurance	3 November 2018	Current
Craig Oakley	Acting EGM Aviation Rescue Fire Fighting Services	16 April 2018	6 January 2019
Robert Porter	EGM Aviation Rescue Fire Fighting Service	7 January 2019	Current
Christopher Seller	Chief Information Officer	1 July 2016	Current
Robert Weaver	EGM Safety and Assurance	25 January 2013	2 November 2018

## Remuneration Strategy and Settings

### Executive remuneration

The responsibility of our Executive and other leaders is to create value for customers while maintaining and enhancing aviation safety, and build a workforce that is customer-oriented with an accountable performance culture.

Within this setting, the industry-based remuneration strategy ensures our Executive individually and collectively contribute to and drive sustained organisational performance that delivers better customer value and corporate results for the long term. The remuneration model consists of two elements: Total Fixed Remuneration (TFR) and Short Term Incentive (STI) Payment.

Following its introduction in 2016, the remuneration model, specifically the STI, was reviewed in 2019 to evaluate alignment with contemporary practices of comparative organisations. No changes were made to the STI structure.

### Total Fixed Remuneration (TFR)

Each Executive role is independently evaluated to determine internal and external relativities of the position's level of work value, size and complexity, accountability, and expertise and judgement required to be successful.

The position is benchmarked against a comparator group for Airservices comprising a blend of industry and sector relevant private and public sector organisations. The remuneration is subsequently set within the 50th percentile of the Mercer National General Market (MNGM). The MNGM comprises comprehensive data from over 750 organisations with over 330,000 data points across multiple industries, sectors and job families to provide an overall representation of the market.

<sup>2</sup> Absent on leave without pay from 27 February 2019 to 30 June 2019

<sup>3</sup> Acting from 3 November 2018 to 16 December 2018 and substantively employed from 17 December 2019

The TFR includes cash salary, employer contributions and any salary sacrifice component. It is reviewed annually against the remuneration benchmarking data and corporate performance, with a focus on maintaining a commercially responsible position.

These key inputs are provided through external independent advice from Mercer, the world's largest human resources consulting firm.

### Short Term Incentive (STI) Payments

STI payments are designed to reward and align collective Executive performance with the organisation's performance, based on key outcomes that are linked to our Corporate Plan.

Based on benchmarking research conducted by Mercer, a conservative approach to STI payments has been implemented with the potential for a maximum of 10 per cent of TFR for the EGMs and for a maximum of 20 per cent of TFR for the CEO. The awarding of STI payments is solely at the Board's discretion and is based on performance and outcomes against the corporate scorecard set by the Board.

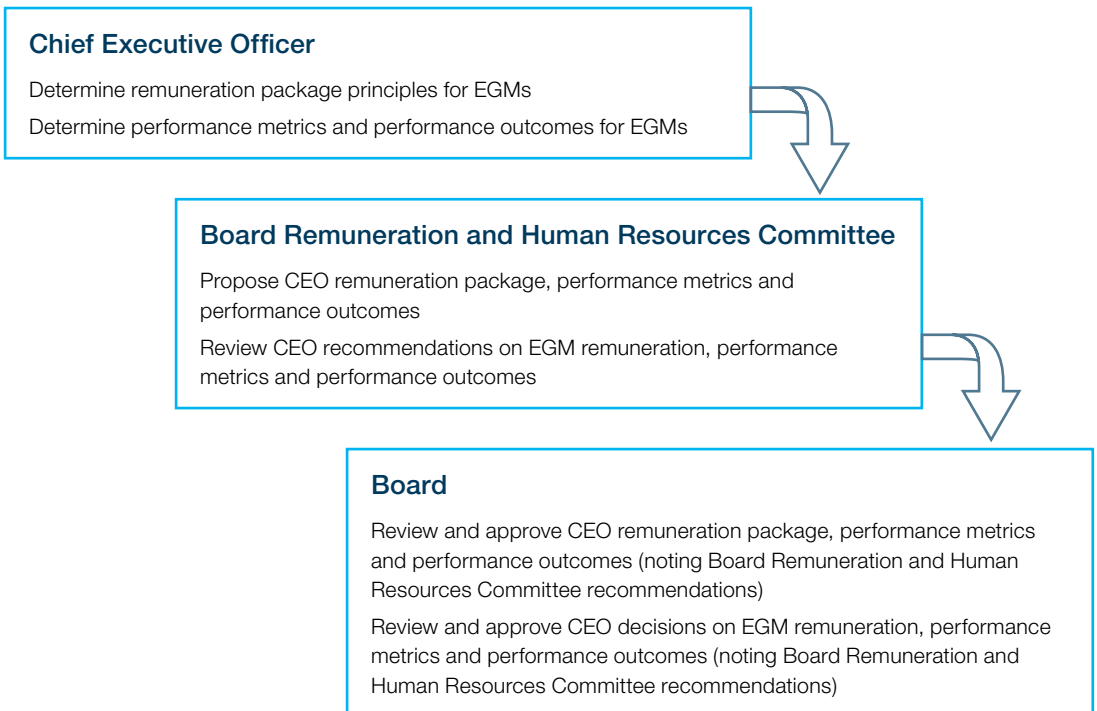
Sixty per cent of the STI is payable in the year after it was awarded with the remaining 40 per cent held back for a further 12 months. This approach drives sustained Airservices performance and success.

### Remuneration Governance

A key objective of the Board Remuneration and Human Resources Committee is to review matters relating to the remuneration and performance of the CEO and Executive.

The Committee is comprised of at least three non-executive Board Members, with one appointed as the Chair. In addition, the Board Chair and CEO are ex-officio members of the Committee.

In 2018-19 the Committee Chair was Samantha Betzien and the non-executive Board Members were Marlene Kanga, David Marchant and Tim Rothwell.





## Annual Fees and Allowances for Board Members

Annual fees and allowances for our part-time Chair, Deputy Chair and Board Members are determined by the Commonwealth Remuneration Tribunal. In setting remuneration, the Tribunal considers a range of matters including workload and value of the office, fees in the private sector, and wage and other economic indices.

## Corporate Performance Outcomes

In July 2019 the Board assessed the Executive's performance against the 2018–19 corporate scorecard to determine the STI. The scorecard comprised key corporate performance metrics/indicators, initiatives under the pillars of our Corporate Plan and OneSKY Program milestones.

Table 17: Corporate Performance Scorecard

### Corporate Metrics Weighting 60 per cent

Outcomes	Key Performance Indicators	2018–19 Target	2018–19 Actual	Assessment
<b>Safety</b>	Significant attributable safety incidents – ATM and ARFFS	0	0	<b>Met</b>
	Total lost time injury frequency rate	≤ 2.5	4.0	<b>Not met</b>
<b>Financial stewardship</b>	Manage costs within allocated budget	Meet budget	Better than budget	<b>Met</b>
	Return on assets	≥ 6.9%	8.2%	<b>Met</b>
<b>Business operations / efficiency</b>	Total operating cost per instrument flight rules flight hour (\$/hr)	≤ \$347	\$332	<b>Met</b>
<b>Industry outcomes</b>	Arrival airborne delay – median (high volume operations)	≤ 0.6 mins	0.7 mins	<b>Not met</b>
	Arrival airborne delay – 75th percentile (high volume operations)	≤ 3.4 mins	3.8 mins	<b>Not met</b>
	Industry advocacy score	-20	-25	<b>Not met</b>
<b>Organisational capacity</b>	People engagement index	≥ 48%	47%	<b>Not met</b>
	Diversity and inclusion index	Baseline	38%	<b>Met</b>

**Corporate Initiatives Weighting 20 per cent**

Deliverable	Assessment
Initiatives under <b>Service Excellence</b> pillar	<b>Partially met</b>
Initiatives under <b>Service Innovation</b> pillar	<b>Partially met</b>
Initiatives under <b>Industry Leadership</b> pillar	<b>Partially met</b>
Initiatives under <b>Organisational Agility</b> pillar	<b>Met</b>

**OneSKY Program Weighting 20 per cent**

Deliverable	Assessment
<b>Initiatives under OneSKY Program</b>	Met
Corporate Performance	60% <b>37%</b>
Corporate Initiatives	20% <b>8%</b>
OneSKY Program	20% <b>20%</b>
<b>Total</b>	<b>100%</b> <b>65%</b>

The Board determined the STI outcome, based on the achieved business outcomes and results, was 65 per cent of potential maximum STI achievable.

Accordingly in 2018-19 the substantive Executive were awarded:

Table 18: Executive Short Term Incentive

Name	Maximum Achievable STI	STI Outcome (65% of max. achievable STI)	60% STI paid September 2019	40% STI paid September 2020
Jason Harfield	20%	13% (\$113,100)	\$67,860	\$45,240
Michelle Bennetts	10%	6.5% (\$27,657)	\$16,594	\$11,063
Paul Logan	10%	6.5% (\$27,898)	\$16,739	\$11,159
Claire Marrison	10%	6.5% (\$21,775)	\$13,065	\$8,710
Robert Porter <sup>4</sup>	10%	6.5% (\$11,842)	\$7,105	\$4,737
Christopher Seller	10%	6.5% (\$27,316)	\$16,389	\$10,926

Sixty per cent of the STI awarded from 2018-19 was paid in September 2019 and the remaining 40 per cent will be paid in September 2020 subject to assessment of performance and sustained positive impact on Airservices performance and success.

## Board Member Remuneration

The following table outlines the remuneration earned and accrued by Board Members throughout 2018–19.

Table 19: Board Remuneration

Name	Short-Term Benefits		Post-Employment Benefits	Total Remuneration
	Base salary	Other benefits / allowances <sup>5</sup>	Superannuation contributions	
John Weber	\$118,662	\$24,432	\$12,817	\$155,911
Mark Binskin	\$69,208	\$0	\$7,883	\$77,091
Fiona Balfour	\$59,331	\$11,166	\$6,408	\$76,906
Samantha Betzien	\$57,113	\$3,056	\$5,637	\$65,806
Marlene Kanga	\$59,331	\$10,287	\$6,408	\$76,026
David Marchant	\$59,331	\$14,403	\$6,408	\$80,143
John McGee	\$59,331	\$9,979	\$6,505	\$75,816
Tim Rothwell	\$59,331	\$18,546	\$7,180	\$85,057

<sup>5</sup> Includes Board Committee membership and travel allowances

## Executive Remuneration

The following table outlines the remuneration earned and accrued by the Executive in 2018–19.

Table 20: Executive Remuneration

Name	Short-Term Benefits				Post-Employment Benefits	Long-Term Benefits	Total Remuneration
	Base salary		Bonuses	Other benefits / allowances <sup>6</sup>	Superannuation contributions	Long service leave	
	Salary	Rec. leave <sup>7</sup>					
Jason Harfield	\$769,824	\$36,690	\$113,100	\$8,856	\$71,870 <sup>8</sup>	\$21,445	\$1,021,785
Stephen Angus	\$244,448	-\$1,266	\$0	\$0	\$24,984	\$6,906	\$275,072
Michelle Bennetts	\$377,045	\$3,263	\$27,657	\$8,000	\$37,790	\$0	\$453,765
Craig Charker	\$53,369	\$1,899	\$3,767	\$0	\$12,308	\$1,356	\$72,428
Peter Curran	\$63,022	\$5,287	\$0	\$6,475	\$6,006	\$924	\$81,715
Paul Logan	\$396,669	\$1,645	\$27,898	\$8,000	\$37,067 <sup>6</sup>	\$10,580	\$481,859
Claire Marrison	\$282,022	\$2,508	\$21,775	\$0	\$26,549	\$7,805	\$340,659
Craig Oakley	\$131,895	\$2,039	\$8,642	\$4,800	\$12,925	\$3,277	\$163,578
Robert Porter	\$166,309	\$12,642	\$11,842	\$3,080	\$15,850	\$3,903	\$213,626
Christopher Seller	\$375,412	\$19,333	\$27,316	\$8,118	\$37,324	\$10,359	\$477,861
Robert Weaver	\$115,352	-\$2,955	\$0	\$10,943	\$11,079	\$2,849	\$137,269

<sup>6</sup> Includes motor vehicle and relocation allowances, and associated Fringe Benefits Tax

<sup>7</sup> Accrued recreation leave less any recreation leave taken during the year

<sup>8</sup> Member of AvSuper defined benefit superannuation scheme

## Leadership Roles (other than Executive) remuneration<sup>9</sup>

The following table outlines the remuneration earned and accrued by the Executive in 2018-19.

Table 21: Other Leaders Remuneration

Remuneration Band	Number of staff	Average Short-Term Benefits			Average Post-Employment Benefits	Average Long-Term Benefits	Average Termination Benefits	Average Total Remuneration
		Base salary	Bonuses	Other benefits / allowances <sup>10</sup>	Superannuation contributions	Long service leave		
\$0 – \$220,000 <sup>11</sup>	128	\$137,409	\$10,062	\$917	\$14,762	\$2,915	\$1,656	\$167,721
\$220,001 – \$245,000	27	\$192,194	\$13,945	\$1,146	\$20,306	\$4,381	\$0	\$231,972
\$245,001 – \$270,000 <sup>12</sup>	15	\$203,870	\$12,159	\$2,605	\$20,939	\$5,799	\$12,504	\$257,878
\$270,001 – \$295,000	14	\$233,942	\$14,889	\$4,803	\$21,729	\$6,446	\$0	\$281,810
\$295,001 – \$320,000 <sup>13</sup>	6	\$257,195	\$19,039	\$1,831	\$20,942	\$7,238	\$0	\$306,245
\$320,001 – \$345,000	2	\$277,175	\$18,939	\$0	\$25,149	\$7,181	\$0	\$328,444
	<b>192</b>							

9 Incorporates the two layers of leadership roles below Executive General Manager

10 Includes Early Retirement Benefit payments to eligible employees

11 Includes 19 employees who separated during the year

12 Includes two employees who separated during the year

13 Includes one employee who separated during the year

## Other Highly Paid Staff remuneration

The following table outlines the *average* remuneration earned and accrued by other highly paid staff in 2018–19.

Table 22: Other Highly Paid Staff Remuneration

Remuneration Band	Number of staff <sup>14</sup>	Average Short-Term Benefits			Average Post-Employment Benefits	Average Long-Term Benefits	Average Termination Benefits	Average Total Remuneration
		Base salary	Bonuses	Other benefits / allowances <sup>15</sup>	Superannuation contributions	Long service leave		
\$220,001 – \$245,000 <sup>16</sup>	325	\$201,119	\$20	\$2,269	\$25,032	\$4,222	\$598	\$233,260
\$245,001 – \$270,000 <sup>17</sup>	225	\$218,973	\$14	\$4,961	\$26,376	\$4,151	\$1,665	\$256,141
\$270,001 – \$295,000 <sup>18</sup>	89	\$235,929	\$0	\$8,176	\$29,506	\$5,009	\$1,506	\$280,127
\$295,001 – \$320,000 <sup>16</sup>	29	\$243,196	\$0	\$18,923	\$28,890	\$4,924	\$8,455	\$304,388
\$320,001 – \$345,000 <sup>16</sup>	10	\$244,273	\$0	\$26,220	\$26,772	\$4,577	\$29,233	\$331,075
\$345,001 – \$370,000 <sup>16</sup>	9	\$245,088	\$0	\$41,461	\$31,024	\$4,643	\$35,429	\$357,644
\$370,001 – \$395,000	6	\$287,001	\$0	\$49,577	\$36,175	\$5,176	\$0	\$377,928
\$395,001 – \$420,000 <sup>18</sup>	2	\$71,629	\$0	\$0	\$20,315	\$1,129	\$320,280	\$413,353
\$420,001 – \$445,000	1	\$208,954	\$0	\$197,795	\$21,267	\$4,745	\$0	\$432,761
\$520,001 – \$545,000	1	\$308,706	\$0	\$184,579	\$40,183	\$5,108	\$0	\$538,576

14 Includes 635 staff employed under the Air Traffic Control and Supporting Air Traffic Services Enterprise Agreement, 30 staff employed under the Air Traffic Control Line Manager Enterprise Agreement and 8 staff employed under the Aviation Rescue Fire Fighting Enterprise Agreement

15 Includes Early Retirement Benefit payments and Fly In Fly Out, Living Away From Home and Home Purchase/Sale allowances to eligible employees

16 Includes one employee who separated during the year

17 Includes four employees who separated during the year

18 Includes two employees who separated during the year



# Appendix H: Aircraft Noise Ombudsman Annual Report 2018–19

ano  
AIRCRAFT NOISE OMBUDSMAN

Annual Report  
2018-2019



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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
- community 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

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- 1.1 The 2018-19 financial year has been both rewarding and challenging with a considerable increase in complaints as well as a continuation of longer-term projects.

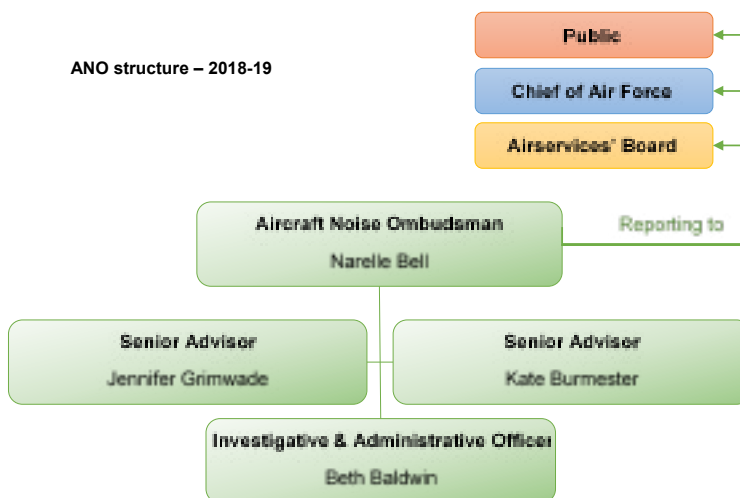
Highlights include:

- 413 complaints handled, including 39 reviewed in detail, of which three led to a change adopted by the agency
  - commencement of a multiple complaints investigation into Airservices' community engagement and provision of information in connection with proposed flight path changes at Sunshine Coast Airport consequent to the planned new runway
  - commencement of the second compliance audit against Defence's conditions of approval for the Super Hornets at Amberley
  - consideration of emerging systemic issues in relation to Airservices' systems for community engagement
  - continued monitoring of Airservices' actions to address outstanding recommendations from our *Investigation into complaints about the introduction of new flight paths in Hobart (April 2018)*
  - continued work with Defence to address the final recommendation from our *Review of Defence's Aircraft Noise Complaints Management System (November 2016)*, which is aimed at improving the aircraft noise information available through its website
  - delivery of a training session with Defence on complaint management.
- 1.2 As you can see from the highlights above, we have continued to focus on community engagement as a key aspect of aircraft noise management. As I said last year, the high level of airport development and growth across Australia as well as the introduction of the Joint Strike Fighters over the next decade will demand a high level of community engagement awareness, understanding and expertise in both Airservices and Defence.
- 1.3 The aviation sector will need the community's support for the infrastructure and regulation that allows this development and growth – the aviation social contract that I have mentioned many times before. At the same time, we are seeing that the community we are dealing with these days is connected – to information and to each other. They are a sophisticated, technologically savvy and politically mobile community that simply cannot be ignored. Therefore, we acknowledge this makes community engagement a more and more complex undertaking for agencies to grapple with.
- 1.4 Finally, as an organisation the ANO has been through considerable change over the last year with a close examination of our organisational structure and budget arrangements to enhance our independence. At the same time we had staffing changes including an extended period at reduced capacity, which coincided with an unprecedented influx of complaints. Our new structure and current staffing is displayed over the page.

- 1.5 I would like to acknowledge the departure of Tim Abberton, Deputy Aircraft Noise Ombudsman, in October last year. Tim made an enormous contribution to the establishment and growth of the ANO office over the last eight years and I thank Tim for his valuable work. We also farewelled Kristy Ryan in April this year, who had provided invaluable administrative support to the team for two and a half years.
- 1.6 I am pleased that our small ANO team is now back to full complement since we welcomed Beth Baldwin to the team as Investigative and Administrative Officer in May and Jennifer Grimwade as Senior Advisor in July. I am very grateful to Kate Burmester, Senior Advisor, who, with me and by her acuity, capacity for hard work and her excellent good humour, kept our small office afloat during an extended period of reduced capacity while we were undertaking the necessary recruitment processes.
- 1.7 With its staff changes, revised organisational structure and budget arrangements, the ANO is entering a new chapter of work, strategically aimed at enhancing the performance of the agencies in complaint management, community engagement and provision of information.
- 1.8 The ANO is now even stronger and in an excellent position to continue to focus on its priorities for the year ahead.



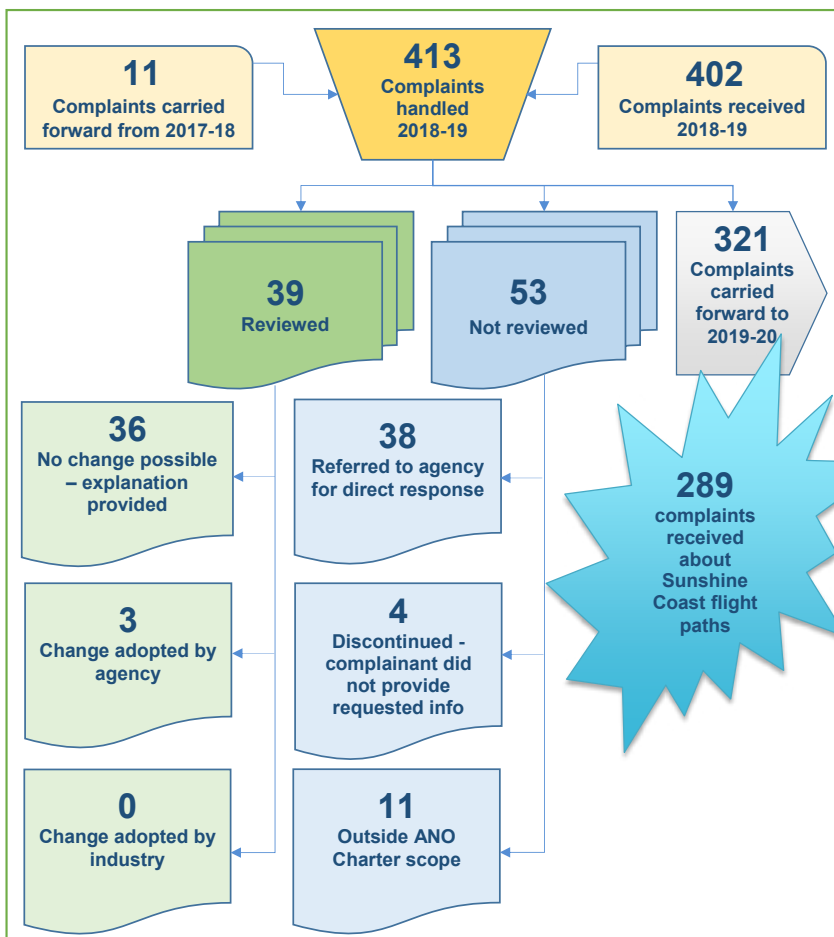
Aircraft Noise Ombudsman  
12 September 2019



## 2 Complaints

### Complaint statistics

2.1 The ANO received 402 complaints in 2018-19, which is up significantly when compared with the previous financial year (103 complaints). The following image shows how the complaints were handled.



2.2 This spike reflects significant reaction by communities to Airservices' consultation, information provision and complaint handling in relation to its proposed flight path designs for the new Sunshine Coast runway.

2.3 **Attachment 1** provides a summary of ANO complaint statistics for 2018-19.

- 2.4 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**

	<b>Total fin. year</b>	<b>Ave per month</b>	<b>% Change</b>
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%
Jul 2018 –Jun 2019 (12 mths)	402	33.5	↑ 290.2%

- 2.5 The sharp increase in complaints received in 2018-19 compared to the previous financial year is largely due to community dissatisfaction with Airservices' community engagement, information provision and complaint handling in connection with proposed flight path changes at Sunshine Coast Airport consequent to the planned new runway. There were 289 complaints received relating to this specific issue leading to a multiple complaints investigation which remains ongoing in the 2019-20 financial year.
- 2.6 The table below and graphs over the page demonstrate the unprecedented increase in complaints about Airservices – an increase of 309% in 2018-19 compared with 2017-18. Complaints about Defence also increased this year by a more modest 28%, from a small base.

**Table 2: Complaints received by agency in 2016-17 to 2018-19**

	<b>Total Airservices</b>	<b>% Change</b>	<b>Total Defence</b>	<b>% Change</b>
2015-16	242		12	
2016-17	99	↓ 59.1%	15	↓ 25%
2017-18	96	↓ 3.0%	7	↓ 53.3%
2018-19	393	↑ 309.4%	9	↑ 28.6%

**Graph 1a: Complaints received about Airservices, 2015-16 to 2018-19**



**Graph 1b: Complaints received about Airservices, 2015-16 to 2018-19**



2.7 The ANO started the financial year with 11 open complaints and received a further 402 complaints during the period. Of the total 413 complaints handled in 2018-19, 92 were closed. Of these, 39 complaints were reviewed in detail, 38 were referred back to either Airservices or Defence to respond to directly, four were closed without review due to a lack of information from the complainant and 11 were closed as outside the scope of the ANO Charter.

- 2.8 This left 321 open complaints carried forward into the 2019-20 financial year, a majority of which are subject to the ongoing multiple complaints review of Airservices' management of aircraft noise issues in relation to introduction of new flight path changes for Sunshine Coast Airport.

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

	Complaints handled	Complaints closed	Complaints reviewed #	Complaints reviewed %
2015-16	271	254	120	47%
2016-17	131	119	70	59%
2017-18	115	104	65	63%
2018-19	413	92	39	42%

- 2.9 Of the complaints reviewed in 2018-19, only three led to a change and the remaining 36 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 identified for the short to medium term.

**Table 4: Outcome of complaints reviewed by the ANO in 2018-19**

Complaints reviewed and closed:	39	
No change possible - explanation provided	36	92.31%
Change adopted by Airservices/Defence	3	7.69%
Change adopted by airport operator	0	0%
Change adopted by operator	0	0%

- 2.10 One complaint led to changes adopted by Airservices through an enhancement to its information in support of the Hobart Airspace Design Review consultations.
- 2.11 Two Defence-related complaints led to changes by Defence. For one complaint, Defence enhanced its web information in relation to Williamtown airspace activity; and for the other complaint, Defence took on board feedback for improving its complaint handling record-keeping and communications with complainants.

### 3 Noise improvement opportunities

- 3.1 Investigations into potential noise improvement opportunities that stem from complaints reviewed by the ANO are tracked in the ANO's quarterly reports. These reports are available on the ANO website.
- 3.2 No new noise improvement opportunities were identified in the 2018-19 financial year. However, three opportunities were carried forward that had been identified but not finalised from the previous year. All but one of these three were finalised in 2018-19.

**Table 5: Noise improvements considered in 2018-19**

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

- 3.3 **Attachment 2** summarises the noise improvement opportunities considered in 2018-19.

### 4 Community engagement and information provision

- 4.1 In 2018-19, ANO staff continued to attend a variety of community and aviation industry meetings across Australia. Attending these meetings as observers provides the ANO staff with direct knowledge of community and industry issues and, in particular, emerging aircraft noise management issues. ANO staff also take the opportunity at these meetings to monitor the effectiveness of community consultation undertaken by Airservices and Defence including their presentation and distribution of aircraft noise-related information. The ANO presence at these meetings also helps to foster a broader understanding and awareness of the ANO's role and aircraft noise management issues.
- 4.2 During the 2018-19 financial year, ANO staff attended eight airport Community Aviation Consultation Group (CACG) (or equivalent) meetings. ANO staff also attended various industry meetings, including presenting at the major annual conferences of the Regional Australian Aviation Association (RAAA) and the Australian Mayoral Aviation Council (AMAC). In these presentations, the ANO emphasised the need for the aviation industry to keep improving its community engagement efforts and to remain open to the possibility of better ways of doing things.
- 4.3 ANO staff presented at the CACG Chair's Forum about continuous improvement in the sphere of community engagement in aviation; to the Perth Airport Municipalities Group on the role of the ANO, its learnings and achievements; and to the Forum of Western Sydney Airport on the role of the ANO and community reactions to aircraft noise.



## 5 ANO reviews

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- 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

#### Hobart

- 5.2 Throughout 2018-19, the ANO continued to monitor Airservices' actions to address outstanding recommendations from its *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. The Board of Airservices accepted all recommendations and the organisation has been working since then to address these.
- 5.3 Airservices demonstrated its commitment to improving its community engagement in the way it approached its Hobart Airspace Design Review. It conducted community consultations on its proposed airspace design between 31 October 2018 and 21 December 2018 (extended to 7 January 2019 for written submissions). Airservices released its final design at the end of March 2019 and conducted community information sessions on these in May 2019.
- 5.4 Much of the Hobart Airspace Design Review consultation activities were supported by Airservices' consultant, Tania Parkes Consulting (TPC). TPC prepared a summary of feedback gathered through the engagement activities that sought community views. Some members of the community expressed concerns at the time about the report being more than an objective factual summary because it appeared to include analysis, judgements and commentary that reflected the consultant's views and, in some instances, offered counter-argument to the feedback provided by the community. Airservices made minimal changes to address these issues and there remains dissatisfaction among some community members with the final outcome.
- 5.5 There were also some key aspects of Airservices' methodology and decision-making processes during the Hobart Airspace Design Review process that could be improved. Key concerns included the environmental assessment methodology; the lack of documentation to support Airservices' comparative assessment, which led to the decision to preference the "Eastern approach" over the "Western approach"; and a lack of clarity about the feasibility of the "Western approach".
- 5.6 The ANO observed this process closely and received complaints or comments from some members of the community. These and other matters arising from Hobart continue to be monitored and reviewed and, where appropriate, the ANO will make reports and recommendations to the Airservices Board.
- 5.7 Overall, the ANO acknowledges that Airservices committed significant resources to a much more robust design process than it previously had, which showed increased recognition of the importance and value of consulting effectively with the community, as well as more broadly with other stakeholders.

- 5.8 While not everyone was satisfied with Airservices' final decision, the ANO was pleased at that time that Airservices appeared to take on board some of the feedback it received through its consultation process and, where possible, adapted its designs accordingly.
- 5.9 The ANO was of the view that considerable advances had been made by Airservices since it introduced flight path changes in Hobart in September 2017 with little or no consultation with the community. This had serious reputational and resourcing consequences for Airservices but the ANO was optimistic that this progress would be built on and developed.
- 5.10 However, as at 30 June 2019, the ANO was continuing to monitor seven outstanding recommendations from its *Hobart review*<sup>1</sup>. In its Quarterly Report January-March 2019, the ANO was pleased to report that it had closed Recommendation 5 (Airservices should access, through recruitment or otherwise, skilled and experienced subject matter expertise in the practice of community consultation), reflecting Airservices' appointment of an experienced community engagement specialist to the position of Group and Community Engagement Manager. Unfortunately, that person left Airservices after a short time. Consequently, the ANO modified the status of this Recommendation to "Reopened and ongoing" until further recruitment is completed or other action is taken to ensure the necessary skills and experience are embedded in the organisation.

### **Sunshine Coast**

- 5.11 From late April 2019, the ANO received an influx of complaints about Airservices' community engagement and provision of information in connection with proposed flight path changes at Sunshine Coast Airport consequent to the planned new runway.
- 5.12 On 30 May 2019, the ANO advised the Chairman of the Airservices Australia Board that a multiple complaints investigation would be conducted with a view to a report with recommendations. The central issues to have emerged initially about the nature of Airservices' community engagement include:
- timing of engagement with the community and inflexibility in extending the consultation period
  - the limited reach of consultation that did not include all affected communities
  - the quality of on-site consultation sessions
  - the quality of information provided
  - the responses or absences of responses to questions about proposed flight paths
  - the division of responsibility and actions for community engagement between Airservices and Sunshine Coast Council.
- 5.13 This matter has also raised broader questions about the process that should be undertaken by Airservices where it designs flight paths subsequent to changes initiated by a third party. These issues include:

<sup>1</sup> At the time of finalising this report, four of these seven outstanding recommendations were closed

- the quality, extent, effectiveness and current relevance of a previous community engagement process undertaken by a third party
- the extent to which Airservices should satisfy itself of the appropriateness (including an environmental assessment) of flight path concepts designed by third parties
- the appropriate proportional approach by Airservices to community engagement in the face of the passage of time and consequent changes to population, projected aircraft movements and technical developments
- the alignment of current (targeted) environmental assessments undertaken by Airservices with previous environmental assessments carried out by third parties many years before
- whether a new and purpose-designed process of Airservices assessment and engagement is required in cases where Airservices is not the proponent of flight path changes.

5.14 The ANO will continue to investigate and will report to the Airservices Board in due course.

#### **Systemic Review of Community Engagement**

5.15 As a result of ongoing concerns regarding Airservices' community engagement in relation to specific flight path changes, and at the Board's request, the ANO has commenced a systemic review of the effectiveness of Airservices' community engagement systems. The Review will particularly focus on the organisation's readiness to engage effectively about aircraft noise issues:

- arising through its own change initiatives
- resulting from its own business as usual activities
- specifically in the context of major airport infrastructure projects scheduled over the next decade.

5.16 The ANO will report to the Airservices Board accordingly.

#### **Defence**

5.17 No new Defence-related reviews were finalised in 2018-19, although the ANO has been busy during the year progressing a second compliance audit of Defence's *Australian Super Hornet Flying operations, RAAF Base Amberley*.

5.18 Defence is also still working to address the final recommendation from the ANO's Review of Defence's Aircraft Noise Complaints Management System (November 2016), which is aimed at improving the aircraft noise information available through its website.

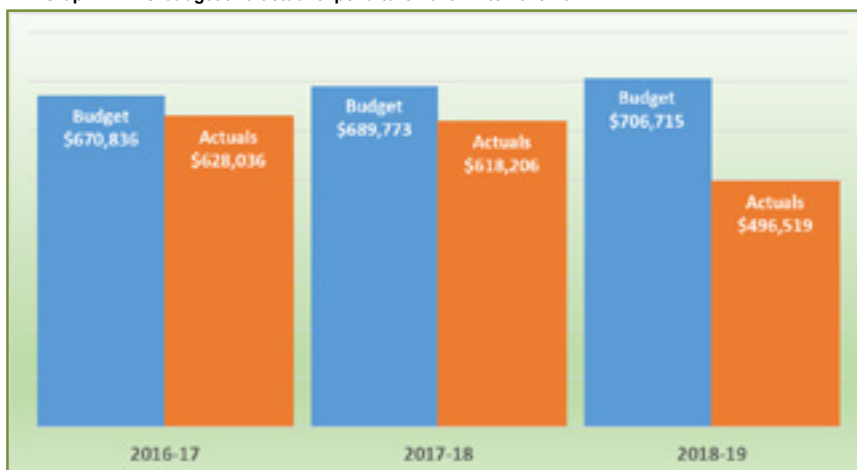
## 6 ANO publications

- 6.1 The ANO published its quarterly reports and last year's annual report on its website during 2018-19.

## 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 In February 2019, the ANO received approval for a three year budget allocation covering the period 2018-19 to 2020-21. This means the ANO no longer needs to seek funding annually, allows for flexibility in managing expenditure peaks and troughs across financial years and further strengthens the office's independence.
- 7.3 During 2018-19, the ANO effectively managed its budget, with actual expenditure almost 20% below the budget allocation. The total operating expenditure of the office was \$496,519 against a total budget of \$706,715. The under-spend compared to budget largely reflects reduced expenditure on staff costs and travel due to the extended period during which the office operated at half its full complement following delays in finalising the new structure and recruiting. With staffing now at full complement, the new staff pursuing foundation professional development, and several major reviews in train, it is expected that the ANO's expenditure during the coming 2019-20 financial year will catch up on much of this under-spend from 2018-19.

Graph 2: ANO budget and actual expenditure 2016-17 to 2018-19



## Attachment 1 ANO Complaint Statistics

The following summarises the ANO complaint statistics for 2018-19.

	Total	Airservices	Defence
Complaints carried forward from 2017-18	11	10	1
Complaints received 2018-19	402	393	9
<b>Total complaints handled in 2018-19</b>	<b>413</b>	<b>403</b>	<b>10</b>
<b><u>Closed complaints - reviewed</u></b>			
No change possible - explanation provided	36	35	1
Change adopted by Airservices or Defence	3	1	2
Change adopted by airport operator	0	0	0
Change adopted by operator	0	0	0
<b>Total complaints reviewed and closed</b>	<b>39</b>	<b>36</b>	<b>3</b>
<b><u>Closed complaints - not reviewed</u></b>			
Referred to agency to respond to directly	38	37	1
Complainant did not provide further information	4	3	1
Outside Charter scope	11	11	0
<b>Total complaints not reviewed and closed</b>	<b>53</b>	<b>51</b>	<b>2</b>
<b>Complaints closed during 2018-19</b>	<b>92</b>	<b>87</b>	<b>5</b>
<b>Complaints carried forward to 2019-20</b>	<b>321</b>	<b>316</b>	<b>5</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 2018-19 financial year.

### Noise improvement opportunities considered during 2018-19

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 during the consultation exercise prior to the new path being introduced in Sept 2015. At that time Airservices elected to implement the path as designed and undertook to look at the opportunity to reduce noise impacts as part of an upcoming post-implementation review. In the PIR, Airservices again deferred consideration of the change pending other change initiatives and referral to the Airport's technical noise working group.</p> <p>Since that time, the ANO has continued to seek updates from Airservices. In early 2018, Airservices advised that its noise modelling and a targeted environmental assessment indicated its proposed modification to the smart tracking approach would provide the best overall aircraft noise outcome. However, it elected not to pursue the change immediately, pending Perth Airport's finalisation of its Master Development Plan for the new parallel runway. Airservices advised that this was "to enable a proper assessment of the impact of the MDP, and its associated new runway flight paths, on the proposed Smart Tracking approach modification." This approach, Airservices advised, "ensures the proposed modification is not completed in isolation from the proposed flight paths for the new runway in Perth, potentially resulting in a requirement to further modify the Smart Tracking approach and unnecessarily burdening the community".</p> <p>The ANO has sought an update and will continue to seek further information until a final decision is made.</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.</p> <p>The Council undertook to consider a change to the circuit direction and is developing a <i>Fly Friendly</i> procedure to accommodate this, subject to final approvals. The ANO has finalised its consideration of Airservices management of the noise issues. Any potential opportunities to reduce noise impacts now reside with Council to manage as appropriate.</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.</p> <p>Additionally, Airservices undertook a full 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 was finalised in March 2019, with the resultant new flight paths to be effective from November 2019.</p>

### Attachment 3 ANO assessment of action on recommendations

During the 2018-19 financial year, the ANO continued to monitor: one recommendation Defence still had outstanding from the ANO's *Review of Defence's Aircraft Noise Complaints Management System (November 2016)*; as well as the recommendations Airservices had outstanding from the ANO's *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 2018-19 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 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.

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

Ongoing recommendations	ANO assessment of agency response
<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.	<u>Closed</u> – Airservices has provided substantial evidence of actions taken including the updating of relevant flight path change procedures. In addition, key staff have been trained in the new requirements. ANO considers that Airservices has addressed this recommendation
<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.	<u>Ongoing*</u> – Airservices has briefed the ANO on its actions to address this recommendation, including: <ul style="list-style-type: none"> <li>- reviewing its environmental assessment referral criteria to ensure it is appropriate and aligned to the EPBC Act requirements;</li> <li>- developing a social impact criteria for aircraft noise management, to be completed by June 2019.</li> </ul> The ANO is considering the information provided to determine whether the actions are adequate to address the intent of this recommendation.

\* This recommendation was ongoing at 30 June 2019, but at the time of writing it is closed

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 briefed the ANO on its actions to address this recommendation, 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>The ANO is considering the information provided to determine whether the actions are adequate to address the intent of this recommendation.</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>The ANO is considering the information provided to determine whether the actions are adequate to address the intent of this recommendation.</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>Reopened and Ongoing</u> – Airservices has:</p> <ul style="list-style-type: none"> <li>- engaged a community engagement consultant to provide social impact and consultation advice for the duration of the Hobart Airspace Design Review;</li> <li>- recruited a Community Engagement Manager with extensive community engagement experience and skills to lead the Engagement team. <u>However, the departure of this Manager soon after her appointment means this action remains to be implemented;</u></li> <li>- recruited other engagement staff with strong backgrounds in modern community engagement principles;</li> <li>- increased the capability of the community engagement team through training and access to community engagement specialists and expertise.</li> </ul> <p>The ANO considers these actions, once completed, would address the recommendation.</p>
<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>Closed</u> – Airservices has demonstrated through its community engagement activities, in Hobart and in other changes across Australia through 2018 and into 2019 that its engagement strategies are tailored to the individual circumstances of the proposed changes, in line with its updated guidelines.</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>Closed</u> – Airservices' current values and procedures support a culture of acknowledging errors and taking appropriate action. Recent activities and awareness of the issues associated with the Hobart changes support closure of this recommendation.</p>
<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 it has links to the development of social impact criteria.</p> <p>The ANO is considering the information provided to determine whether the actions are adequate to address the intent of this recommendation.</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.</p> <p>Airservices has provided additional evidence of its actions in response to this recommendation that the ANO is currently considering before determining whether this recommendation can be closed.</p>

\* This recommendation was ongoing at 30 June 2019, but at the time of writing it is closed

Ongoing recommendations	ANO assessment of agency response
<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><b>Closed</b> – Airservices has undertaken a number of community engagement sessions through May and June 2018, during which it has sought community views on how to consult on its Airspace Design initial findings, now scheduled for October 2018. The draft Community Engagement Plan and Social Impact Overview documents indicate that Airservices is pursuing a change process that incorporates steps to obtain community views.</p> <p>The ANO considers Airservices has addressed this recommendation.</p>
<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><b>Closed</b> – Airservices has advised that 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. Airservices revised its <i>Noise Complaints and Information Service Procedures for Managing Aircraft Noise Complaints and Enquiries C-PROC0336</i>, with Version 2 effective from 13 April 2018, including the requirement that complainants are kept informed about investigations. Training with all relevant staff was undertaken at this time.</p> <p>The ANO is satisfied that the procedures and training address 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><b>Ongoing*</b> – 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>Airservices has provided additional evidence of its actions in response to this recommendation that the ANO is considering before determining whether this recommendation can be closed.</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><b>Closed</b> – Airservices' updated procedures <i>Noise Complaints and Information Service Procedures for Managing Aircraft Noise Complaints and Enquiries C-PROC0336 Version 2 Effective 13 April 2018</i> include specific reference to keeping complainants informed of the progress of investigations and advising the outcomes at the end of the investigations process. Training with all relevant staff has been undertaken.</p> <p>The ANO is satisfied that the procedures and training address this recommendation.</p>

\* This recommendation was ongoing at 30 June 2019, but at the time of writing it is closed



## Appendix I: Compliance index

The annual report has been prepared in accordance with section 46 of the *Public, Governance, Performance and Accountability Act 2013*, the *Public, Governance, Performance and Accountability Rule 2014* and subsequent amendments, including the *Public, Governance, Performance and Accountability Amendment (Annual Reporting) Rule 2019*. These requirements were approved on behalf of the Parliament by the Joint Committee of Public Accounts and Audit on 4 April 2019.

PGPA Rule Reference	Description	Report page/ comments
17BB	Letter of transmittal—Approval by accountable authority	5
	Parliamentary standards	
17BC	Parliamentary standards of presentation	Confirmed
17BD	Plain English and clear design	Confirmed
17BE	Contents of the annual report	
17BE(a)	Enabling legislation	15
17BE(b)(i), b(ii)	Purpose, objects and functions of the organisation	14–15
17BE(c)	Responsible Minister	5
17BE(d)(e)	Ministerial directions and government policy orders	104
17BE(f)	Any non-compliance with directions or orders	Not applicable
17BE(h)(i)	Significant non-compliance with finance law	Not applicable
17BE(j)	Information about accountable authority	97–103
17BE(k)	Organisational structure	17
17BE(ka)	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: (a) statistics on full-time employees (b) statistics on part-time employees (c) statistics on gender (d) statistics on staff location	124
17BE(l)	Location of major activities or facilities of the entity	18–19
17BE(m)	Statement on corporate governance	128
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	Not applicable
17BE(q)	Judicial decisions or administrative tribunal decisions impacting the organisation	132
17BE(r)	Reports about the organisation by the Auditor General, Parliamentary Committee, Commonwealth Ombudsman or Office of the Australian Information Commissioner	131–133
17BE(s)	Lack of information from a subsidiary	Not applicable

PGPA Rule Reference	Description	Report page/ comments
17BE(t)	Indemnities and insurance premiums	103
17BE(ta)	Information about executive remuneration	134–142
17BE(u)	Index of requirements	164–165
	Performance reports	
17BE(g)	Annual performance statement—Annual performance statement in accordance with 39(1)(b) of the Act	20–36
17AF(1)	Financial performance	
17AF(1)(a)	A discussion and analysis of the entity's financial performance	30–31
17AF(1)(b)	A table summarising the total resources and total payments of the entity	44–45
17AD(e)	Financial statements—annual financial statements in accordance with 43(4) of the Act.	38–95

### Additional statutory requirements

Ecologically sustainable development and environmental performance	<i>Environment Protection and Biodiversity Conservation Act 1999 (section 516A)</i>	110–116
Work Health and Safety	<i>Work Health and Safety Act 2011 (Schedule 2, Part 4)</i>	126–127
Equity and Diversity Progress report	<i>Equal Employment Opportunity Act (Commonwealth Authorities) Act 1987 (section 9)</i>	118–124
Aircraft Noise Ombudsman Annual Report 2018–19	<i>Aircraft Noise Ombudsman Charter 2016</i>	144–162
Adverse effect of non-commercial commitments	<i>Air Services Act 1995 (section 51)</i>	Not applicable

# Acronyms

<b>A-CDM</b>	Airport Collaborative Decision Making	<b>IFR</b>	Instrument Flight Rules
<b>ACCC</b>	Australian Competition and Consumer Commission	<b>ILS</b>	Instrument Landing System
<b>ALARP</b>	As Low as Reasonably Practicable	<b>IPS</b>	Information Publication Scheme
<b>AMP</b>	Airspace Modernisation Program	<b>KPI</b>	Key Performance Indicator
<b>ANO</b>	Aircraft Noise Ombudsman	<b>LR-ATFM</b>	Long Range Air Traffic Flow Management
<b>ANS</b>	Air Navigation Services	<b>LTIFR</b>	Lost Time Injury Frequency Rate
<b>ANSP</b>	Air Navigation Service Provider	<b>NCIS</b>	Noise Complaints and Information Service
<b>ARFFS</b>	Aviation Rescue and Fire Fighting Services	<b>NDBS</b>	Notifiable Data Breach Scheme
<b>ATM</b>	Air Traffic Management	<b>OAG</b>	Official Aviation Guide
<b>ATSB</b>	Australian Transport Safety Bureau	<b>OAIC</b>	Office of the Australian Information Commissioner
<b>ATSC</b>	Air Traffic Services Centre	<b>P3M</b>	Portfolio, Program and Project framework
<b>CASA</b>	Civil Aviation Safety Authority	<b>PFAS</b>	Per- and polyfluoroalkyl substances
<b>Cth</b>	Commonwealth	<b>PGPA</b>	<i>Public Governance, Performance and Accountability Act 2013</i>
<b>CMATS</b>	Civil Military Air Traffic Management System	<b>PSPF</b>	Protective Security Policy Framework
<b>DAS</b>	Digital Aerodrome Services	<b>SBAS</b>	Satellite Based Augmentation System
<b>EEO Act</b>	<i>Equal Employment Opportunity (Commonwealth Authorities) Act 1987</i>	<b>SOE</b>	Minister's Statement of Expectations
<b>EGM</b>	Executive General Manager	<b>SOI</b>	Board's Statement of Intent
<b>EMS</b>	Environmental Management System	<b>STI</b>	Short Term Incentive
<b>EPBC Act</b>	<i>Environment Protection and Biodiversity Conservation Act 1999</i>	<b>the Act</b>	<i>Airservices Act 1995 (Cth)</i>
<b>ESD</b>	Ecologically Sustainable Development	<b>TCU</b>	Terminal Control Unit
<b>FOI</b>	Freedom of Information	<b>TFR</b>	Total Fixed Remuneration
<b>IAV</b>	Internal Access Vehicle	<b>VCS</b>	Voice Communication System
<b>ICAO</b>	International Civil Aviation Organisation	<b>WHS</b>	Work Health and Safety

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