Australian Competition & Consumer Commission

Airport price monitoring and financial reporting

2002–03

February 2004

Contents

Key findings

This *Airport price monitoring and financial report 2002-03* provides information on the prices, costs and profitability performance of Adelaide, Brisbane, Canberra, Darwin, Melbourne, Perth and Sydney airports. Until recently aeronautical charges were subject to price caps and price surveillance. This approach has gradually been replaced by price monitoring since 2000-01. The key findings are:

- Airport activity levels, as measured by passenger volumes, increased between 1997-98 and 2000-01. Passenger volumes declined in 2001-02, however recovered slightly in 2002-03.

- Average aeronautical charges[1] per passenger remained relatively stable from 1997-98 to 2000-01. Charges per passenger increased by between 40 per cent and 160 per cent between 2000-01 to 2002-03.

- At Sydney Airport, aeronautical charges per passenger increased by 9 per cent in 2002-03.

- Total aeronautical revenue generated by the monitored airports increased by 63 per cent to $494m between 2000-01 and 2002-03. Increases at the individual airports over this period ranged from 49 per cent to 131 per cent.

- Aeronautical operating expenses per passenger have increased by between 11 per cent and 72 per cent from 2000-01 to 2002-03.

  - Greater security requirements imposed on airports since 2001 have contributed to these increases in average aeronautical expenses.

- Aeronautical margins per passenger increased at all airports in 2002-03, ranging from $1.07 to $3.77.

- Post-tax returns on equity varied significantly across the period, and across airports, however were generally negative.

  - These returns were, however, affected by airports' financial structures, including the extent of shareholder loans (classified as interest-bearing debt) in place at individual airports.

- Returns generated on tangible non-current aeronautical assets by aeronautical services increased significantly in recent years, with returns ranging from around 3 per cent to 19 per cent in 2002-03.

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1 Average aeronautical charges per passenger have been derived from total annual aeronautical revenue and total airport passenger number per year. See discussion in Appendix A.

- Returns generated on total tangible non-current assets from all airport services also increased, with returns ranging from 2.5 per cent to 21.5 per cent in 2002-03.
  - These returns were significantly reduced in several periods by the impact of increases in the asset base due to asset revaluations at some airports.
  - The ACCC may consider other measures of profitability in future reports.

Introduction

This report presents the results of the ACCC's prices monitoring at the seven prices monitored reports – Sydney, Brisbane, Melbourne, Perth, Adelaide, Canberra and Darwin – for the 2002-03 financial year.

While the ACCC has been reporting on prices at airports since privatisation beginning in 1997, changes in the format of this report reflect recent changes to the regulation of airports:

- Until 2001–02 five separate reports were published — one each for Sydney Airport and the three Phase I airports (Brisbane, Melbourne and Perth), as well as a single report for the Phase II airports (Adelaide, Alice Springs, Canberra, Darwin, Gold Coast, Hobart, Launceston and Townsville). Each report covered quality of service, regulatory accounts reporting and price cap compliance and price monitoring outcomes.[2]

- This year, price monitoring results are being reported in a separate document from quality monitoring, but each report covers all the seven price-monitored airports, comprising Sydney (privatised in 2002), the Phase I airports, and the larger three of the Phase II airports (Adelaide, Canberra and Darwin). Financial accounts and quality matters for the remaining five Phase II airports will be reported separately.

With the exception of charges for regional air services at Sydney Airport, airports are no longer required to notify the ACCC prior to increasing aeronautical prices. Instead, historical price and financial information, on a financial year basis, is provided to the ACCC. The ACCC is required to report on its monitoring activities to the Minister.

This is the first full year in which the ACCC has been required to monitor aeronautical charges at these airports.[3] As such, the ACCC is reporting on prices, costs and profits of aeronautical services, in keeping with the Government's directions.

Assessment of trends over time is an important part of prices monitoring, and therefore time series comparing several years have been shown where available.

Several other changes in format have also been made to streamline the presentation of information:

- increased reliance on visual presentation of data in charts and tables; and

- increased commentary on broad trends and overviews.

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2 For example, ACCC, *Regulatory report: Sydney Airport 2001–2002*, January 2003.

3 Previously, these services were subject to a price cap. The ACCC's annual regulatory reports included information on the extent of each airport's compliance with the cap.

As with the quality of service report, the processing and presentation of prices monitoring data has been facilitated by the use of electronic templates for the first time. These templates provide a consistent format for airports to supply their data.

This report begins with an overview of the ACCC's role and approach to prices monitoring. This is followed by a comparison of the airports on a number of key measures. Finally, specific results for each individual airport subject to prices monitoring are presented.

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

The ACCC's role and approach to price monitoring and financial reporting

Government policy

Following a review of airport regulation during 2001, the Government accepted the Productivity Commission's recommendation that Sydney, Melbourne, Brisbane, Perth, Adelaide, Canberra and Darwin airports be subject to price monitoring under section 27A of the *Prices Surveillance Act 1983* ("PS Act") for five years. These arrangements took effect from 1 July 2002, and an independent review will be carried out towards the end of the five-year period to ascertain the need for future airport price regulation. Airports are no longer required to notify the ACCC prior to increasing aeronautical prices.

The services covered for price monitoring are aeronautical and aeronautical-related services (further defined in section 2.2). Until October 2001 for Adelaide, Canberra and Darwin, and until 30 June 2002 for the other four airports, aeronautical services were declared for price surveillance under section 21 of the PS Act, and subject to a price cap.

In addition to prices monitoring, the financial accounts reporting provisions of Part 7 of the *Airports Act 1996* ("Airports Act") apply to all "core regulated airports", being Adelaide, Alice Springs, Brisbane, Canberra, Darwin, Gold Coast, Hobart, Launceston, Melbourne, Perth, Sydney and Townsville. Under Part 7, these airports are required to provide the ACCC with annual financial accounts including a Profit and Loss statement, Balance Sheet and a Statement of Cash Flows.

The Department of Transport and Regional Services is currently conducting a review of the Airports Act, including Part 7.

There is also a price cap on charges by Sydney Airport to regional air services. The ACCC has not received any notifications in relation to these services.

The Government has stated that it would consider re-introducing price controls if it formed the view that an airport operator had unjustifiably increased prices. Its criteria for evaluating prices is that at airports without significant capacity constraints, efficient prices broadly should generate expected revenue that is not significantly above the long-run costs of efficiently providing aeronautical services. Prices should allow a return on (appropriately defined and valued) assets (including land) commensurate with the regulatory and commercial risks involved.[4]

[4] *Government Response to the Productivity Commission Report on Price Regulation*, May 2002.

Regulatory framework

Direction 27 pursuant to section 27A of the PS Act stipulates that the ACCC must monitor the prices, costs and profits relating to the supply of the aeronautical and aeronautical-related services by the seven designated airports. More detail on the definitions of these services is set out below.

As previously noted, the financial accounts reporting provisions of the Airports Act continue to apply, in addition to prices monitoring under the PS Act. Presently, the regulations under section 141(2) of the Airports Act state that the airport-lessee company for a core regulated airport must prepare, for each relevant period:

a. consolidated accounts and financial statements, in accordance with AASB Standard No. 24 ("Consolidation of Accounts") as in force for the period for itself and all airport-management companies for the airport, as if those airport-management companies were subsidiaries of the airport-lessee company; and

b. consolidated financial statements for the operations, in relation to the airport, of itself and all airport-management companies at the airport, showing financial details in relation to the provision of aeronautical services and non-aeronautical services separately.

It should be noted that for the purposes of financial reports lodged under the Airports Act, Regulation 7.03 provides a more detailed definition of what constitutes aeronautical services. This definition differs from that set out in Direction 27 under the PS Act, and is discussed further below.

Definitions of aeronautical services

The definitions of aeronautical and aeronautical-related services under Direction 27 pursuant to the PS Act include the following:

Aeronautical services

Aircraft movement facilities and activities:

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

Passenger processing facilities and activities:

- (i) forward airline support area services;
- (ii) aerobridges and airside buses;
- (iii) departure lounges and holding lounges (but excluding commercially important persons lounges);

(iv) immigration and customs service areas;
(v) security systems and services (including closed circuit surveillance systems);
(vi) baggage make-up, handling and reclaim;
(vii) public areas in terminals, public amenities, public lifts, escalators and moving walkways; and
(viii) flight information display and public address systems.

Aeronautical-related services

(a) landside vehicle access to terminals;
(b) landside vehicle services, including:
  (I) public and staff car parking (but not valet parking); and
  (II) taxi holding and feeder rank services on airport;
(c) check-in counters and related facilities; and
(d) aircraft light and emergency maintenance sites and buildings.

However, as noted above, the Regulations to the Airports Act, under which airports provide statements of financial performance and financial position segmented between aeronautical and non-aeronautical services, provide a slightly different definition of 'aeronautical'.

The main differences are that the Airports Act definition of aeronautical services includes check-in facilities and landside terminal access roads (which are each considered as 'aeronautical-related' services under Direction 27), and excludes aircraft refuelling services. Under Regulation 7.03, where a service does not fall within the explicit definition of 'aeronautical', it is considered as 'non-aeronautical'. The Airports Act and associated Regulations contain no reference to 'aeronautical-related' services.

The ACCC's approach

Under Part 7 of the Airports Regulations made under the Airports Act, operators of the core-regulated airports are required to provide the ACCC with annual financial accounts within 90 days of the end of a prescribed accounting period. The accounts include a Profit and Loss Statement, Balance Sheet, and Statement of Cash Flows. In addition, other supporting information, such as statements on accounting policies and cost disaggregations between aeronautical and non-aeronautical costs are required.

In August 2002 the ACCC issued its *Airports Reporting Guideline - Information Requirements under Part 7 of the Airports Act 1996 and Section 27A of the Prices Surveillance Act 1983* ("the Guidelines"), which set out further details on reporting requirements, as well as principles which airports must follow in the preparation of regulatory statements.

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

As mentioned above, this year the ACCC has introduced a new format of reporting. In previous years the ACCC released combined quality of service and prices monitoring reports for each Phase I airport, as well as a consolidated report for Phase II airports.

However, this year, prices monitoring is being reported in a separate document from quality of service, with each report covering all the seven price-monitored airports, comprising Sydney (privatised in 2002), the Phase I airports, and the larger three of the Phase II airports (Adelaide, Canberra and Darwin). Financial accounts and quality matters for the remaining five Phase II airports will be reported later. As has been the case in previous years, each airport continues to report annually on a financial year basis.

In past years the ACCC's regulatory reports were mainly concerned with airports' compliance with pre-determined CPI-X price caps. As noted earlier, however, airports are no longer subject to price caps or required to notify the ACCC prior to increasing aeronautical prices. Instead, the ACCC's role is now that of monitoring these matters. This report therefore focuses on presenting information on the prices, costs and profits of aeronautical and aeronautical-related services (as required under Direction No 27) and presenting information from airports' regulatory accounts.

For the purpose of this report, the ACCC's primary measure of the change in 'average' aeronautical charges is based on aeronautical revenue per passenger. This provides a measure of the cost to airlines expressed in terms of the most significant charging unit. All figures in the report are expressed in nominal dollar terms.

However, adopting this approach necessitates some adjustments in order to allow for changes in the range of services classified as 'aeronautical'. Most significantly, the ACCC has excluded the revenue earned from the provision of terminals formerly operated by Ansett. References in the report to average prices or average charges are therefore used to refer to this adjusted average revenue figure. Where the report makes reference to average aeronautical revenue, it refers to an unadjusted measure, which will include domestic terminal revenue.

The effect of the adjustment is that the quoted increases in average prices for 2002-03 will be the same or lower than the increases in average revenue.

The ACCC's measure is discussed in more detail in Appendix A.

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

The report includes information on total airport revenue, costs and profitability, given the strong complementarity between airport services and given the difficulties that exist in allocating costs and revenues between aeronautical and non-aeronautical services.[5] Based on information in airports' financial statements and operating statistics, the ACCC has reported total airport revenue per passenger, total airport costs per passenger and total airport margin per passenger, as well as overall airport rates of return.[6] These indicators of airport performance are commonly used in international studies of airport performance; for example, by the Transport Research Laboratory and the Air Transport Research Society.[7]

The ACCC is conscious of the difficulties of interpreting various measures of airport profitability. The report includes return on equity for airports, but the fact that airport shareholders are also significant debt-holders means that some of the reported interest expenses accrues to shareholders as interest income, rather than as dividends or capital growth, as would be the case if it took the form of equity. For these reasons this monitoring report also includes return on asset measures of profitability.

The ACCC considers that pre-tax return on tangible non-current assets is a useful measure of an airport's rate of return and its operating performance. This measure abstracts from management decisions regarding capital structure, which can significantly affect interest expenses and tax payable (and thus post-tax returns), but which do not reflect the operating profitability of providing airport services. Similarly, by using assets as the basis for normalising returns, decisions over capital structure do not affect the ratio.

This measure is, however, affected by changes in the valuation of assets. In preparing this monitoring report, the ACCC has not been in a position to thoroughly evaluate the appropriateness of airport asset valuations as a basis for evaluating prices. As such, it has not drawn firm conclusions regarding the relationship between current airport charges and profitability. In certain cases, however, the report highlights changes in the valuation of assets at particular airports.

The ACCC believes the new report format will better reflect its principal role of monitoring airport prices, costs and profits under PS Act. The report presents data

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5 For example, this complementarity was acknowledged by both the Productivity Commission, in its *Inquiry Report on Price Regulation of Airport Services*, and the National Competition Council, in its *Final Recommendation – Application by Virgin Blue for Declaration of Airside Services at Sydney Airport*.

6 These indicators are readily derivable from publicly available data.

7 Transport Research Laboratory, *Airport Performance Indicators*, and Air Transport Research Society, *Airport Benchmarking Report 2003*.

provided by airports, with a focus on key indicators relevant to Government's criteria for reasonable prices.

More detailed discussion of the key measures presented in this report is contained in Appendix A.

Airport comparisons

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

- activity levels;
- prices; and
- costs and profits.

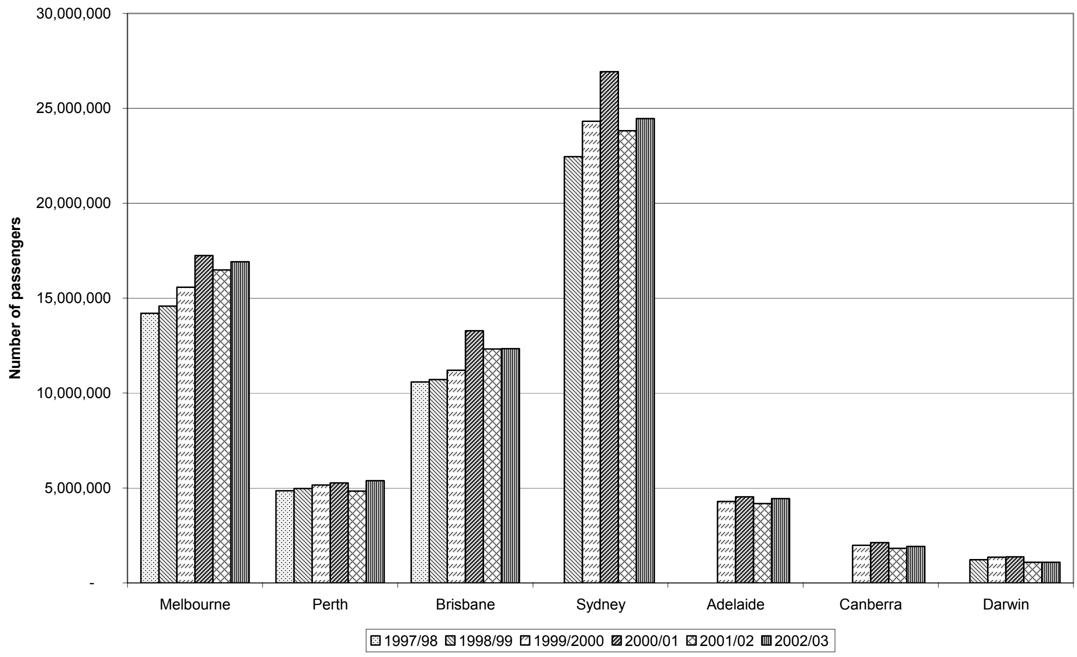
A comparison of total airport profitability is also included where appropriate.

Activity

Activity levels are an important determinant in assessing prices, costs and profitability of airports. This chapter primarily uses activity levels expressed in terms of passenger volumes. As consumer demand is likely to be the primary driver of capacity needs at airports, passenger numbers were considered an appropriate measure of activity for the purposes of this section of the report. Other measures of activity levels, such as tonnage and movements, are further examined in section 4 of this report.

Chart 3.1 shows passenger numbers from 1997-98 to 2002-03 at each of the seven airports.

Chart 3.1: Passenger volumes



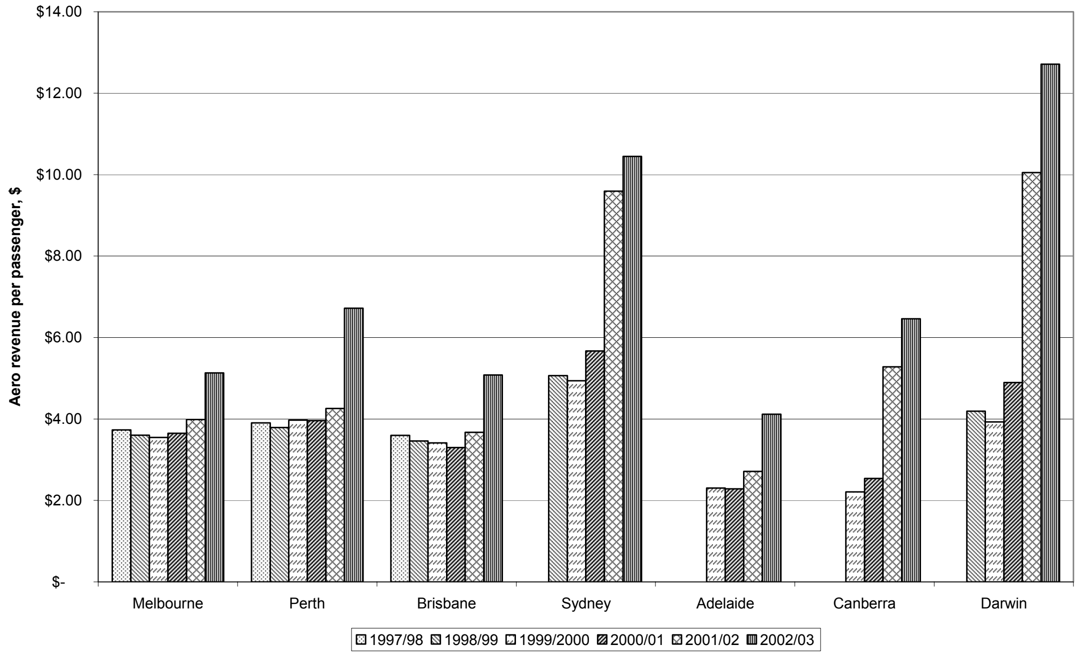
Note: Passenger numbers for Darwin Airport for 1999-00 and 2000-01 are estimated based on the passenger / aircraft ratio from 2001-02, because Darwin Airport did not provide actual figures.

Chart 3.1 shows that all airports generally experienced increased passenger volumes between 1997-98 and 2000-01. Following this, all airports experienced a decline in passenger traffic during 2001-02, with recovery in passenger numbers occurring in 2002-03.

Prices

Chart 3.2 shows average aeronautical charges[8] per passenger from 1997-98 to 2002-03 at each of the seven airports.

Chart 3.2: Aeronautical charges per passenger – 1997-98 to 2002-03



Notes: Care should be taken in comparing airports on the above measure, as certain estimates include domestic terminal revenue and others do not. The emphasis in preparing this chart has been to ensure a consistent series for each airport over time.

Passenger numbers for Darwin Airport for 1999-00 and 2000-01 are estimated based on the passenger / aircraft ratio from 2001-02 because Darwin Airport did not provide actual figures.

The chart shows that average charges per passenger have increased sharply between 2000-01 (when price caps were first removed) and 2002-03. Increases during 2002-03 ranged from approximately 9 per cent at Sydney to approximately 60 per cent at Adelaide.

Combined with increases that occurred in 2001-02, for reasons such as new investment, security charges, and one-off increases allowed when Ansett collapsed,

8 Average aeronautical charges per passenger have been derived from total annual aeronautical revenue and total airport passenger numbers per year. For those airports reporting domestic terminal revenue for the first time in 2002-03 (Adelaide, Brisbane, Melbourne and Perth), it has been excluded in order to have a comparable series over time. See discussion in Appendix A.

average aeronautical charges have increased by between 40 per cent and 160 per cent in the past two years.

The largest increases have been at Canberra and Darwin airports (each over 150 per cent), while the increase for Adelaide was approximately 80 per cent. Charges at Perth (70 per cent), Brisbane (50 per cent) and Melbourne (40 per cent) airports also increased significantly.

Sydney Airport also had overall prices increases of 84 per cent over the two years to June 2003. Most of this increase occurred in 2001-02, when prices increased by 69 per cent, following a price notification. In 2002-03 Sydney Airport charges increased by a further 9 per cent.

The relative stability in earlier periods was during the price cap regime, when there were some downward adjustments to prices due to the operation of the X factor in the CPI-X formula. There were occasional increases in prices due to pass-throughs for necessary new investment and security costs.

The major price increases for Phase I airports came shortly after price caps were removed on 1 July 2002, and for Sydney in 2001 after a price notification to the ACCC. The price increases for Phase II airports - Adelaide, Canberra and Darwin - mainly occurred shortly after price caps were removed in October 2001.

In summary:

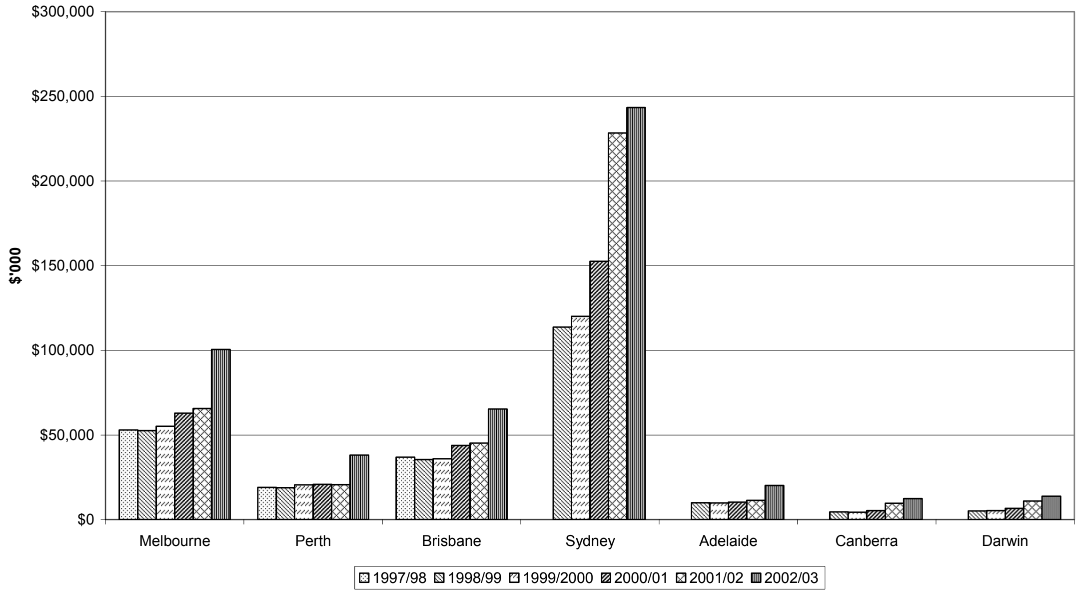
Aeronautical charges were generally price capped between 1997-98 and 2000-01. Following the removal of these price caps, average charges per passenger increased by between 40 per cent and 160 per cent from 2000-01 to 2002-03.

Costs and profits

This section examines the changes in revenues, costs and profitability over the period. The analysis demonstrates that there have been large increases in profits, as changes in unit costs and volumes have been small in comparison to the increases in prices.

Chart 3.3 shows total aeronautical revenue from 1997-98 to 2002-03 at each of the seven airports.

Chart 3.3: Aeronautical revenue

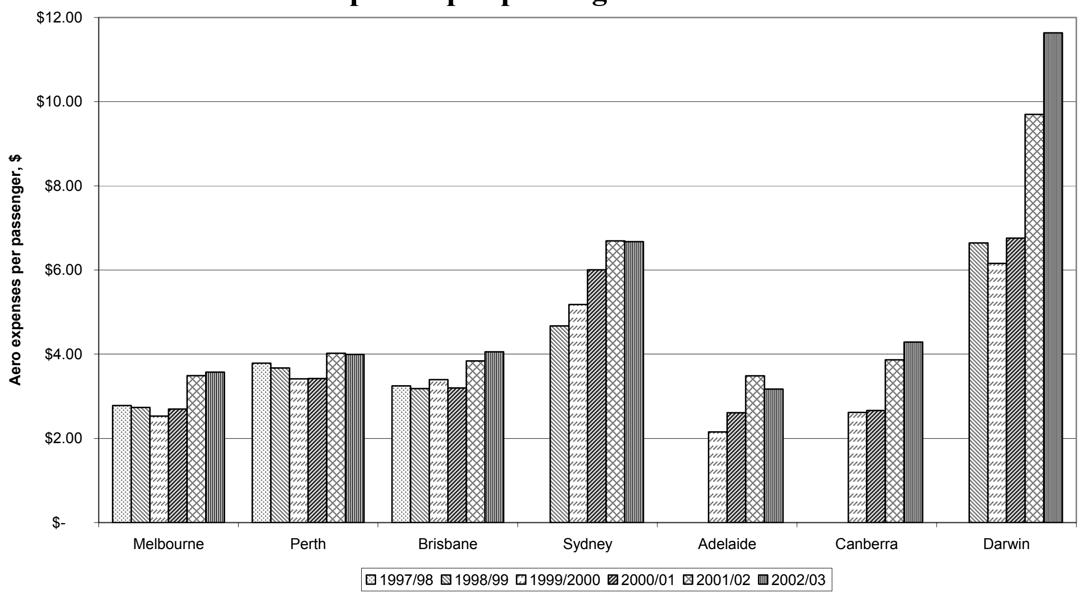


Total aeronautical revenue generated by the monitored airports increased by 63 per cent to $494m between 2000-01 and 2002-03. Increases at the individual airports over this period ranged from 49 per cent at Brisbane Airport to 131 per cent at Canberra.

Increases between 2001-02 and 2002-03 ranged from 7 per cent at Sydney Airport to 85 per cent at Perth, with all other airports reporting increases of over 25 per cent.

Chart 3.4 shows the average aeronautical expenses per passenger from 1997-98 to 2002-03 at each of the seven airports.

Chart 3.4: Aeronautical expenses per passenger



Notes: Expenses here include operating and maintenance costs and depreciation, but exclude interest, amortisation, tax and any allowance for return on capital.

Passenger numbers for Darwin Airport for 1999-00 and 2000-01 are estimated based on the passenger / aircraft ratio from 2001-02 because Darwin Airport did not provide actual figures.

As Chart 3.4 demonstrates, operating expenses per passenger in 2002-03 were significantly higher than 2000-01 at almost all airports, with increases ranging from 11 per cent at Sydney to 73 per cent at Darwin.[9]

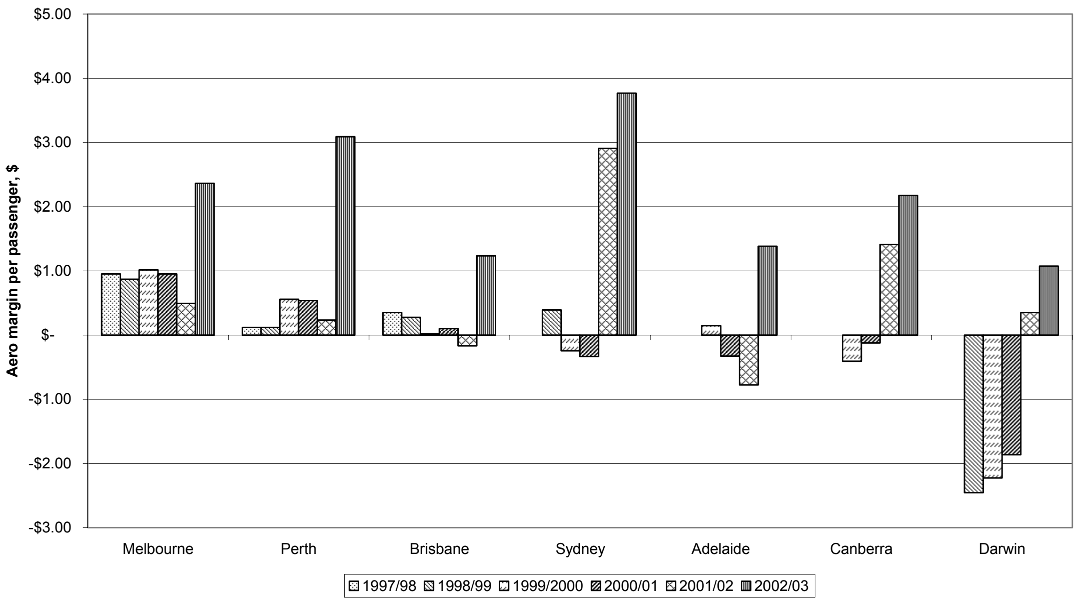
Marked increases in unit costs in 2001-02 can partly be explained by reduced volumes (see earlier discussion) in conjunction with fixed overheads.

One factor which has contributed to increased unit costs is the increased security requirements imposed on airports since 2001. The impact of this factor on unit costs at individual airports is examined further in section 4 of this report.

It is also likely that increases in total cost could be attributed to the fact that during the period in question, most airports assumed control of the domestic terminals formerly leased to Ansett. Since terminal costs formerly assumed by Ansett would now be borne by airports (and classified as aeronautical), airports' reported costs could be expected to increase. However, the airports' passenger figures would be relatively unaffected by the changed circumstances. Unit costs could therefore be expected to increase.

Chart 3.5 shows the operating margin per passenger (the difference between the average revenue per passenger and average operating expenses per passenger) from 1997-98 to 2002-03 at each of the seven airports.

Chart 3.5: Aeronautical margin per passenger



Note: Passenger numbers for Darwin Airport for 1999-00 and 2000-01 are estimated based on the passenger / aircraft ratio from 2001-02 because Darwin Airport did not provide actual figures.

[9] It should be noted that the measure of operating expenses per passenger, and therefore operating margin per passenger, excludes interest, amortisation and tax expenses.

As Chart 3.5 shows, operating margins per passenger increased at all airports in 2002-03 and also in 2001-02 in the case of Sydney, Canberra and Darwin airports.

In 2002-03, all airports were generating positive operating margins from aeronautical services, with average margins in 2002-03 ranging from around $1.07 to $3.77 per passenger.

The recent improvements in aeronautical margins is not, however, generally reflected in increased post-tax returns on equity.

Chart 3.6 shows the post-tax return on equity from 1997-98 to 2002-03 at each of the seven airports.

Chart 3.6: Post-tax return on equity – total airport

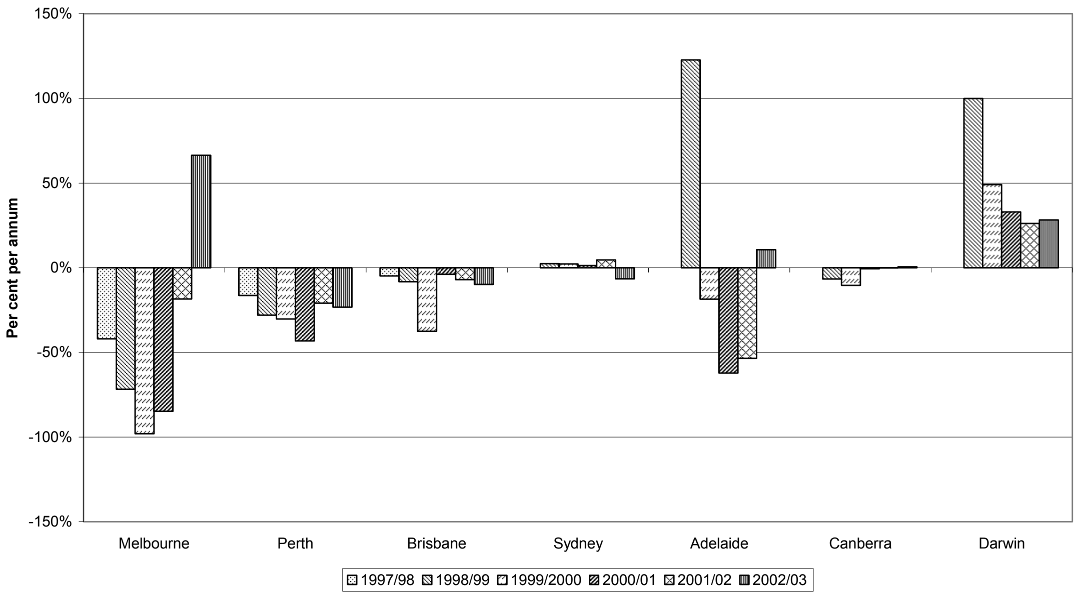


Chart 3.6 shows that for many airports post-tax returns on equity are still negative, or have been subject to a range of fluctuation.

The main reason for these unusual results is the capital structures adopted by most airports. In several cases, equity in the airport is linked to significant levels of subordinated debt. This means that equity holders are also substantial debt-holders, and that a significant amount of the reported interest expense accrues to them as income. The airports' large interest expenses reduce taxable income, and thus tax. In many cases it results in a post-tax loss, despite positive operating profits being recorded.

A corollary to this point is that the debt ratio is very high, particularly in cases where reported losses have reduced shareholders' equity. For Melbourne and Darwin airports, there were certain years in which shareholders' equity was negative.

The existence of these shareholder loans means that reported equity does not reflect the total amounts invested in the airports by shareholders. In these circumstances shareholders earn returns from the airport not only from reported profits, but also from the interest they receive. As such, post-tax return on equity does not necessarily reflect the total return received by shareholders.

In contrast, returns on assets for aeronautical services increased in recent years, in line with the growth in margins per passenger. The measure of return used here is return on tangible non-current assets, for the reasons set out in Appendix A, and above.

Chart 3.7 shows the pre-tax return generated on tangible non-current aeronautical assets by aeronautical revenue from 1997-98 to 2002-03 at each of the seven airports.

Chart 3.7: Pre-tax return on tangible non-current assets – aeronautical services

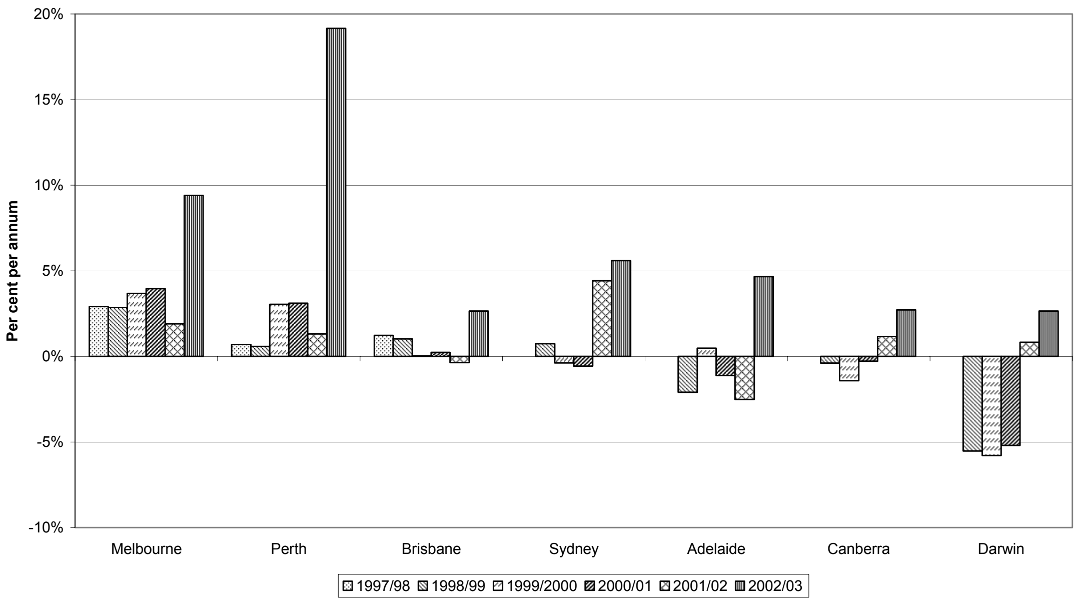


Chart 3.7 shows significant increases in the return on tangible non-current aeronautical assets in 2002-03, with returns for the period ranging from around 3 per cent to 19 per cent.

Significant improvements in aeronautical returns are also reflected in total airport returns on assets.

Chart 3.8 shows the return generated on total tangible non-current assets by total revenue from 1997-98 to 2002-03 at each of the seven airports.

Chart 3.8: Pre-tax return on tangible non-current assets – total airport

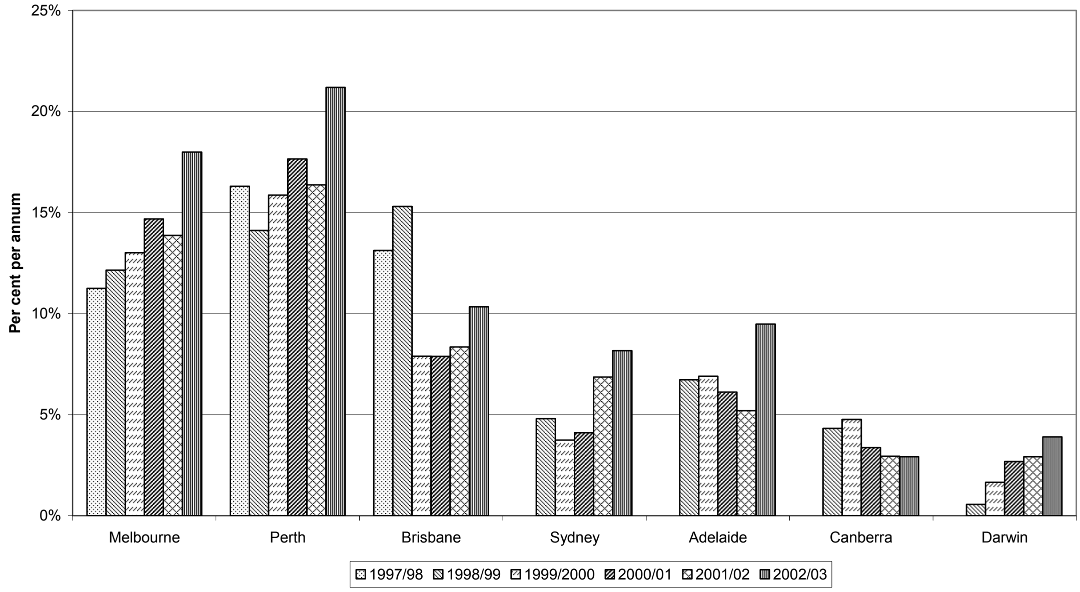
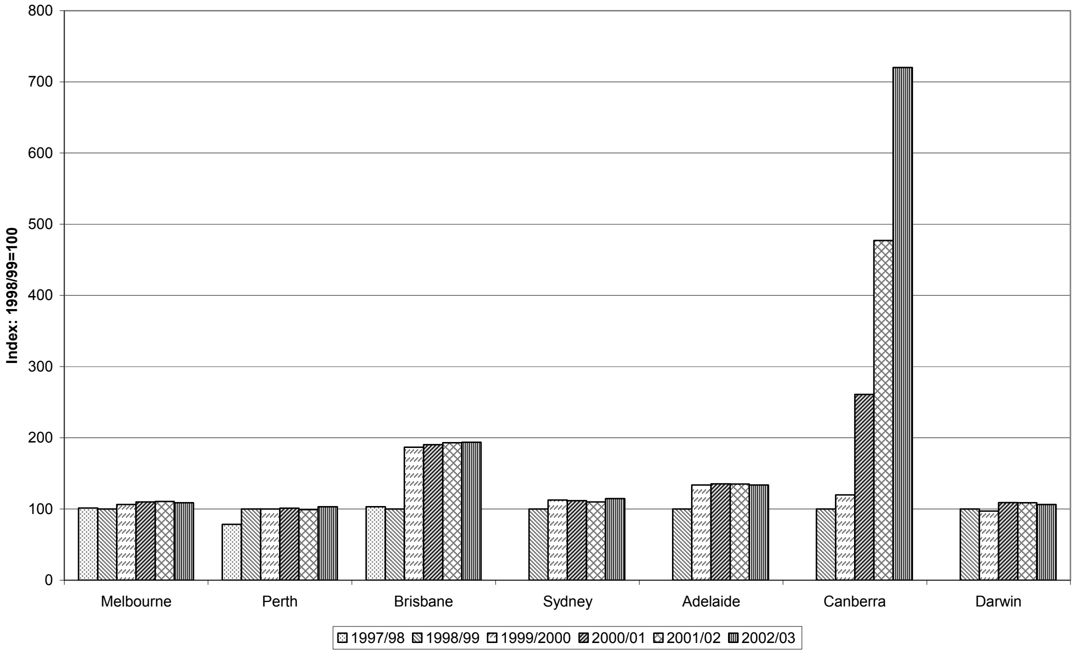


Chart 3.8 shows that with the exception of Canberra, airports experienced increases in returns during 2002-03, despite passenger activity remaining below the peak levels of 2000-01 (see Chart 3.1). Returns in 2002-03 ranged from 2.9 per cent for Canberra Airport to 21.2 per cent for Perth Airport.

It is important to bear in mind that substantial upwards revaluations in asset values (as distinct from new investment) in recent years at Adelaide, Brisbane and Canberra Airports have had a downward impact on these rates of return.

Chart 3.9 shows the movements in the tangible non-current total asset base from 1997-98 to 2002-03 for each of the seven airports.

Chart 3.9: Tangible non-current assets (indexed) – total airport



Note: Each airports' tangible non-current asset base has been indexed to a common base year of 1998-99 = 100. This allows changes in the asset base to be more readily observed.

Chart 3.9 highlights changes in airports' tangible non-current asset base across the period. Tangible non-current asset bases at a number of airports remained relatively stable across the period, however as illustrated below, and discussed further in chapter 4, for several airports these increased significantly due to revaluations.

The total value of tangible non-current assets for Canberra Airport has increased by over 600 per cent since 1998-99. Revaluations of land over this time have added some \$63m to the value of aeronautical land, and \$192m to the value of non-aeronautical land. Re-valuations of buildings were also significant, increasing by \$144m, of which around \$31m was aeronautical.[10] These continued revaluations have contributed to the downwards movement in return on tangible non-current assets for Canberra, as can be seen in Chart 3.8.

Although not apparent from the above chart, a revaluation of land by Sydney Airport added around \$1087m to the value of its assets in 1998-99. Of this total, \$274m was aeronautical.

Similarly, revaluations (totalling \$420m) of land, land improvements and buildings by Brisbane Airport during 1999-00 contributed almost all of its 94 per cent increase in non-current asset values over the period since 1998-99. Around two-thirds of these increases (\$274m) were classified as aeronautical. Similar to Canberra, asset revaluation between 1998-99 and 1999-00 contributed to a one-off decline in the

[10] Note that of its closing asset values for 2001-02, Canberra Airport appears to have re-classified approximately \$26m of the revalued land, and \$39m of the revalued buildings, from aeronautical to non-aeronautical assets as opening values for 2002-03.

return on tangible non-current assets experienced by Brisbane in 1999-00, as shown in Chart 3.8.

Adelaide Airport also re-valued land and buildings by approximately $51m during 1999-00, accounting for the 34 per cent appreciation in total tangible non-current assets since 1998-99. Of this revaluation amount, around $28m was aeronautical.

It should be noted that intangible assets make up a significant proportion of total asset value (ie, both aeronautical and non-aeronautical) for several airports. For example, at Perth Airport they account for 62 per cent of the total value of non-current assets, for Adelaide 49 per cent, for Melbourne 44 per cent and for Brisbane 41 per cent. In most cases, however, such premiums were allocated by the airport to non-aeronautical services. Sydney and Canberra did not report any intangible assets.

In summary:

Total aeronautical revenue generated by the monitored airports increased by 63 per cent to $494m between 2000-01 and 2002-03. Increases at the individual airports over this period ranged from 49 per cent to 131 per cent.

Aeronautical operating expenses per passenger have increased by between 11 per cent and 72 per cent from 2000-01 to 2002-03. Greater security requirements imposed on airports since 2001 have contributed to these increases in average aeronautical expenses.

Aeronautical margins per passenger increased to a range of $1.07 to $3.77 in 2002-03.

Post-tax returns on equity varied significantly across the period, and across airports, however were generally negative. These returns were however affected by the extent of shareholder loans classified as interest-bearing debt in place at individual airports.

Returns on tangible non-current aeronautical assets by aeronautical services increased significantly, ranging from 3 per cent to 19 per cent in 2002-03.

Returns on total tangible non-current assets from all airport services also increased, ranging from 3 per cent to 21 per cent in 2002-03. These returns were significantly reduced in several periods by the impact of increases in the asset base due to asset revaluations at some airports.

Airport price monitoring results

This section reports in further detail the outcomes of the seven monitored airports. The activity levels, prices and costs and profits are reported separately for each airport.

Adelaide Airport

Activity

Chart 4.1.1 shows traffic volume at Adelaide Airport measured by passenger numbers, tonnage and aircraft movements, from 1999-2000 to 2002-03.

Chart 4.1.1 Adelaide: Volume of passengers, tonnage and aircraft movements

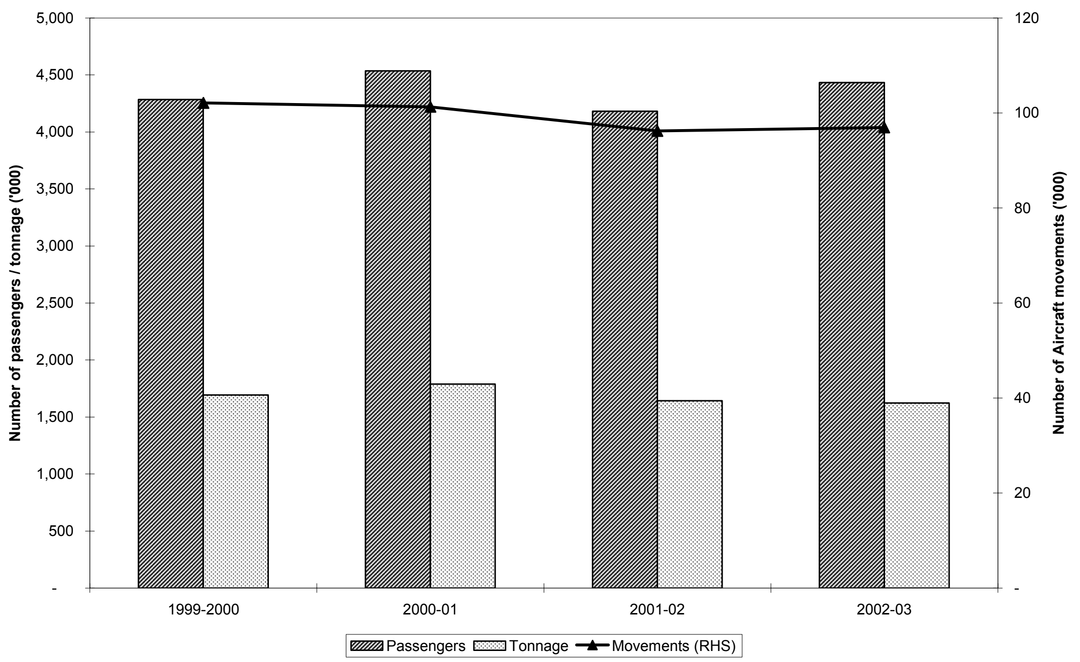


Chart 4.1.1 shows that passenger numbers increased in 2000-01 and then fell in 2001-02 following the September 2001 terrorist attacks in the USA and the collapse of Ansett. Over the year to 30 June 2003 there was a six per cent increase in passenger numbers.

In contrast there has been a six per cent decrease in aircraft movements over the three year period to 30 June 2003 with no significant change in aircraft movements during 2002-03. These variations in aircraft movements are also reflected in tonnage level data. This reduction in aircraft movements and in tonnage, in connection with the recovery in passenger numbers, suggests increased passenger load factors and/or an increased use by airlines of larger bodied aircraft by airlines.

Operational statistics for Adelaide Airport are attached at Appendix C.

Prices

Annual average aeronautical charges[11] at Adelaide Airport increased by 52 per cent during 2002-03 following price increases of 19 per cent during 2001-02. These price increases followed a period from 1998-99 to 2000-01 where price-cap regulation was in place.

Actual prices for aeronautical and aeronautical related charges at Adelaide Airport are detailed at Appendix D.

Costs and Profits

Table 4.1.1 lists major categories of revenue and costs relating to aeronautical services and aeronautical related services at Adelaide Airport for 2002-03.

Table 4.1.1 Adelaide: Revenue and Costs – 2002-03

	Revenue ($'000)	Costs ($'000)
Aeronautical Services		
Aircraft movement facilities and activities	15,363	8,511
Passenger processing facilities and activities	4,824	7,889
Total aeronautical services	*20,187*[12]	*16,400*[13]
Aeronautical-related Services		
Landside vehicle access to terminals		358
Public and staff car parking	5,844	2,145
Check-in counters and related facilities	57	47
Aircraft light and emergency maintenance sites and buildings	383	11
Taxi holding and feeder services	-	2
Total aeronautical-related services	*6,284*	*2,563*

Aeronautical Services

Chart 4.1.2 shows average revenue, costs and margin per passenger for aeronautical services at Adelaide Airport from 1999-2000 to 2002-03.

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11 Annual average airport charges have been derived by dividing Adelaide Airport's total annual aeronautical revenue (excluding domestic terminal revenue) by the total number of airport passengers per annum.

12 This represents total revenue from aeronautical services as specified under PS Act Ministerial direction No 27 and may not equate to total revenue from aeronautical services as reported under the *Airports Act 1996.*

13 This represents total costs from aeronautical services as specified under PS Act Ministerial direction No 27 and may not equate to total costs from aeronautical services as reported under the *Airports Act 1996.*

Chart 4.1.2 Adelaide: aeronautical revenue, expenses & margin

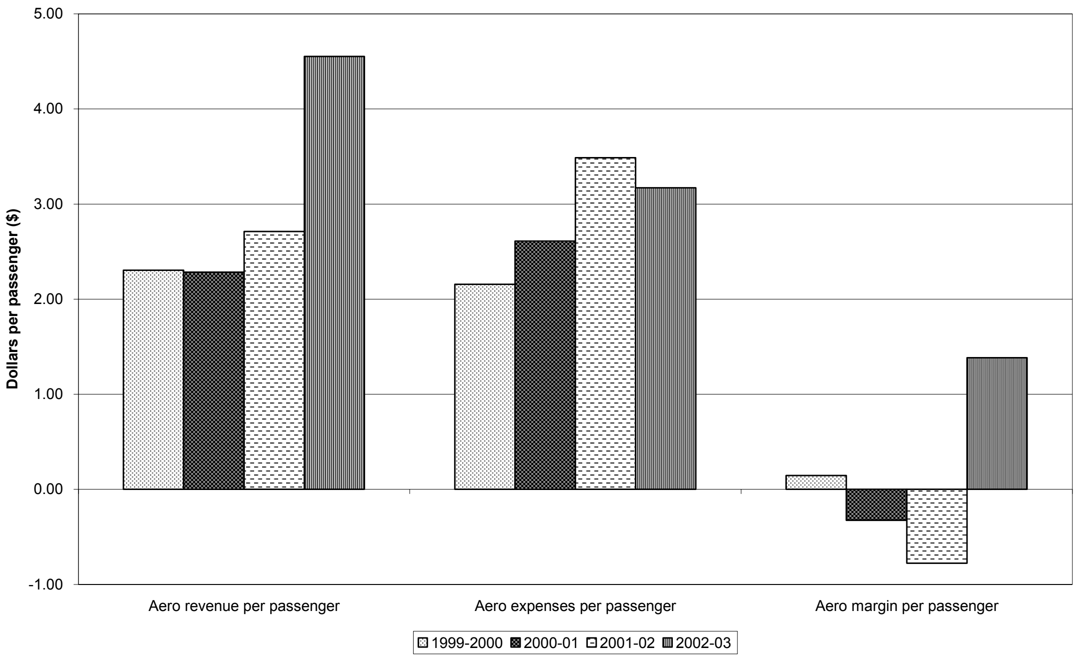

Chart 4.1.2 shows that both average aeronautical revenue and expenses per passenger increased over the reporting period.

Average revenue per passenger remained relatively stable during 1999-2000 and 2000-01. However average revenue increased substantially during 2001-02 (19 per cent) and 2002-03 (68 percent).

Average expenses per passenger increased in each year of the reporting period except 2002-03 where there was a 9 per cent decline. This followed a 34 per cent increase the previous year.[14]

The impact of increasing aeronautical expenses contributed to a negative aeronautical margin per passenger during 2000-01 and 2001-02. However, the increase in average revenue and reduction in average expenses during 2002-03 led to a positive aeronautical margin.

Security Charges

As noted above, there has been a significant increase in average aeronautical expenses per passenger since 2000-01.

A major factor contributing to this increase has been the provision of increased Government mandated security services at airports, particularly since 2001.

[14] It should be noted that the measure of operating expenses per passenger, and therefore operating margin per passenger, excludes interest, amortisation and tax expenses.

Chart 4.1.3 shows total security revenue and expenses and average security revenue per passenger at Adelaide Airport from 1998-99 to 2002-03.

Chart 4.1.3 Adelaide: security revenue and expenses

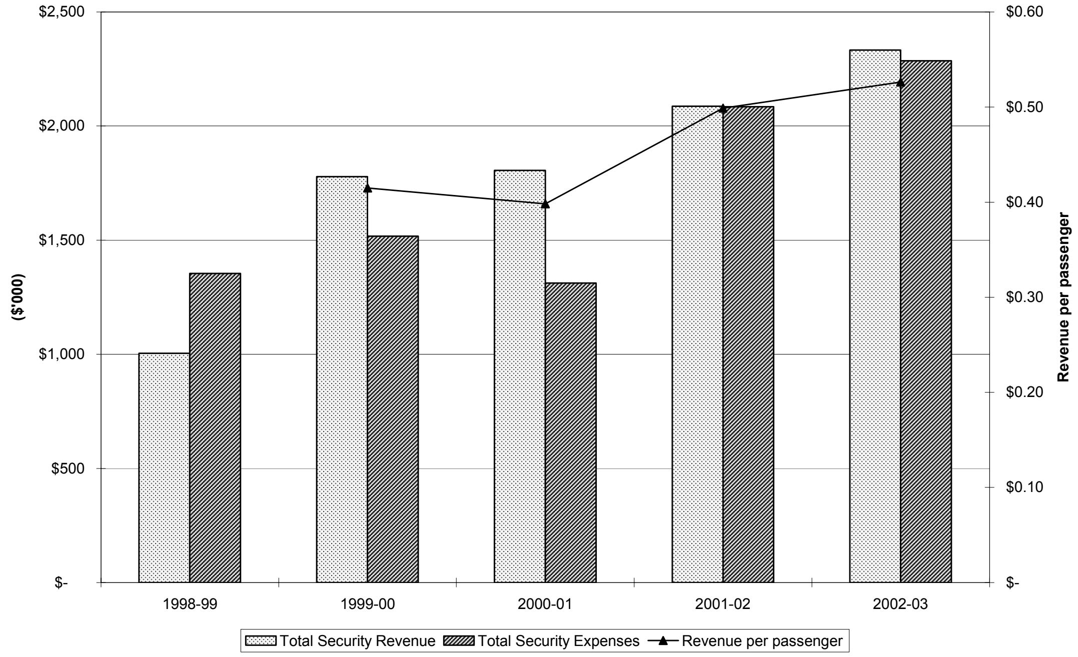

Chart 4.1.3 shows that total and average per passenger security revenue, as well as total security expenses, have increased over the period.

Total Airport Services

Chart 4.1.4 shows total average revenue, costs and margin per passenger for Adelaide Airport from 1999-2000 to 2002-03.

Chart 4.1.4 Adelaide: total airport revenue, expenses & margin per passenger

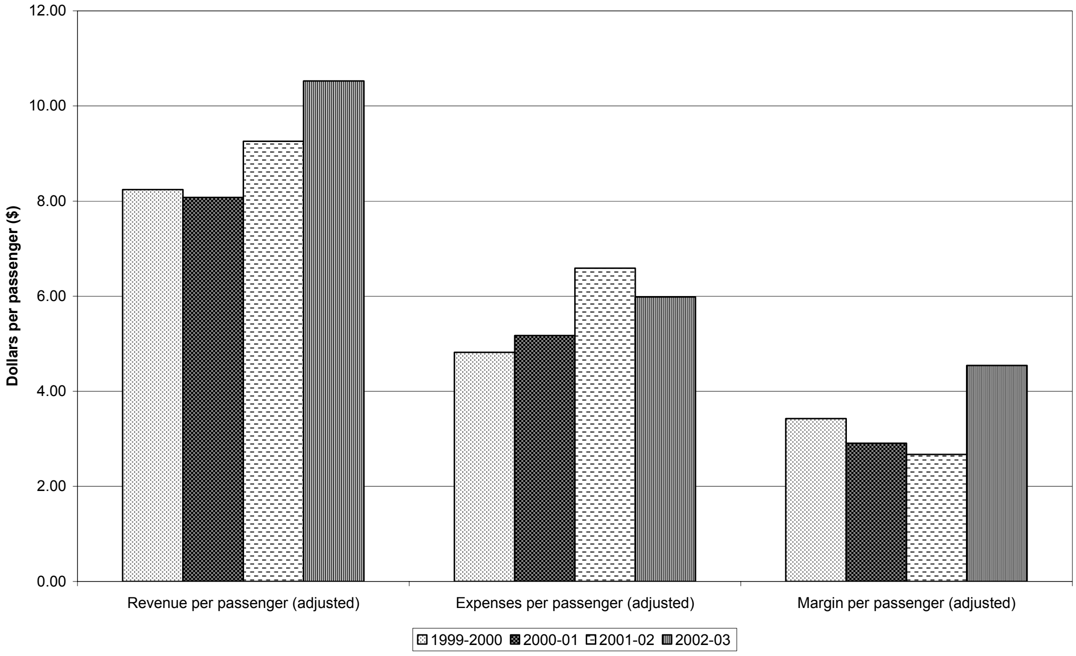

Chart 4.1.4 shows that average revenue per passenger increased by 28 per cent over the period 1999-2000 to 2002-03. In 2002-03 average revenue per passenger increased by 14 per cent, reflecting the impact of increasing aeronautical revenue and a slight fall in non-aeronautical revenue.[15]

Average expenses per passenger increased by 24 per cent over the period 1999-00 to 2002-03.[16]

The impact of increases in expenses per passenger is reflected in a reduction in average margin per passenger over the three year period ending 2001-02. After falling in 2000-01 and 2001-02, margins per passenger increased during 2002-03.

Rates of Return

Chart 4.1.5 shows the post-tax rate of return on equity at Adelaide Airport from 1998-99 to 2002-03.

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15 Note that the average revenue figures, and hence average margin, exclude the impact of interest income (a non-aeronautical revenue item). This was a reasonably significant item during 1998-99 and 1999-2000; however, in the other reported periods, the effect of this exclusion is relatively small.

16 It should be noted that the measure of operating expenses per passenger, and therefore operating margin per passenger, excludes interest, amortisation and tax expenses.

Chart 4.1.5 Adelaide: post-tax return on equity – total airport

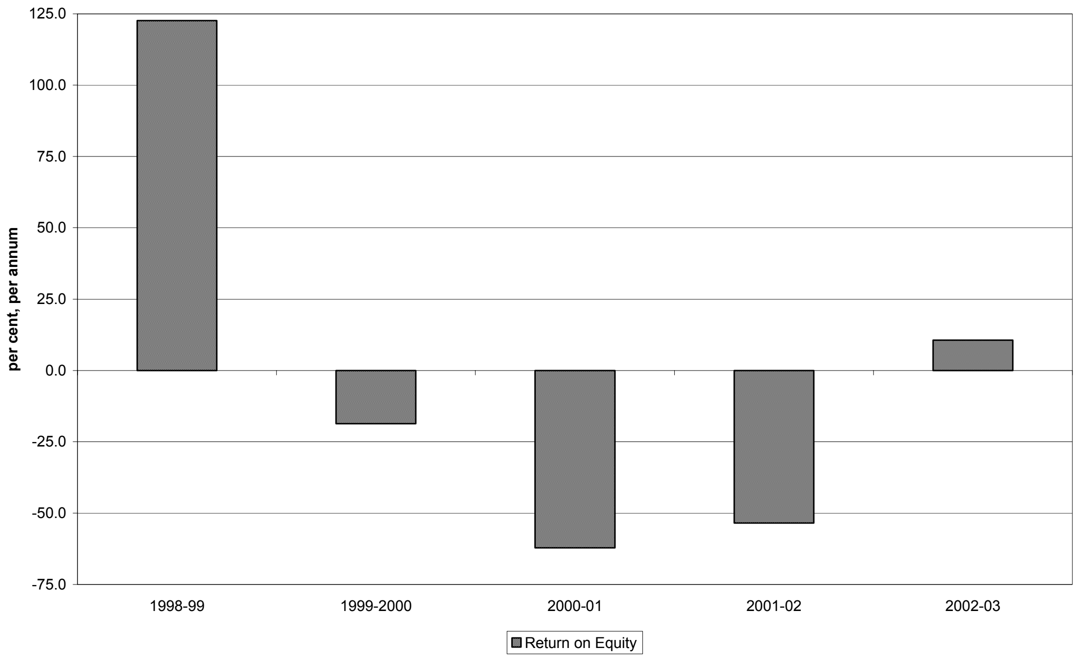


Chart 4.1.5 shows that the post-tax rate of return on equity has varied substantially over the reporting period. Adelaide Airport reported a positive post-tax rate of return on equity in 2002-03.

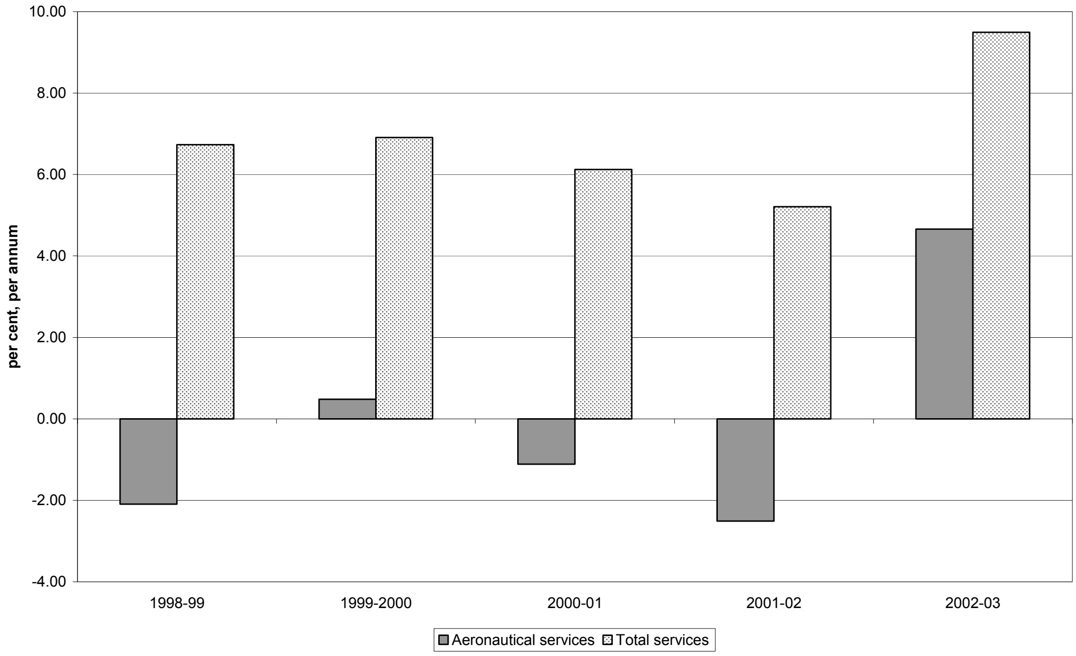
It should also be noted that Adelaide Airport has issued stapled securities comprising a $99 loan note and a $1 ordinary share. These loan notes are classified in Adelaide Airport's financial reports as an unsecured current liability.

The existence of these shareholder loans means that reported equity does not reflect the total amounts invested in the airports by shareholders. Furthermore, the interest payments associated with these loans affect the reported measure of interest, tax and post-tax profit. In these circumstances shareholders earn returns from the airport not only from reported profits, but also from the interest they receive. As such, post-tax return on equity does not necessarily reflect the total return received by shareholders.

Issues associated with the use of the post-tax rate of return on equity measure are discussed further in Chapter 3 and Appendix A of this document.

Chart 4.1.6 shows the pre-tax return on tangible non-current aeronautical assets from aeronautical services, and the pre-tax return on total tangible non-current assets for Adelaide Airport as a whole from 1998-99 to 2002-03.

Chart 4.1.6 Adelaide: pre-tax returns on tangible non current assets – aeronautical services and total airport



This chart shows that the rate of return on aeronautical services has varied over the period 1998-99 to 2002-03 generating small positive and negative returns. However in 2002-03 there was a significant improvement in the rate of return on aeronautical services. In contrast Adelaide Airport as a whole generated consistent positive returns, ranging from around 5-10 per cent over the reporting periods.[17] In the financial year 2002-03, Adelaide Airport generated a positive rate of return for both its aeronautical services and across the airport as a whole.

Asset Values

Chart 4.1.7 shows the total value of non-current assets at Adelaide Airport from 1998-99 to 2002-03.

[17] Note that the return on tangible non-current assets for the total airport excludes the impact of interest income (a non-aeronautical revenue item). This was a reasonably significant item during 1998-99 and 1999-2000; however, in the other reported periods, the effect of this exclusion is relatively small.

Chart 4.1.7 Adelaide: non-current assets – total airport

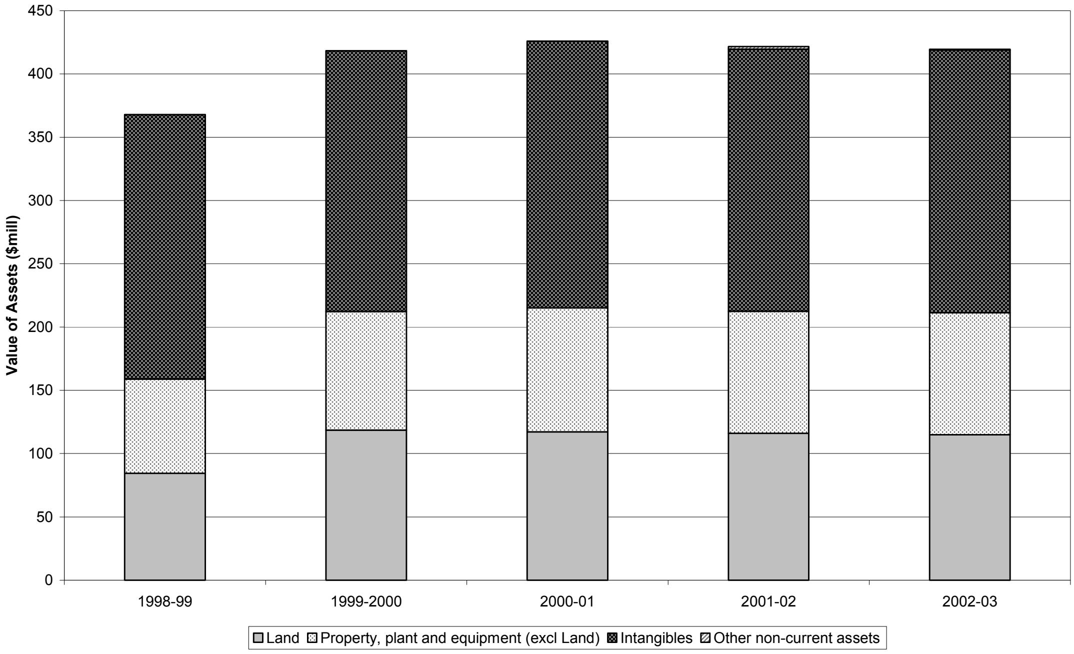


Chart 4.1.7 indicates that the value of non-current assets increased by 14 per cent in 1999-2000. The increase amounts to a 34 per cent increase in the value of tangible assets. This increase was mainly related to a revaluation of land and buildings at Adelaide Airport, which added approximately $51m during 1999-00. Of this revaluation amount, around $28m was aeronautical.

The value of non-current assets has remained around the same level since 1999-2000.

Chart 4.1.8 shows changes to the value of non-current assets at Adelaide Airport from 1998-99 to 2002-03.

Chart 4.1.8 Adelaide: change in non-current assets – total airport

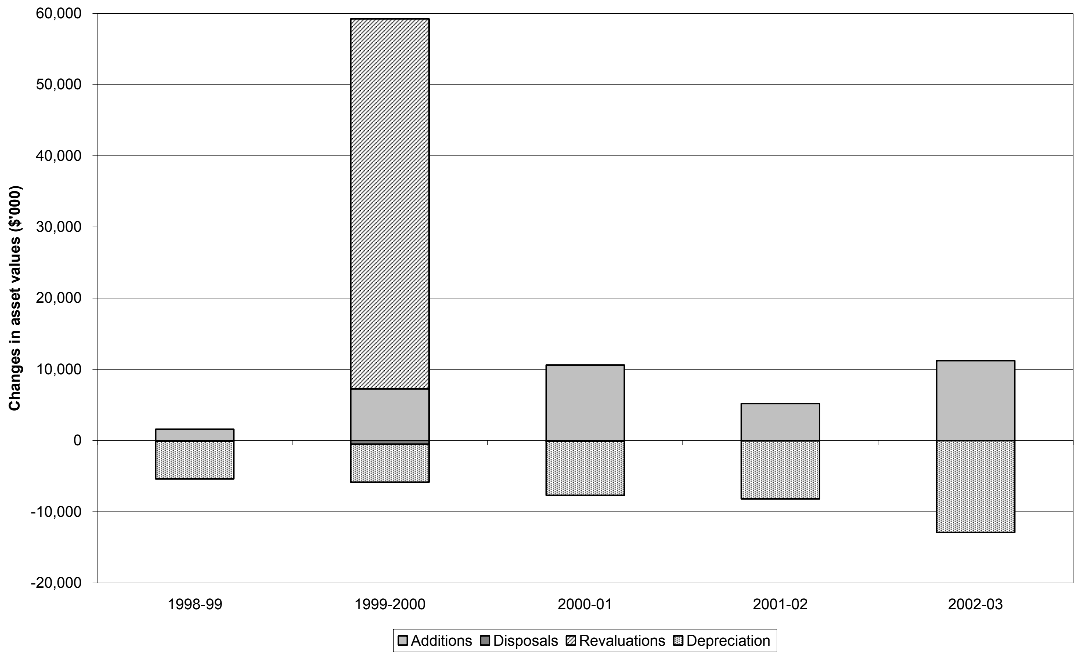


Chart 4.1.8 shows that non-current asset values are continually changing due to the effects of asset additions and depreciation. As previously noted, the asset revaluation performed in 1999-00 led to a significant increase in the valuation of Adelaide Airport's non-current asset base.

Adelaide Airport's regulatory accounts are attached at Appendix B.

Brisbane Airport

Activity

Chart 4.2.1 shows traffic volume at Brisbane Airport measured by passenger numbers, tonnage and aircraft movements, from 1997-98 to 2002-03.

Chart 4.2.1 Brisbane: volume of passengers, tonnage and aircraft movements

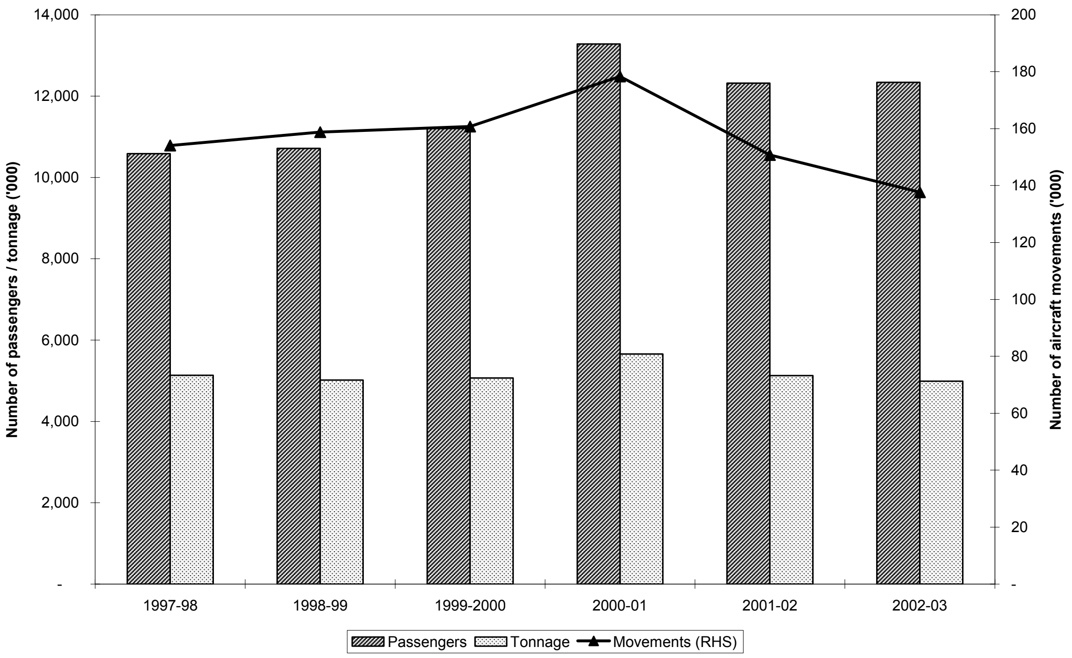


Chart 4.2.1 shows that passenger numbers at Brisbane Airport peaked during 2000-01 and after falling 7 per cent in 2001-02 have remained around the same level in 2002-03. In contrast aircraft movements while also peaking during 2000-01, fell by over 15 per cent during 2001-02 and a further 9 per cent during 2002-03. Tonnes landed also fell in 2001-02 (9 per cent) and 2002-03 (3 per cent). These results suggest that since 2000-01 there may have been an increase in passenger load factors and/or increased use of larger capacity aircraft at Brisbane Airport.

Operational statistics for Brisbane Airport are attached at Appendix C.

Prices

Following the removal of price caps at Brisbane Airport on 1 July 2002, annual average aeronautical charges[18] increased by 38 per cent at Brisbane Airport during

[18] Annual average airport charges have been derived by dividing Brisbane Airport's total annual aeronautical revenue (excluding domestic terminal revenue) by the total number of airport passengers per annum.

2002-03. This followed price increases of 11 per cent during 2001-02. Overall average prices have increased by 54 per cent in the two years since 2000-01.

Actual prices for aeronautical and aeronautical related charges at Brisbane Airport are detailed at Appendix D.

Costs and Profits

Table 4.2.1 lists major categories of revenue and costs relating to aeronautical services and aeronautical related services at Brisbane Airport for the year ending 30 June 2003.

Table 4.2.1 Brisbane: revenue and costs – 2002-03

	Revenue ($'000)	Costs ($'000)
Aeronautical Services		
Aircraft Movement Facilities and Activities	29,519	23,206
Passenger Processing Facilities and Activities	35,784	28,802
Total aeronautical services	*65,303*[19]	*52,008*[20]
Aero-related Services		
Public and staff car parking	20,972	4,368
Taxi holding and feeder services / Landside Vehicle access to terminals	1,811	356
Check-in counters and related facilities	2,397	380
Aircraft light and emergency maintenance sites and buildings	4,092	323
Freight Facility Sites and Buildings	4,383	1,188
Total aeronautical-related services	*33,655*	*6,615*

Aeronautical Services

Chart 4.2.2 shows average revenue, costs and margin per passenger for aeronautical services at Brisbane Airport from 1997-98 to 2002-03.

[19] This represents total revenue from aeronautical services as specified under PS Act Ministerial direction No 27 and may not equate to total revenue from aeronautical services as reported under the *Airports Act 1996.*

[20] This represents total costs from aeronautical services as specified under PS Act Ministerial direction No 27 and may not equate to total costs from aeronautical services as reported under the *Airports Act 1996.*

Chart 4.2.2 Brisbane: aeronautical revenue, expenses & margin

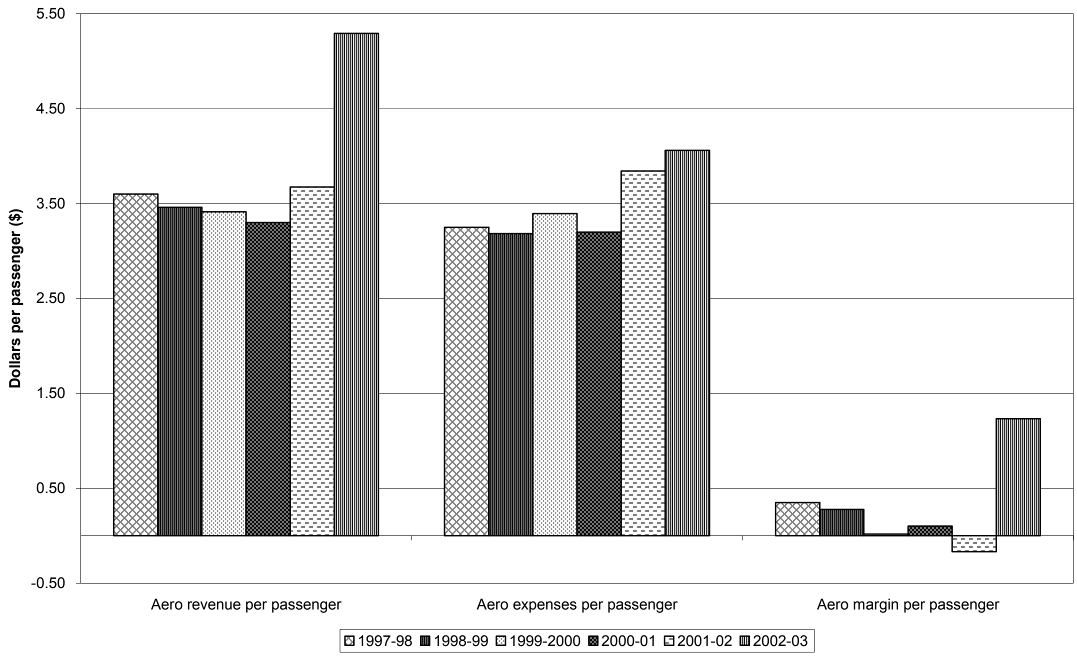


Chart 4.2.2 shows that average revenue per passenger fell gradually in the years up until 2000-01, before increasing in 2001-02 (11 per cent) and increasing significantly in 2002-03 (44 per cent).

Average expenses per passenger also remained stable over the period to 2000-01 before increasing in both 2001-02 (20 per cent) and 2002-03 (6 per cent).[21] The increase in expenses per passenger in 2001-02 was mainly related to a 7 per cent reduction in passenger numbers in that year, but also reflected increases in security costs and provisions for depreciation.

Average margin per passenger increased markedly during 2002-03 as a consequence of the corresponding increase in average revenue. This more than offset the increase in average expenses over this period. The increase in margin during 2002-03 also reversed a general trend which had seen margins gradually falling over the period from 1997-98 to 2001-02.

Security Charges

As noted above, there has been a significant increase in average aeronautical expenses per passenger since 2000-01.

A major factor contributing to this increase has been the provision of increased Government mandated security services at airports, particularly since 2001.

[21] It should be noted that the measure of operating expenses per passenger, and therefore operating margin per passenger, excludes interest, amortisation and tax expenses.

Chart 4.2.3 shows total security revenue and expenses and average security revenue per passenger at Brisbane Airport from 1997-98 to 2002-03.

Chart 4.2.3 Brisbane: security revenue and expenses

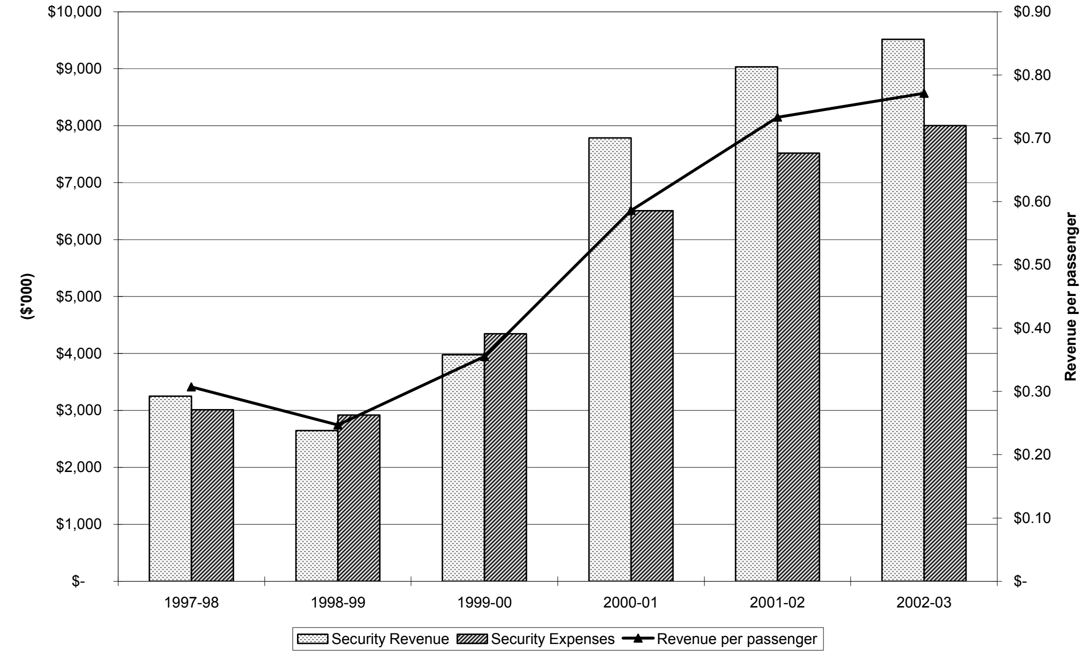


Chart 4.2.3 shows that total and average per passenger security revenue decreased between 1997-98 and 1998-99, and subsequently increased every year to 2002-03. Security expenses also decreased between 1997-98 and 1998-99, and subsequently increased every year to 2002-03.

Total Airport Services

Chart 4.2.4 shows total average revenue, costs and margin per passenger for Brisbane Airport from 1997-98 to 2002-03.

Chart 4.2.4 Brisbane: total airport revenue, expenses & margin per passenger

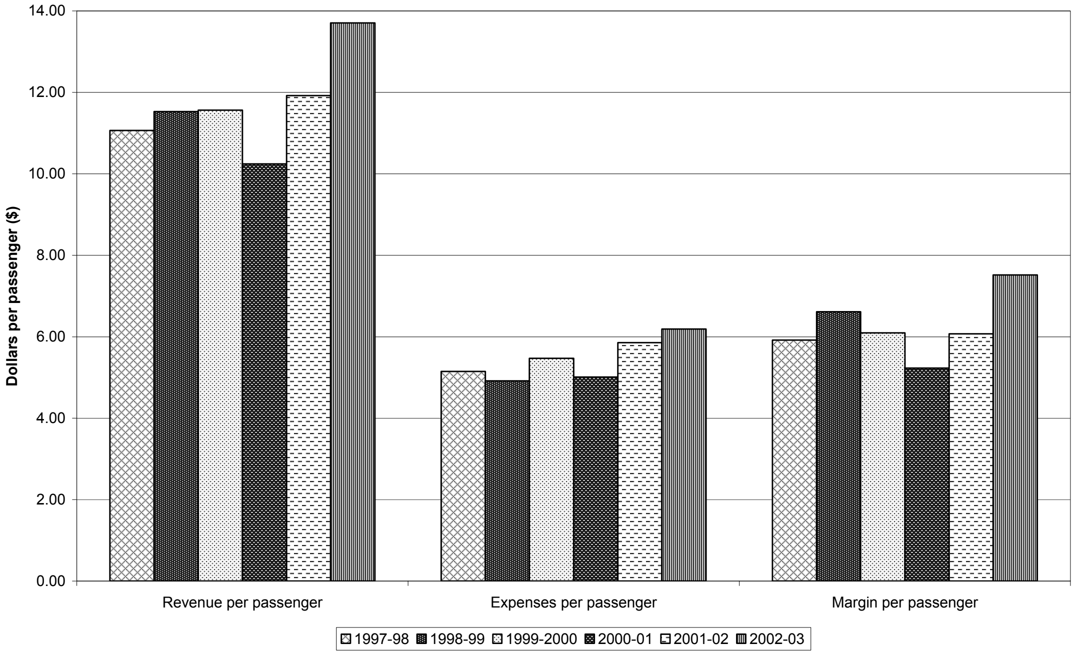


Chart 4.2.4 shows that average revenue per passenger increased by 16 per cent during 2001-02 and by a further 15 per cent in 2002-03. The increase in revenue for 2001-02 mainly reflects increases in non-aeronautical revenue whereas the increase in 2002-03 mainly reflects increases in aeronautical revenue.

Average expenses per passenger also increased during 2001-02 (17 per cent) and 2002-03 (6 per cent).[22] The increase in expenses for 2001-02 mainly reflects increases in aeronautical expenses, whereas for 2002-03 it reflects increases in both aeronautical and non-aeronautical areas.

The recent growth in average revenue has outweighed the increases in average expenses. After falling substantially during 2000-2001, margins per passenger increased during 2001-2002 and increased further during 2002-03.

Rates of Return

Chart 4.2.5 shows the post-tax rate of return on equity at Brisbane Airport from 1997-98 to 2002-03.

[22] It should be noted that the measure of operating expenses per passenger, and therefore operating margin per passenger, excludes interest, amortisation and tax expenses.

Chart 4.2.5 Brisbane: post-tax return on equity – total airport

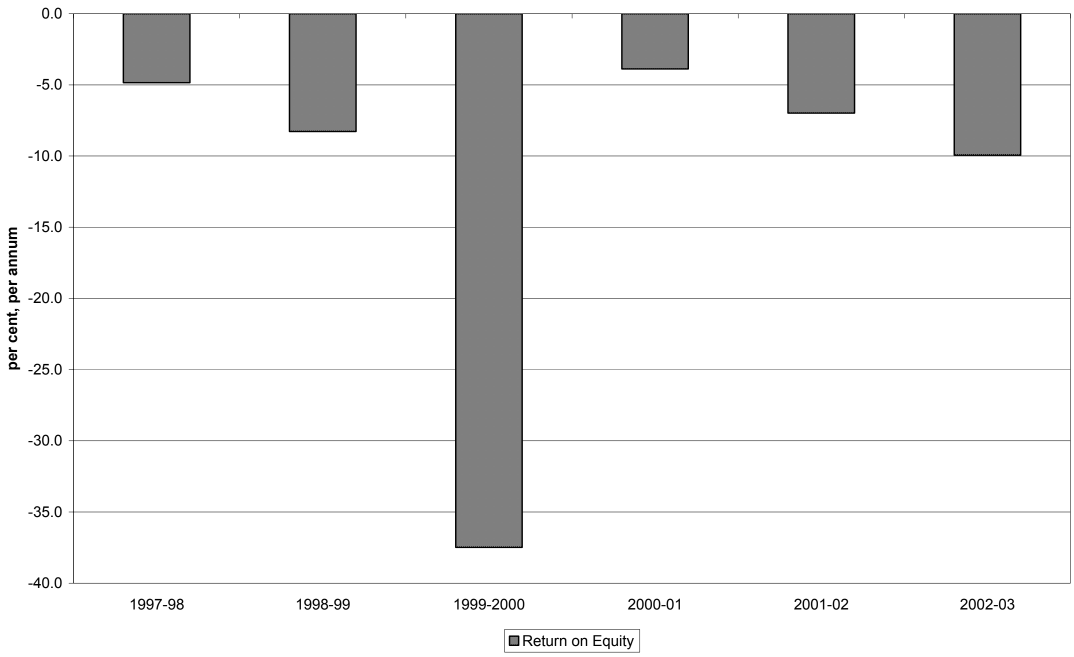


Chart 4.2.5 shows that the post-tax rate of return on equity was negative in all reporting years.

It should, however, be noted that the capital structure of a business can have a significant impact upon its reported post-tax rate of return on equity. Brisbane Airport's financial report for 2002-03 provides information in relation to interest payments to shareholders before income tax together with information in relation to shareholder loans.[23]

The existence of these shareholder loans means that reported equity does not reflect the total amounts invested in the airports by shareholders. Furthermore, the interest payments associated with these loans affect the reported measure of interest, tax and post-tax profit. In these circumstances shareholders earn returns from the airport not only from reported profits, but also from the interest they receive. As such, post-tax return on equity does not necessarily reflect the total return received by shareholders.

Issues associated with the use of the post-tax rate of return on equity measure are discussed further in Chapter 3 and Appendix A of this document.

Chart 4.2.6 shows the pre-tax return on tangible non-current aeronautical assets generated from aeronautical services, and the pre-tax return on total tangible non-current assets for Brisbane Airport as a whole from 1997-98 to 2002-03.

[23] Refer http://www.bne.com.au/files/pdf/fin_report02_03.pdf

Chart 4.2.6 Brisbane: pre-tax returns on tangible non current assets – aeronautical services and total airport

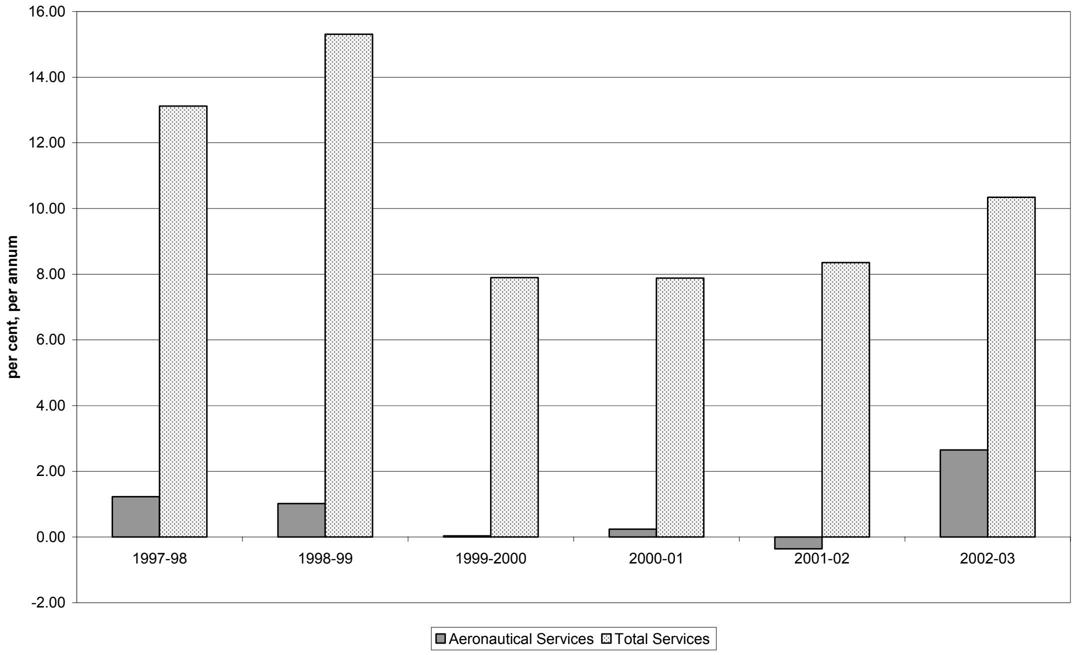


Chart 4.2.6 shows that the rate of return on aeronautical services declined over the period 1997-98 to 2001-02 before increasing significantly in 2002-03. The rate of return for Brisbane Airport as a whole was relatively stable over the period 1999-00 to 2001-02, before a substantial increase in 2002-03.

It should also be noted that asset revaluations by Brisbane Airport between 1998-99 and 1999-00 contributed to a lower returns on tangible non-current assets experienced by Brisbane since 1999-00.

Asset Values

Chart 4.2.7 shows the total value of non-current assets at Brisbane Airport from 1997-98 to 2002-03.

Chart 4.2.7 Brisbane: non-current assets – total airport

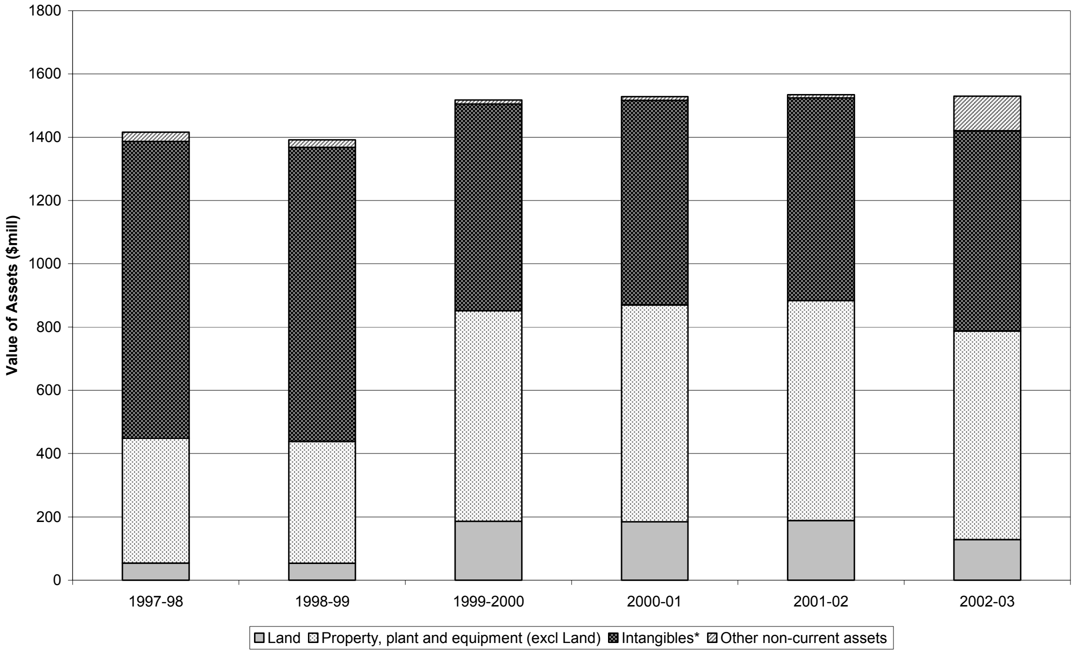


Chart 4.2.7 shows that the total value of non-current assets at Brisbane Airport has remained stable since 1999-00. Revaluations (totalling $420m) of land, runways, taxiways and aprons (RTAs) and buildings by Brisbane Airport during 1999-00 contributed almost all of its 94 per cent increase in tangible non-current asset values over the period since 1998-99.[24] Around two-thirds of these increases ($274m) were classified as aeronautical.

Chart 4.2.8 shows changes to the value of non-current assets at Brisbane Airport from 1997-98 to 2002-03.

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[24] Brisbane Airport advised that the revaluation of $420m included a reclassification of $267m of its lease premium to RTA assets, and that this reclassification was backdated to 1 July 1997. The ACCC's estimates are based on the values set out in previous regulatory reports and do not backdate the reclassification.

Chart 4.2.8 Brisbane Airport: change in non-current assets – total airport

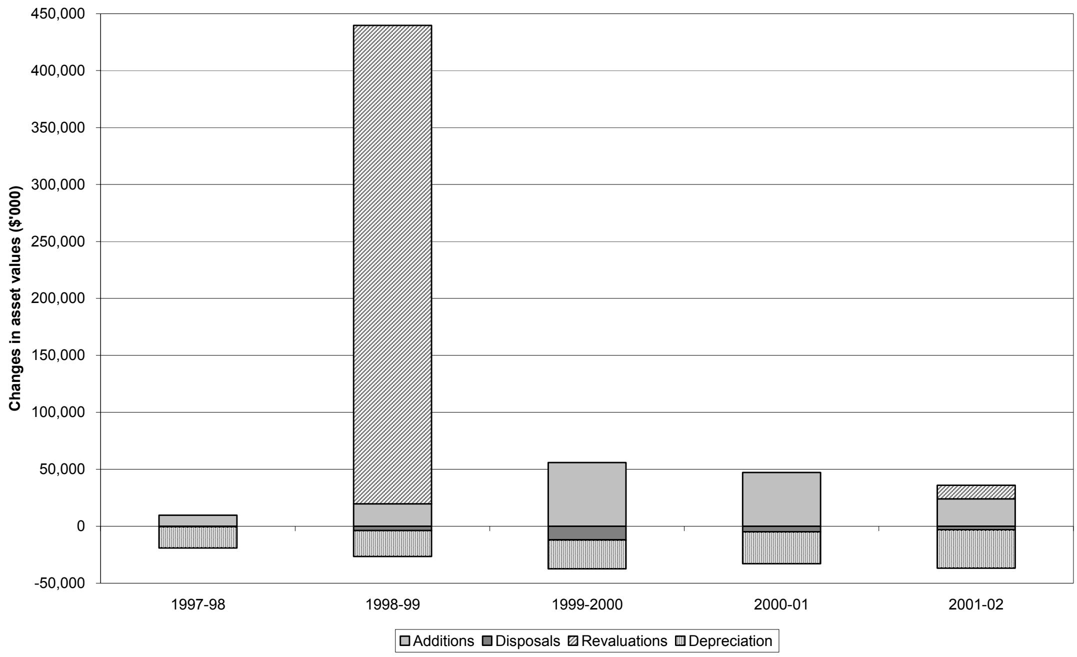


Chart 4.2.8 shows that non-current asset valuations are continually changing due to effects of asset additions and depreciation. As previously noted, the asset revaluation performed in 1998-99 led to an increase in the valuation of Brisbane Airport's non-current asset base.

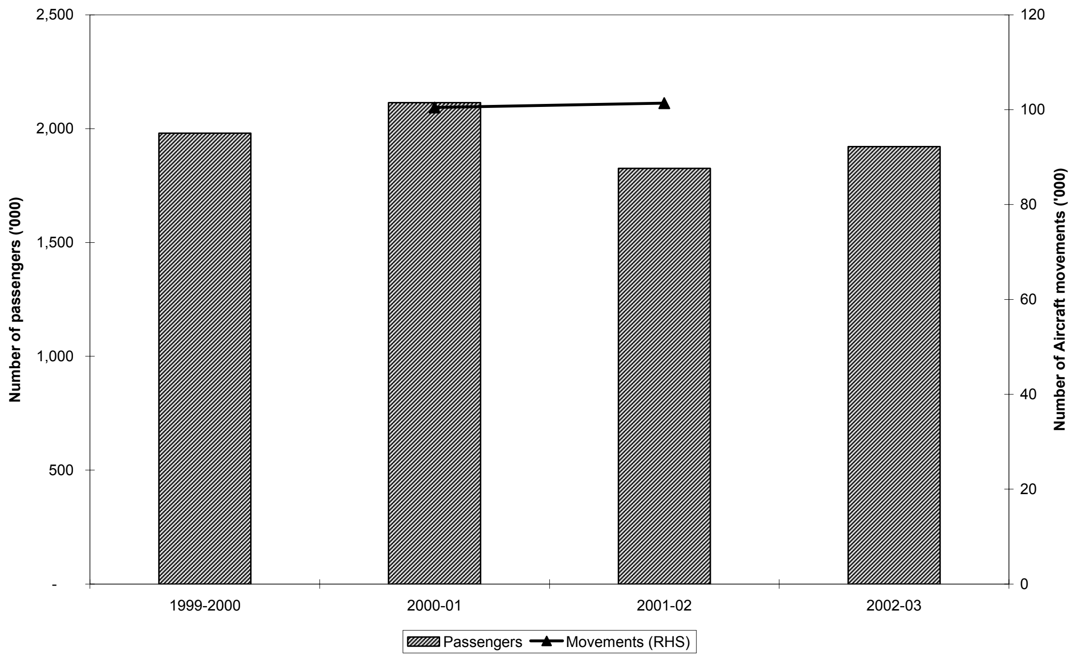
Brisbane Airport's regulatory accounts are attached at Appendix B.

Canberra Airport

Activity

Chart 4.3.1 shows traffic volume at Canberra Airport measured by passenger numbers, tonnage and aircraft movements, from 1999-00 to 2002-03.

Chart 4.3.1 Canberra: volume of passengers, tonnage and aircraft movements



Canberra Airport did not provide any information in relation to tonnage over the reporting periods and also did not provide aircraft movements data for the 2002-03 financial year.

Chart 4.3.1 shows that passenger number peaked during 2000-01, and then fell by 14 per cent during 2001-02 before increasing by 5 per cent in 2002-03. The 2002-03 passenger numbers represent a decrease of 9 per cent over Canberra Airport's 2000-01 passenger numbers.

Operational statistics for Canberra Airport are attached at Appendix C.

Prices

Annual average airport charges[25] at Canberra Airport increased by 22 per cent during 2002-03. This increase follows an increase of 108 per cent in 2001-02. In total,

[25] Annual average aeronautical charges have been derived by dividing Canberra Airport's total annual aeronautical revenue by the total number of airport passengers per annum.

average charges at Canberra Airport have increased 155 per cent in the period since price caps were in place during 2000-01.

Canberra Airport advised that this measure includes revenue from military, general aviation, charter and diversion operations which is not levied on a per passenger basis.

Actual prices for aeronautical and aeronautical-related charges at Canberra Airport as at 30 June 2003 are detailed at Appendix D.

Costs and Profits

Table 4.3.1 lists major categories of revenue and costs relating to aeronautical services and aeronautical related services at Canberra Airport for 2002-03.

Table 4.3.1 Canberra: revenue and costs - 2002-03

	Revenue ($'000)	Costs ($'000)
Aeronautical Services		
Aircraft Movement Facilities and Activities	11,978	3,934
Passenger Processing Facilities and Activities	436	554
Non-allocated		3,748[26]
Total aeronautical services	*12,415*[27]	*8,236*[28]
Aeronautical-related Services		
Public and Staff Car parking	2,490	267
Taxi holding and feeder services	548	N/A
Aircraft Light and Emergency Maintenance Sites and Buildings	34	N/A
Total aeronautical-related services	*3,072*	*267*[29]

Canberra Airport advised the ACCC that all terminal revenue, operating expenses and assets are classified as non-aeronautical in the accounts, due to difficulties associated with separating the non-aeronautical components from the aeronautical. The ACCC is continuing to consult with Canberra Airport in relation to receiving more appropriate allocations of this information.

26 Canberra Airport advised the ACCC that it was unable to fully allocate costs associated with the provision of aeronautical services.

27 This represents total revenue from aeronautical services as specified under PS Act Ministerial direction No 27 and may not equate to total revenue from aeronautical services as reported under the *Airports Act 1996.*

28 This represents total costs from aeronautical services as specified under PS Act Ministerial direction No 27 and may not equate to total costs from aeronautical services as reported under the *Airports Act 1996.*

29 Canberra Airport advised the ACCC that they were only able to provide cost information for aeronautical related services in relation to public and staff car parking.

In this report, all figures relating to aeronautical services exclude the terminal component.

Aeronautical Services

Chart 4.3.2 shows average revenue, costs and margin per passenger for aeronautical services at Canberra Airport from 1999-2000 to 2002-03.

Chart 4.3.2 Canberra: aeronautical revenue, expenses & margin

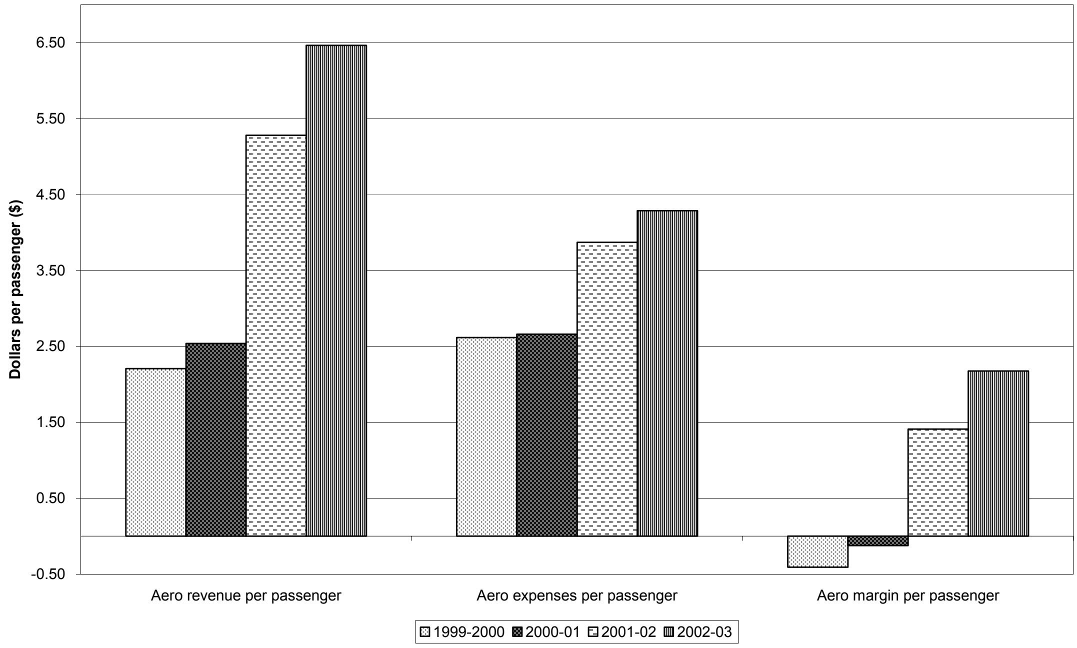


Chart 4.3.2 shows that average revenue per passenger increased in all years over the period to 2002-03. The rate of increase in average revenue was greatest in 2001-02 (108 per cent) while average revenue increased by a further 22 per cent in 2002-03.

In contrast average expenses per passenger remained stable during 1999-2000 and 2000-01 before increasing significantly in 2001-02 (45 per cent) and 2002-03 (11 per cent).[30]

Average margin per passenger increased in each year over the reporting period with substantial increases in margin in 2001-02 and 2002-03 as increases in revenue more than offset increases in expenses.

[30] It should be noted that the measure of operating expenses per passenger, and therefore operating margin per passenger, excludes interest, amortisation and tax expenses.

Security Charges

In 2002-03 Canberra Airport generated $436,000 in revenue from aeronautical security charges while incurring $32,000 in costs associated with the provision of these security services.

Canberra Airport has advised the ACCC that the reported security costs are incorrect, noting that it does not profit from security charges; rather, costs are passed through, with any over-recovery passed back to the airlines. The ACCC is continuing to consult with Canberra Airport in relation to receiving more accurate information on security costs.

Total Airport Services

Chart 4.3.3 shows total average revenue, costs and margin per passenger at Canberra Airport from 1999-2000 to 2002-03.

Chart 4.3.3 Canberra: total airport revenue, expenses & margin per passenger

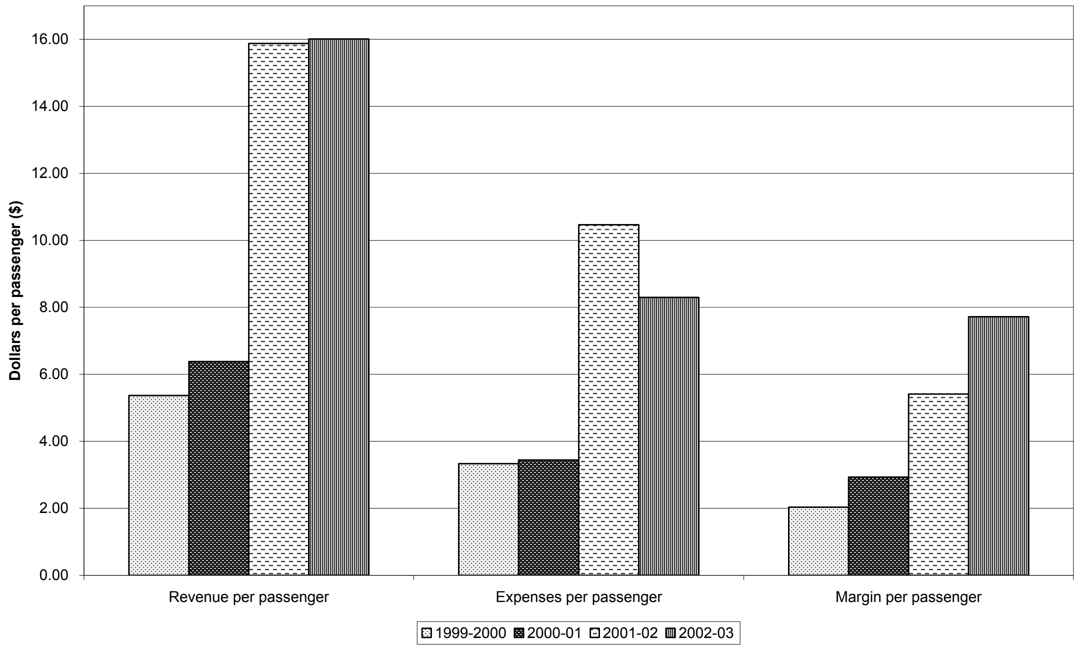


Chart 4.3.3 shows that average revenue per passenger increased substantially during 2001-02 (149 per cent) but only increased slightly in 2002-03 (1 per cent). The increase in average revenue in 2001-02 mainly reflects large increases (138 per cent) in total revenue from non-aeronautical services. In 2002-03 average revenue from non-aeronautical services fell 10 per cent but this was offset by a 22 per cent increase in average revenue from aeronautical services.

Average expenses per passenger remained stable during 1999-2000 and 2000-01 before increasing significantly in 2001-02 (204 per cent) then falling by 21 per cent in

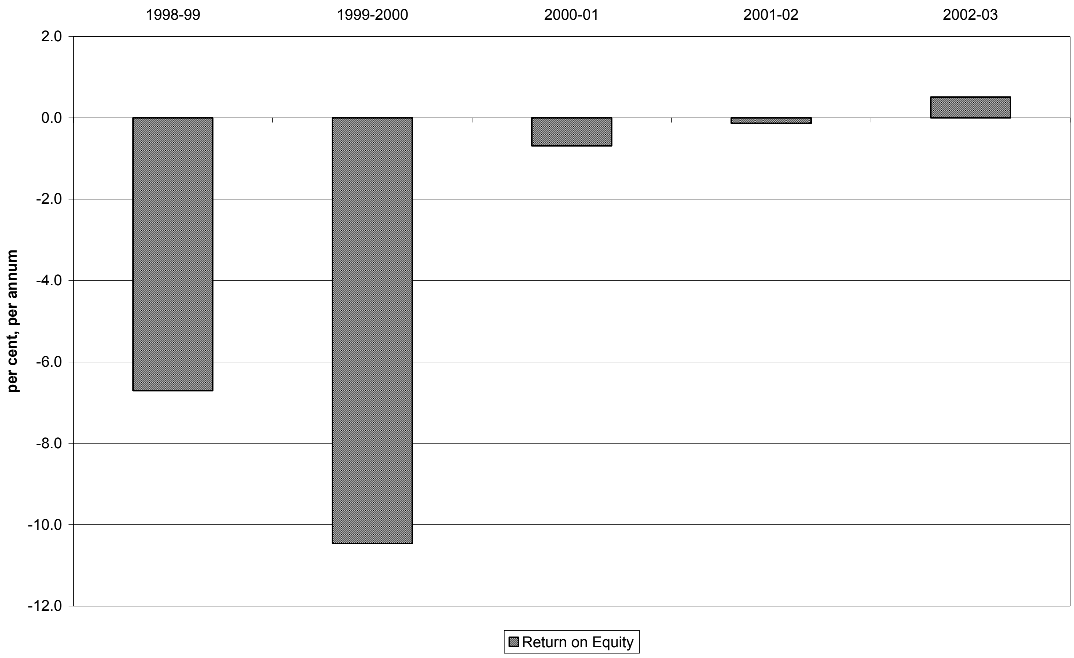
2002-03.[31] The increases in average expenses in 2001-02 reflects increases in total costs for both aeronautical and non-aeronautical services whereas the reduction in average expenses in 2002-03 mainly reflects a reduction in the total cost of non-aeronautical services.

Average margins per passenger were positive and increased in each reported year. Average margins in 2002-03 were $7.72 per passenger which represents a 43 per cent annual increase and reflects the impact of a reduction in average expenses from their peak levels in 2001-02.

Rates of Return

Chart 4.3.4 shows the post-tax return on equity at Canberra Airport from 1998-99 to 2002-03.

Chart 4.3.4 Canberra: post-tax return on equity – total airport



This chart shows that the post-tax return on equity increased each year from 1999-2000. In 2002-03 Canberra Airport reported a positive post-tax return on equity of 0.5 per cent.

It should be noted that the capital structure of a business can have a significant impact upon its reported post-tax return on equity. Notes attached to Canberra Airport's 2002-03 financial accounts (refer Appendix B) provide information in relation to loans that are payable to Stirling Finance Unit Trust, the entity which controls the Canberra International Airport and Capital Airport Group.

31 It should be noted that the measure of operating expenses per passenger, and therefore operating margin per passenger, excludes interest, amortisation and tax expenses.

The existence of these shareholder loans means that reported equity does not reflect the total amounts invested in the airports by shareholders. Furthermore, the interest payments associated with these loans affect the reported measure of interest, tax and post-tax profit. In these circumstances shareholders earn returns from the airport not only from reported profits, but also from the interest they receive. As such, post-tax return on equity does not necessarily reflect the total return received by shareholders.

Issues associated with the use of the post-tax return on equity measure are discussed further in Chapter 3 and Appendix A of this document.

Chart 4.3.5 shows the pre-tax return on tangible non-current aeronautical assets generated from aeronautical services, and the pre-tax return on total tangible non-current assets for Canberra Airport as a whole from 1998-99 to 2002-03.

Chart 4.3.5 Canberra: pre-tax returns on tangible non-current assets – aeronautical services and total airport

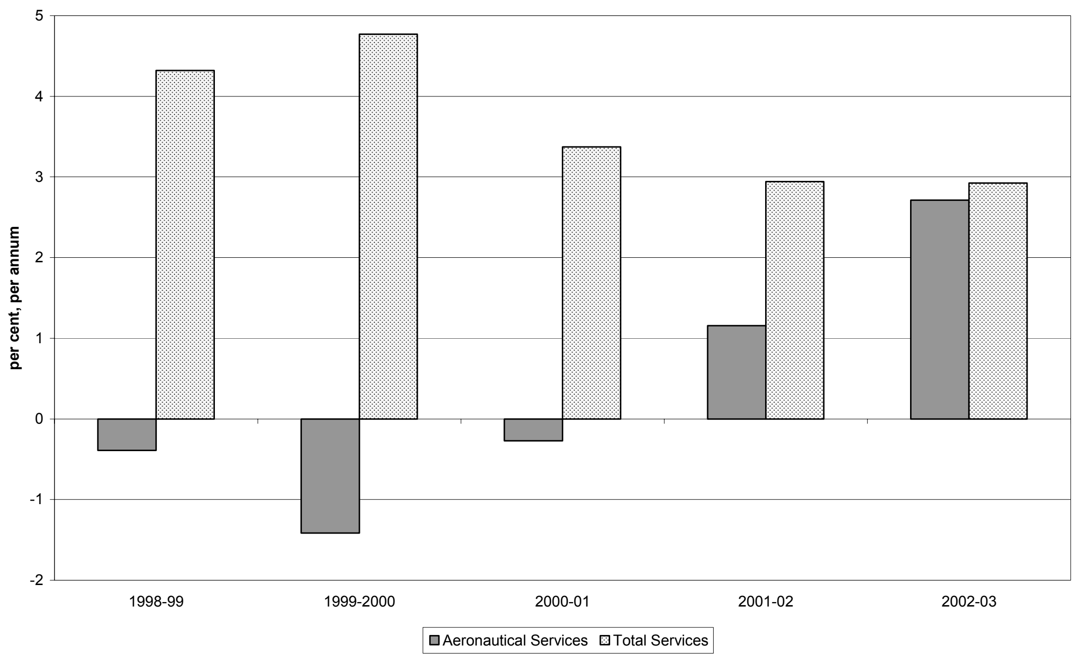


Chart 4.3.5 shows that the rate of return on aeronautical services has been increasing since 1999-2000 and that positive returns were achieved in 2001-02 and 2002-03.

In contrast the rate of return across Canberra Airport as a whole was positive over the reporting period and reached a peak level in 1999-2000 before declining in 2000-01 and 2001-02. In 2002-03 Canberra Airport reported a return of 2.9 per cent, approximately the same level of return realised in 2001-02.

It should be noted, though that Canberra Airport has revalued assets a number of times, resulting in significant increases in their reported values. The total value of tangible non-current assets for Canberra Airport has increased by over 600 per cent since 1998-99. Revaluations of land over this time have added some $63m to the value of aeronautical land, and $192m to the value of non-aeronautical land. Re-valuations of buildings were also significant, increasing by $144m, of which around

$31m was aeronautical.[32] These continued revaluations have contributed to the downwards movement in return on tangible non-current assets for Canberra.

Asset Values

Chart 4.3.6 shows the total value of non-current assets at Canberra Airport from 1998-99 to 2002-03.

Chart 4.3.6 Canberra: non-current assets – total airport

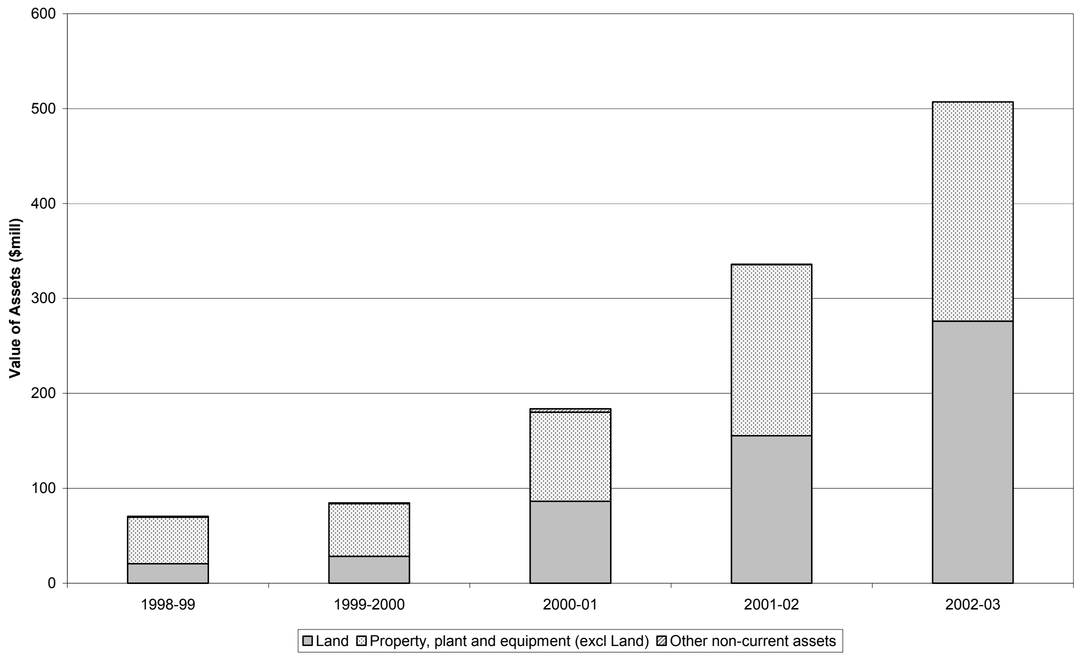


Chart 4.3.6 shows that the value of non-current assets at Canberra Airport has increased significantly since 1999-2000. Non-current assets increased by 51 per cent during 2002-03 which followed an increase of 83 per cent in 2001-02. The increase in 2001-02 followed a revaluation of all land (other than "Fairbairn land" which was leased by the RAAF) and commercial properties at Canberra Airport as at June 2002. In 2002-03 the major factor influencing the increase in non-current assets was associated with the further revaluation of land and commercial building associated with "Fairbairn land" as at June 2003.

Chart 4.3.7 shows changes to the value of non-current assets at Canberra Airport from 1998-99 to 2002-03.

[32] Note that of its closing asset values for 2001-02, Canberra Airport appears to have re-classified approximately $26m of the revalued land, and $39m of the revalued buildings, from aeronautical to non-aeronautical assets as opening values for 2002-03.

Chart 4.3.7 Canberra: change in non-current assets – total airport

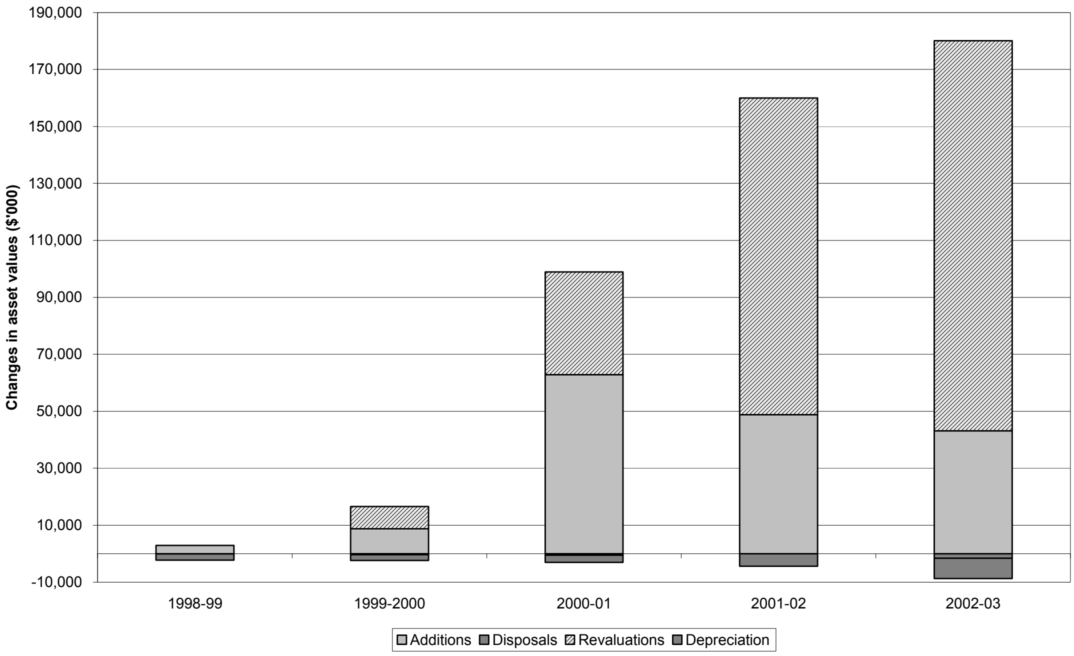


Chart 4.3.7 shows that non-current asset valuations are continually changing due to the effects of asset additions and depreciation.

As previously noted, asset revaluations performed in the years 1999-00 to 2002-03 have increased the value of Canberra Airport's non-current asset base.

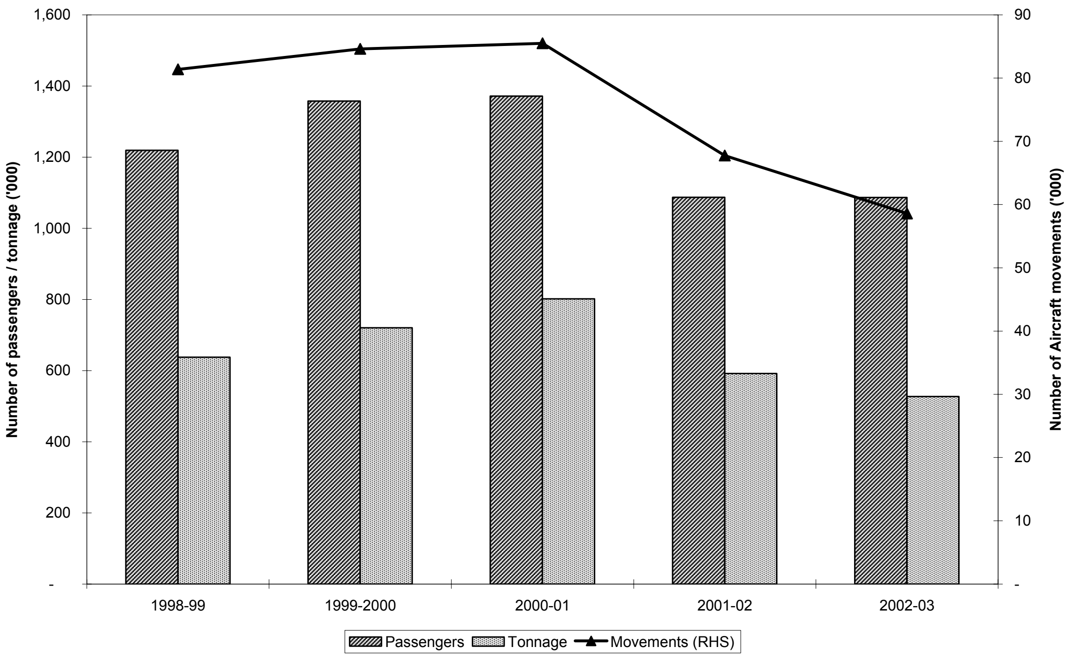
Canberra Airport's regulatory accounts are attached at Appendix B.

Darwin Airport

Activity

Chart 4.4.1 shows traffic volumes at Darwin Airport measured by passenger numbers, tonnage and aircraft movements, from 1998-99 to 2002-03.

Chart 4.4.1 Darwin: volume of passengers, tonnage and aircraft movements



Notes: Passenger numbers for 1999-00 and 2000-01 are estimated based on the passenger / aircraft ratio from 2001-02 because Darwin Airport did not provide actual figures.

Chart 4.4.1 shows traffic volumes peaked at Darwin Airport during 2000-01. Passenger numbers, aircraft movements and tonnes landed all decreased in 2001-02 following the collapse of Ansett and the September 2001 terrorist attacks in the USA. In 2002-03, however, passenger numbers remained stable while aircraft movements fell by 14 per cent and tonnes landed fell by 11 per cent. This suggests increased passenger load factors and/or an increasing use of larger aircraft at Darwin Airport.

Operational statistics for Darwin Airport are attached at Appendix C.

Prices

Annual average aeronautical charges[33] at Darwin Airport increased by 26 per cent during 2002-03. This increase follows an increase of 105 per cent in 2001-02.

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[33] Annual average airport charges have been derived by dividing Darwin Airport's total annual aeronautical revenue by the total number of airport passengers per annum.

Average charges at Darwin Airport have increased 160 per cent in the period since price caps were removed in October 2001.

Actual prices for aeronautical and aeronautical-related charges at Darwin Airport as at 30 June 2003 is detailed at Appendix D.

Costs and Profits

Table 4.4.1 lists major categories of revenue and costs relating to aeronautical services and aeronautical related services at Darwin Airport for 2002-03.

Table 4.4.1 Darwin: revenue and costs – 2002-03

	Revenue ($'000)	Costs ($'000)
Aeronautical Services		
Aircraft Movement Facilities and Activities	8,247	2,922
Passenger Processing Facilities and Activities	5,657	6,077
Total aeronautical services	*13,903*[34]	*8,999*[35]
Aeronautical-related Services		
Landside vehicle access to terminals	66	86
Public and staff car parking (and other parking)	1,689	368
Check-in counters and related facilities	N/A	N/A
Total aeronautical-related services	*1,755*	*454*

Note: Aeronautical costs reported here exclude depreciation, amortisation, tax and interest costs. Aeronautical depreciation of $3.496m was not disaggregated between aircraft movement facilities and activities and passenger processing facilities and activities.

Darwin Airport has advised that at present revenue from check-in counters and related facilities cannot be separately identified due to the implementation of a Passenger Facilities Charge which is an all inclusive terminal charge. Costs associated with check-in counters and related facilities are also currently included within Passenger Processing Facilities and Activities. The ACCC is consulting with Darwin Airport in order to receive more appropriate revenue and cost allocations for these items, for use in future reports.

Aeronautical Services

Chart 4.4.2 shows average revenue, costs and margin per passenger for aeronautical services at Darwin Airport from1998-99 to 2002-03.

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[34] This represents total revenue from aeronautical services as specified under PS Act Ministerial direction No 27 and may not equate to total revenue from aeronautical services as reported under the *Airports Act 1996.*
[35] This represents total costs from aeronautical services as specified under PS Act Ministerial direction No 27 and may not equate to total costs from aeronautical services as reported under the *Airports Act 1996.*

Chart 4.4.2 Darwin: Aeronautical revenue, expenses & margin

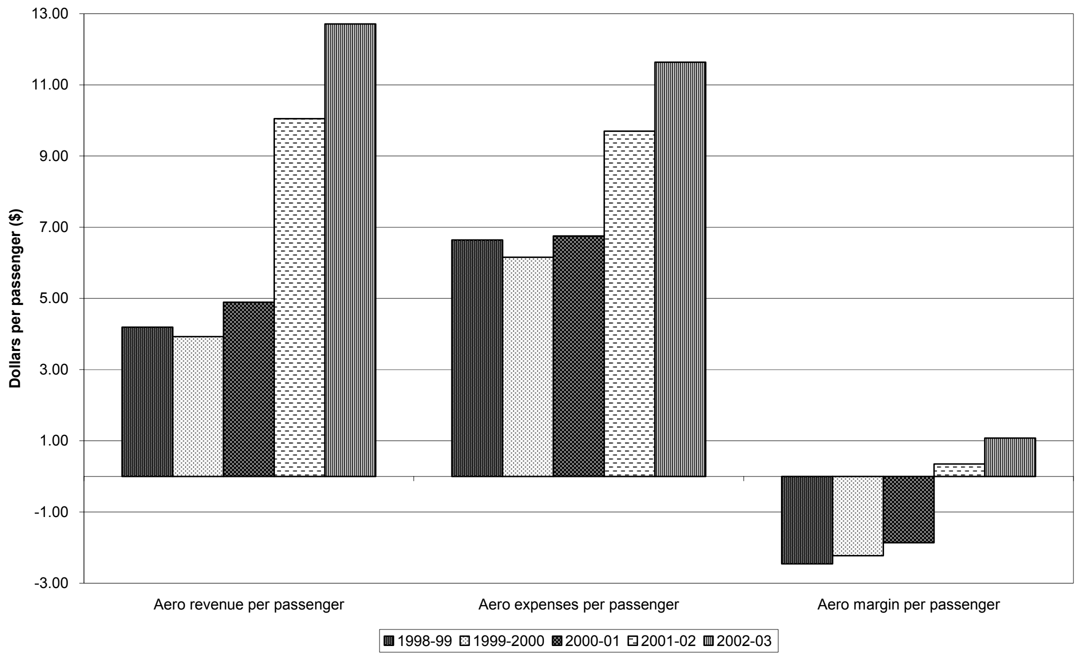

Chart 4.4.2 shows that average revenue per passenger increased by 160 per cent over the two year period to 30 June 2003. This reflects annual increases in 2001-02 and 2002-03 of 105 per cent and 26 per cent respectively.

Average expenses per passenger increased by 44 per cent in 2001-02 and by 20 per cent in 2002-03. [36]

Average margin per passenger increased in each year of the reporting period. In 2002-03 average margins increased significantly to $1.07 per passenger reflecting the fact that increasing average revenue more than offset growth in average expenses.

Security services

As noted above, there has been a significant increase in average aeronautical expenses per passenger since 2000-01.

A major factor contributing to this increase has been the provision of increased Government mandated security services at airports, particularly since 2001.

Chart 4.4.3 shows total security revenue and expenses and average security revenue per passenger at Darwin Airport from 1998-99 to 2002-03.

[36] It should be noted that the measure of operating expenses per passenger, and therefore operating margin per passenger, excludes interest, amortisation and tax expenses.

Chart 4.4.3 Darwin: security revenue and expenses

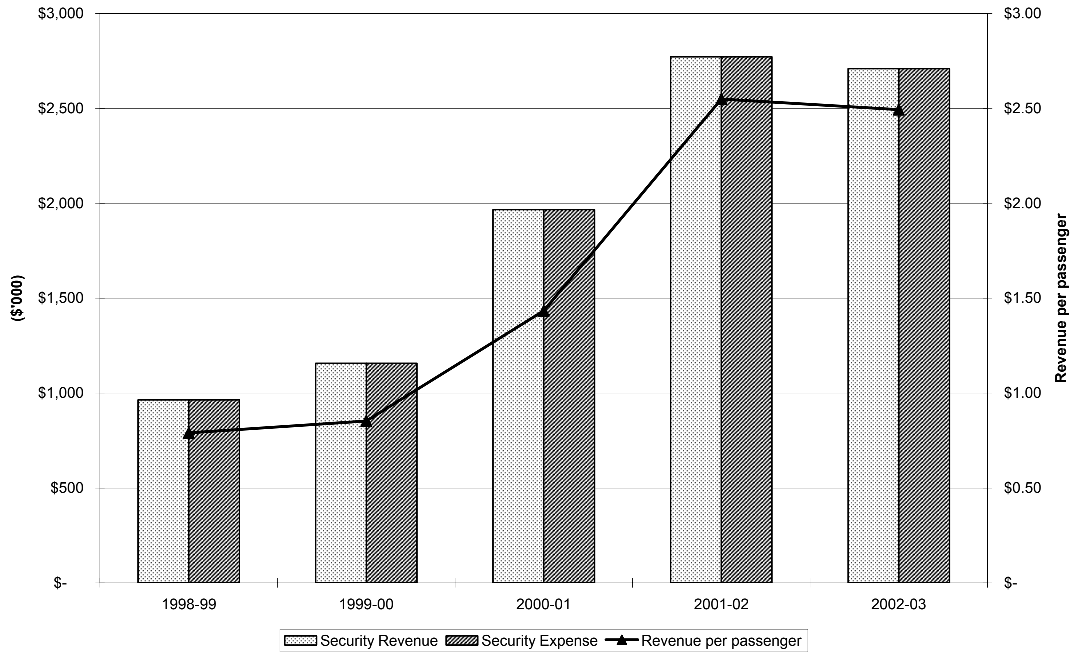

Chart 4.4.3 shows that between 1998-99 and 2001-02, total and average per passenger security revenue increased, and subsequently decreased in 2002-03. Security expenses also increased in the period to 2001-02 before decreasing in 2002-03.

Darwin Airport advised that any over or under recovery of costs is factored into future charges and is reflected as an asset or liability in the balance sheet. No current loss or profit is reflected in the annual accounts, so that revenue and costs for security functions will balance.

Total Airport Services

Chart 4.4.4 shows total average revenue, costs and margin per passenger at Darwin Airport from 1998-99 to 2002-03.

Chart 4.4.4 Darwin: total airport revenue, expenses & margin per passenger

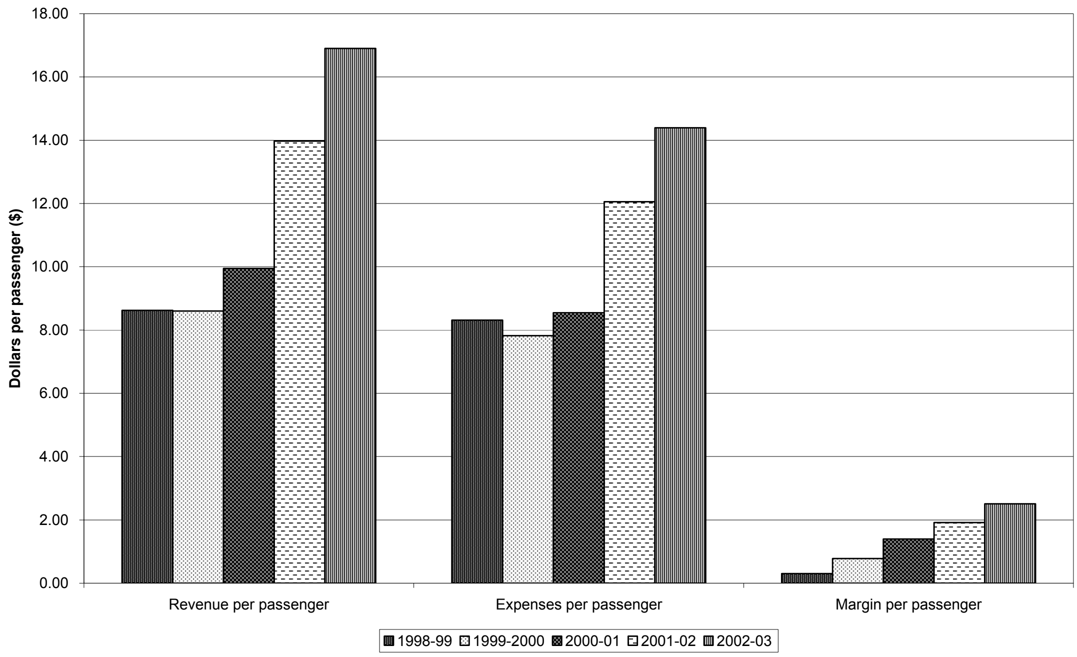

Chart 4.4.4 shows that average revenue per passenger generally increased each year. Average revenue increased by 40 per cent in 2001-02, followed by an increase of 21 in 2002-03. These increases mainly reflect increases in total revenue from aeronautical services.

Similarly, average expenses per passenger increased by 41 per cent in 2001-02, followed by an increase of 19 per cent in 2002-03.[37]

Average margin per passenger increased in each year and was positive for all years. Average margin per passenger increased by 37 per cent in 2001-02 and by a further 31 per cent in 2002-03.

Rates of Return

Chart 4.4.5 shows the post-tax return on equity at Darwin Airport from 1998-99 to 2002-03.

[37] It should be noted that the measure of operating expenses per passenger, and therefore operating margin per passenger, excludes interest, amortisation and tax expenses.

Chart 4.4.5 Darwin: post-tax return on equity – total airport

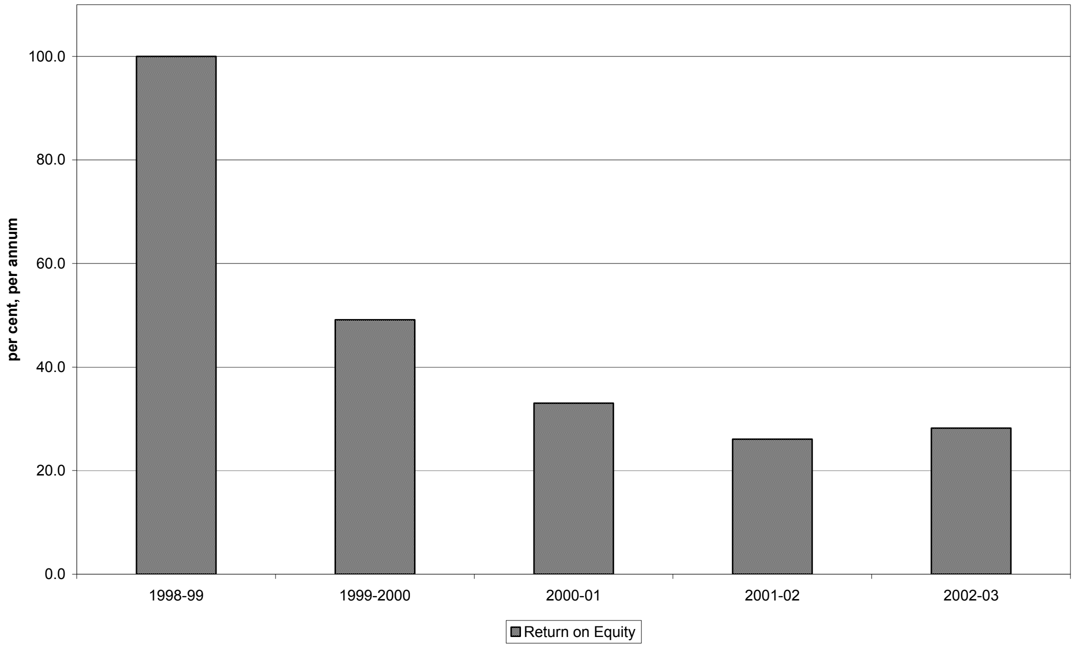

Chart 4.4.5 shows that the post-tax return on equity at Darwin Airport was positive in all reporting years. However, there are in this case some difficulties in using the post-tax return on equity as an indicator of the profitability of the airport, particularly in circumstances where it has negative owners' equity. This problem can be shown by example with reference to Darwin Airport's 2002-03 post-tax rate of return on equity (28 per cent) which was calculated based on a reported after tax loss of $16.4 million and negative owners' equity of $58 million.

Issues associated with the use of the post-tax rate of return on equity measure are discussed further in Chapter 3 and Appendix A of this document.

Chart 4.4.6 shows the pre-tax return on tangible non-current aeronautical assets generated from aeronautical services, and the pre-tax return on total tangible non-current assets by Darwin Airport as a whole from1998-99 to 2002-03.

Chart 4.4.6 Darwin: pre-tax returns on tangible non-current assets – aeronautical services and total airport

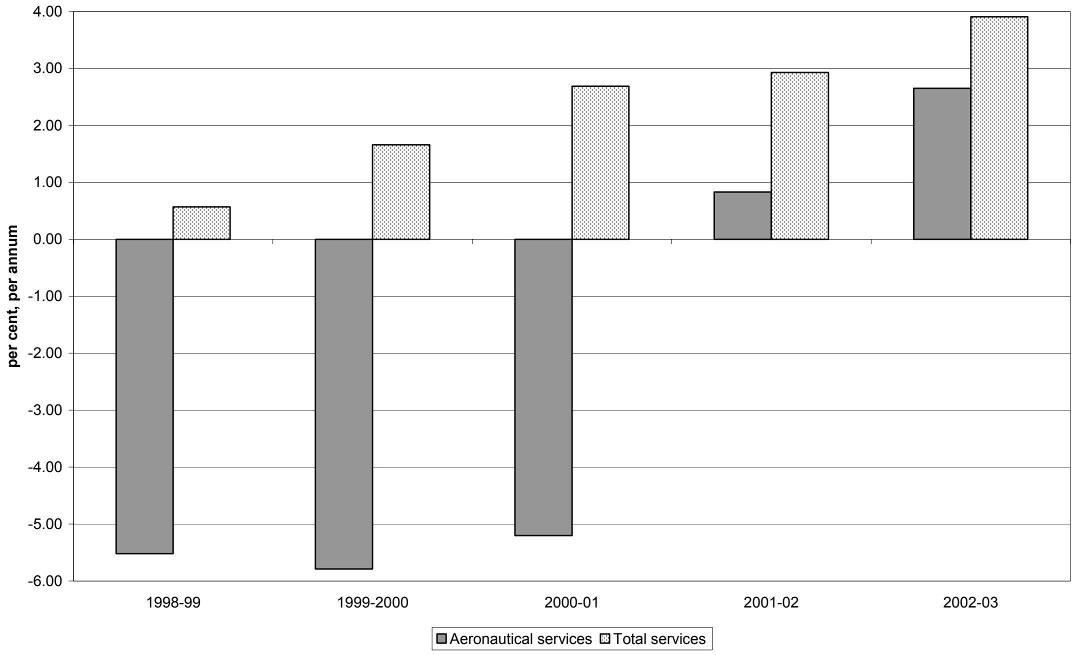

Chart 4.4.6 shows that the rate of return on aeronautical services increased substantially to positive levels in 2001-02 and 2002-03. In 2002-03 Darwin Airport achieved a rate of return on tangible non-current aeronautical assets of around 3 per cent.

The rate of return across Darwin Airport as a whole was positive in all years in the reporting period. In 2002-03 Darwin Airport achieved a return on tangible non-current assets of around 4 per cent compared to a return of around 3 per cent in 2001-02.

Asset Values

Chart 4.4.7 shows the total value of non-current assets at Darwin Airport from 1998-99 to 2002-03.

Chart 4.4.7 Darwin: non-current assets – total airport

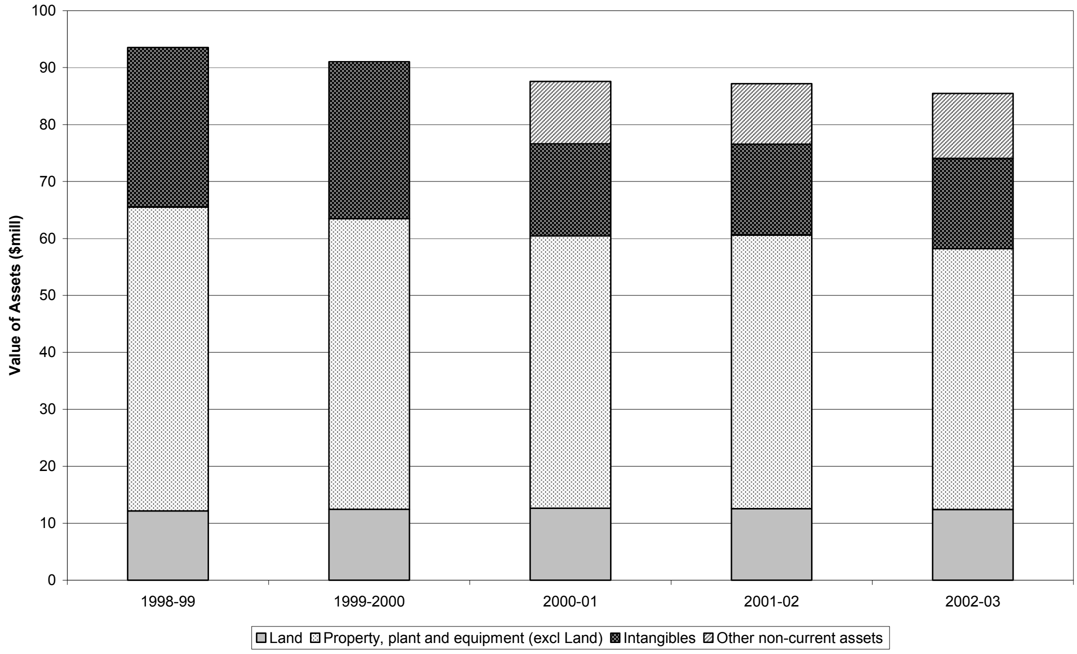

Chart 4.4.7 shows that the value of non-current assets decreased by 9 per cent over the four year period to 30 June 2003, mainly reflecting a reduction in intangible assets during 2000-01.

Chart 4.4.8 shows changes to the value of non-current assets at Darwin Airport from 1998-99 to 2002-03.

Chart 4.4.8 Darwin: change in non-current assets – total airport

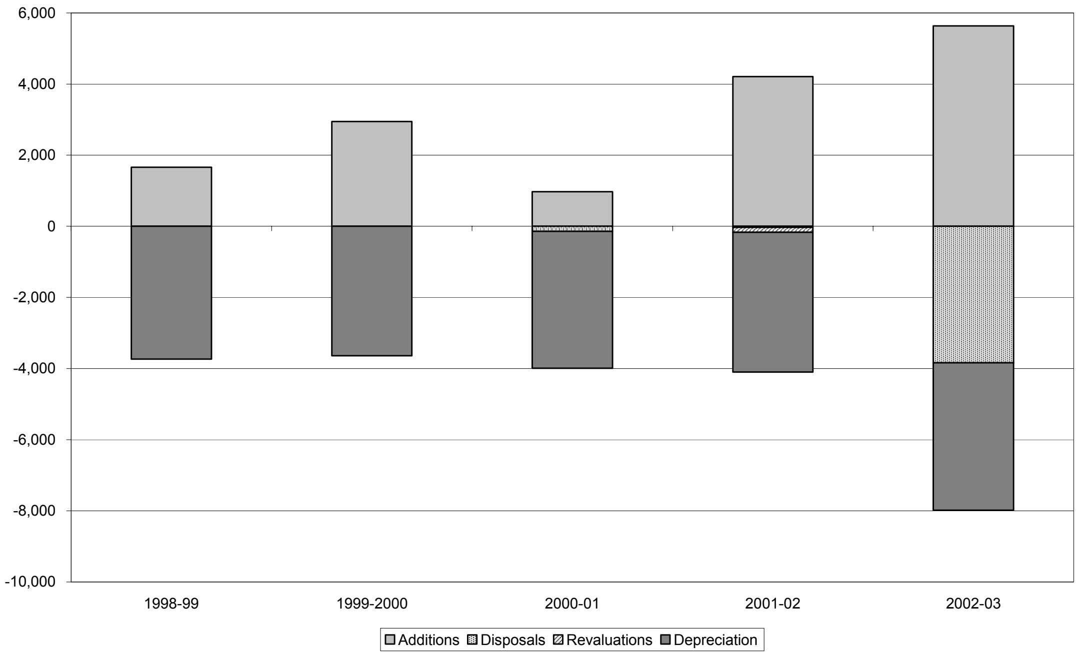

Chart 4.4.8 shows that non-current asset valuations are mainly changing due to the effects of asset additions and depreciation. In 2002-03, however, disposals also affected the value of Darwin Airport's non-current asset base.

Darwin Airport's regulatory accounts are attached at Appendix B.

Melbourne Airport

Activity

Chart 4.5.1 shows traffic volumes at Melbourne Airport measured by passenger numbers, tonnage and aircraft movements, from 1997-98 to 2002-03.

Chart 4.5.1 Melbourne: volume of passengers, tonnage and aircraft movements

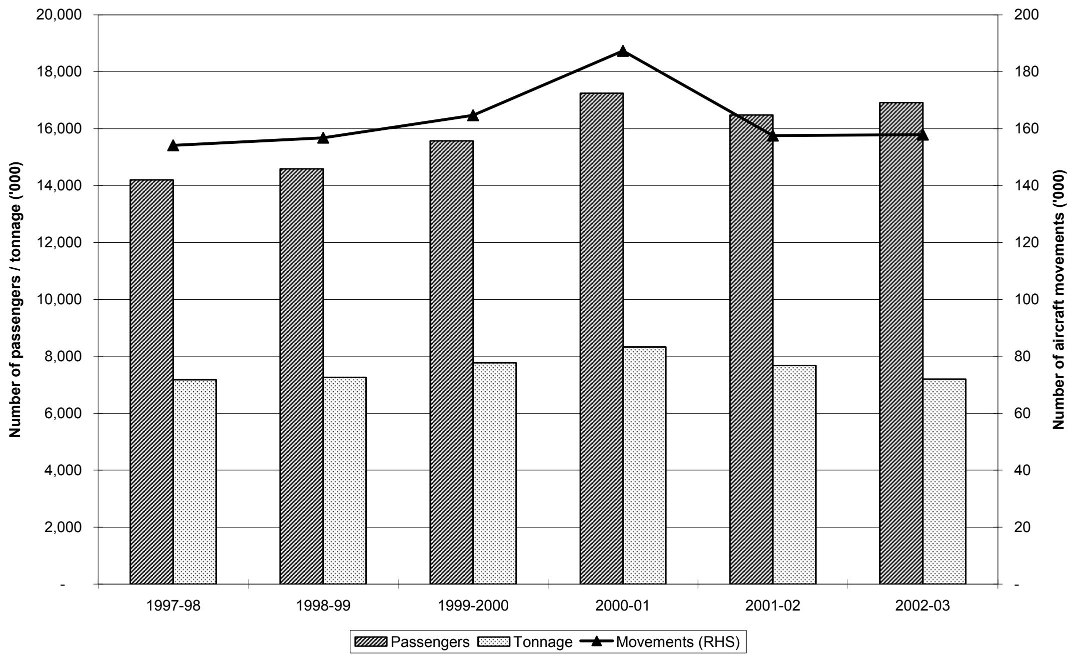

Chart 4.5.1 shows that during 2002-03 passenger numbers increased by 3 per cent, aircraft movements remained stable and tonnes landed declined. The chart also shows that all measures of activity increased during the period 1997-98 to 2000-01. From 2000-01 to 2002-03, there has been a reduction in passengers numbers (2 per cent), aircraft movements (16 per cent) and tonnage (13 per cent). The proportionately greater reduction in aircraft movements and tonnage relative to passenger numbers in the period since 2000-01 suggests increased passenger load factors and/or an increased use of larger capacity aircraft at Melbourne Airport.

Operational statistics for Melbourne Airport are attached at Appendix C.

Prices

Annual average aeronautical charges[38] at Melbourne Airport increased by 29 per cent during 2002-03 following price increases of 9 per cent during 2001-02. Overall, this resulted in averages prices increasing by around 40 per cent over the past two years.

Actual prices for aeronautical and aeronautical related charges at Melbourne Airport are detailed at Appendix D.

Costs and Profits

Table 4.5.1 lists major categories of revenue and costs relating to aeronautical services and aeronautical related services at Melbourne Airport for 2002-03.

Table 4.5.1 Melbourne: revenue and costs – 2002-03

	Revenue ($'000)	Costs ($'000)
Aeronautical Services		
Aircraft Movement Facilities and Activities	N/A	N/A
Passenger Processing Facilities and Activities	N/A	N/A
Total aeronautical services	*98,649*[39]	*60,237*[40]
Aero-related Services		
Landside vehicle access to terminals	417	1,416
Taxi holding and feeder services	1,411	1,402
Public and staff car parking	36,272	12,461
Check-in counters and related facilities	3,400	1,358
Aircraft light and emergency maintenance sites and buildings	2,916	1,388
Total aeronautical-related services	*44,416*	*18,025*

Melbourne Airport has advised that the aeronautical services contracts signed with airlines do not split charges between aircraft movement facilities and activities and passenger processing facilities and activities. The charge is a combined charge for the provision of both services. The ACCC is continuing to consult with Melbourne

38 Annual average airport charges have been derived by dividing Melbourne Airport's total annual aeronautical revenue (excluding domestic terminal revenue) by the total number of airport passengers per annum.

39 This represents total revenue from aeronautical services as specified under PS Act Ministerial direction No 27 and may not equate to total revenue from aeronautical services as reported under the *Airports Act 1996.*

40 This is an estimate of total costs from aeronautical services as specified under PS Act Ministerial direction No 27 based upon Melbourne Airport's reported expenditure in relation to aeronautical services under the *Airports Act 1996.*

Airport to obtain more detailed revenue and cost information in relation to these services, for use in future reports.

Aeronautical Services

Chart 4.5.2 shows average revenue, costs and margin in dollars per passenger for aeronautical services at Melbourne Airport from 1997-98 to 2002-03.

Chart 4.5.2 Melbourne: aeronautical revenue, expenses & margin

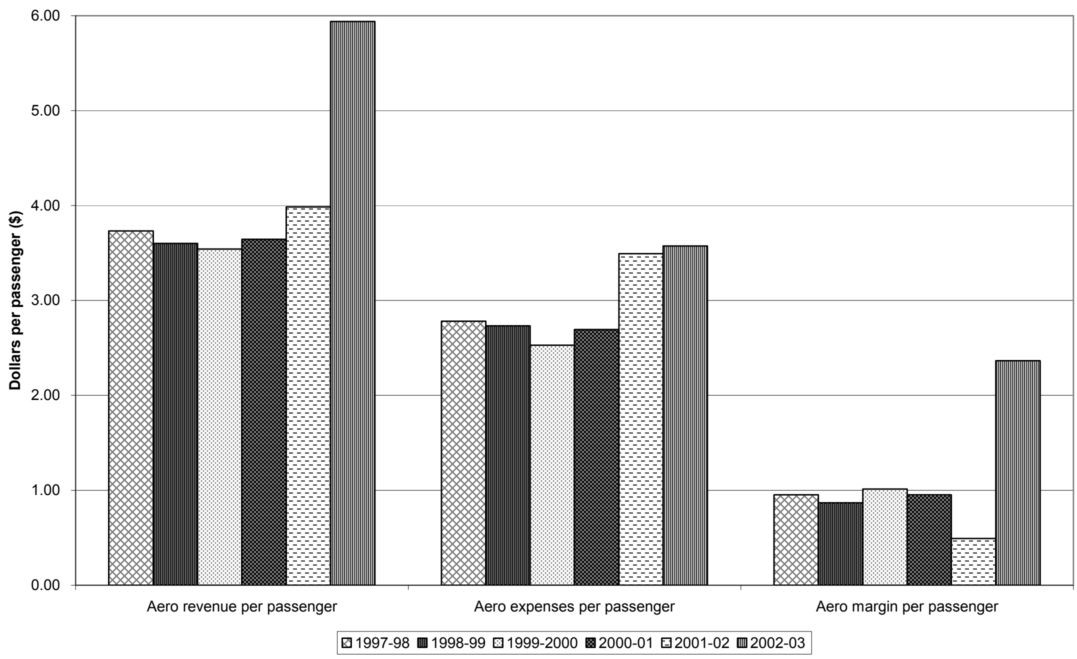

Chart 4.5.2 shows that average revenue per passenger remained relatively stable over the period 1997-98 to 2000-01 but increased by 9 per cent in 2001-02 and by a further 49 per cent in 2002-03. The increase in 2002-03 was due to a major restructuring and increase of prices shortly after price caps were removed on 1 July 2002. It also includes revenue from the operations of the domestic terminal formerly operated by Ansett.[41]

Average expenses per passenger increased by 30 per cent in 2001-02 and by a further 2 per cent in 2002-03.[42] The increase in expenses in 2001-02 was related to increases in other costs and is likely to include costs associated with the operation of domestic terminals.

Average margins per passenger remained relatively stable over the period 1998-99 to 2000-01. However average margins decreased by 48 per cent in 2001-02, before

41 Revenue from domestic terminal leases with Qantas (and formerly Ansett) is classified as non-aeronautical by Melbourne Airport; however, revenue from its operation of the former Ansett terminal have been included in aeronautical revenue.

42 It should be noted that the measure of operating expenses per passenger, and therefore operating margin per passenger, excludes interest, amortisation and tax expenses.

rebounding strongly in 2002-03 (381 per cent) as increases in average revenue more than offset increases in expenses.

Security Charges

As noted above, there has been a significant increase in average aeronautical expenses per passenger since 2000-01.

A major factor contributing to this increase has been the provision of increased Government mandated security services at airports, particularly since 2001.

Chart 4.5.3 shows total security revenue and expenses and average security revenue per passenger at Melbourne Airport from 1997-98 to 2002-03.

Chart 4.5.3 Melbourne: security revenue and expenses

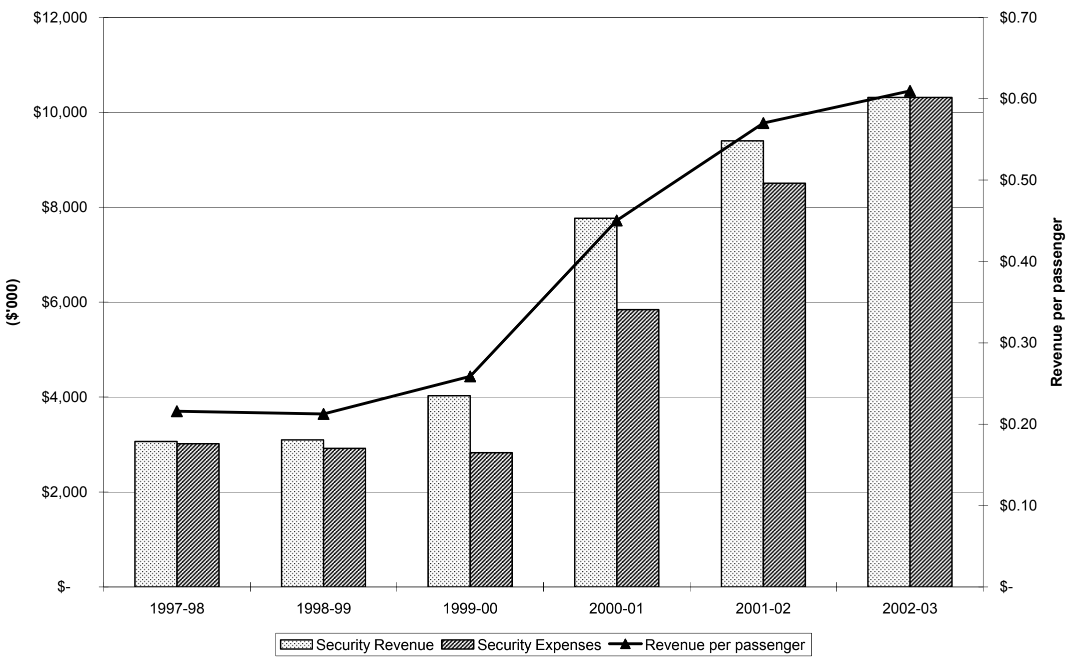

Chart 4.5.3 shows that total and average per passenger security revenue increased from 1998-99 to 2002-03. Security expenses declined between 1997-98 and 1999-00, and subsequently increased between 1999-00 and 2002-03.

Total Airport Services

Chart 4.5.4 shows total average revenue, costs and margin per passenger at Melbourne Airport from 1997-98 to 2002-03.

Chart 4.5.4 Melbourne: total airport revenue, expenses & margin per passenger

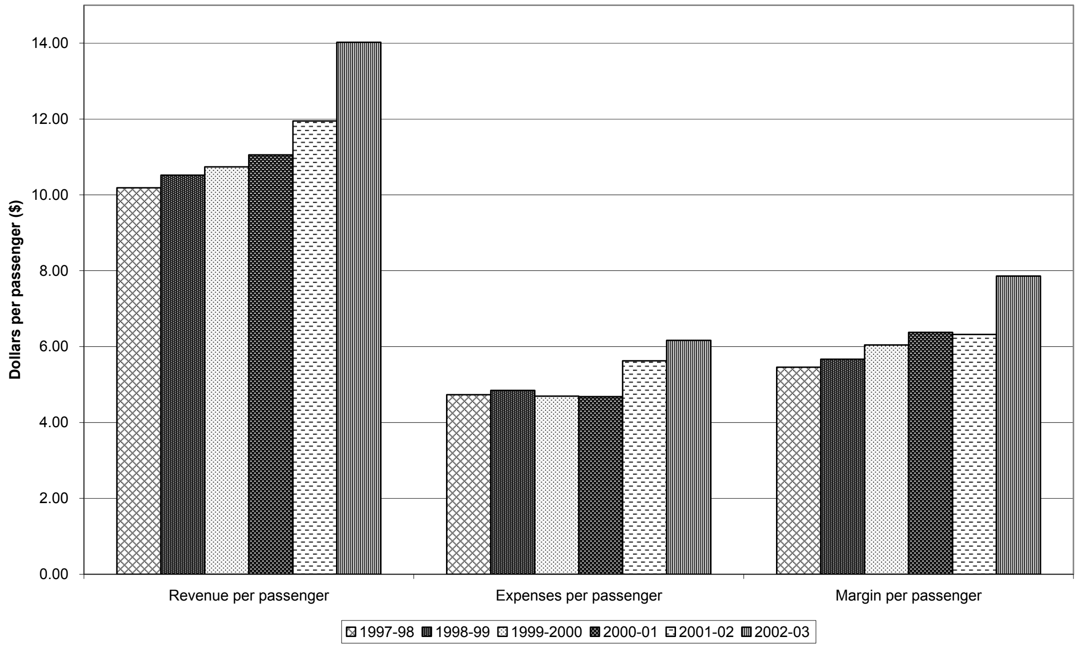

Chart 4.5.4 shows that average revenue per passenger has been increasing each year since 1997-98. The rate of increase was highest in 2001-02 (8 per cent) and 2002-03 (17 per cent). The increase in average revenue in 2001-02 was related to increases in both aeronautical and non-aeronautical revenue whereas the increase for 2002-03 was mainly related to increases in aeronautical revenue.

Average expenses per passenger also increased in 2001-02 (20 per cent) and 2002-03 (10 per cent).[43] However the increase in average expenses in 2001-02 was mainly related to increases in the costs of aeronautical services whereas the increase for 2002-03 mainly reflected increases in the costs of non-aeronautical services.

Average margins per passenger increased each year from 1998-99 to 2000-01 then decreased slightly in 2002-03 (1 per cent) before increasing by 24 per cent in 2002-03. Melbourne Airport's average margin in 2002-03 was its highest recorded over the reporting period.

Rates of Return

Chart 4.5.5 shows the post-tax return on equity at Melbourne Airport from 1997-98 to 2002-03.

[43] It should be noted that the measure of operating expenses per passenger, and therefore operating margin per passenger, excludes interest, amortisation and tax expenses.

Chart 4.5.5 Melbourne: post-tax return on equity – total airport

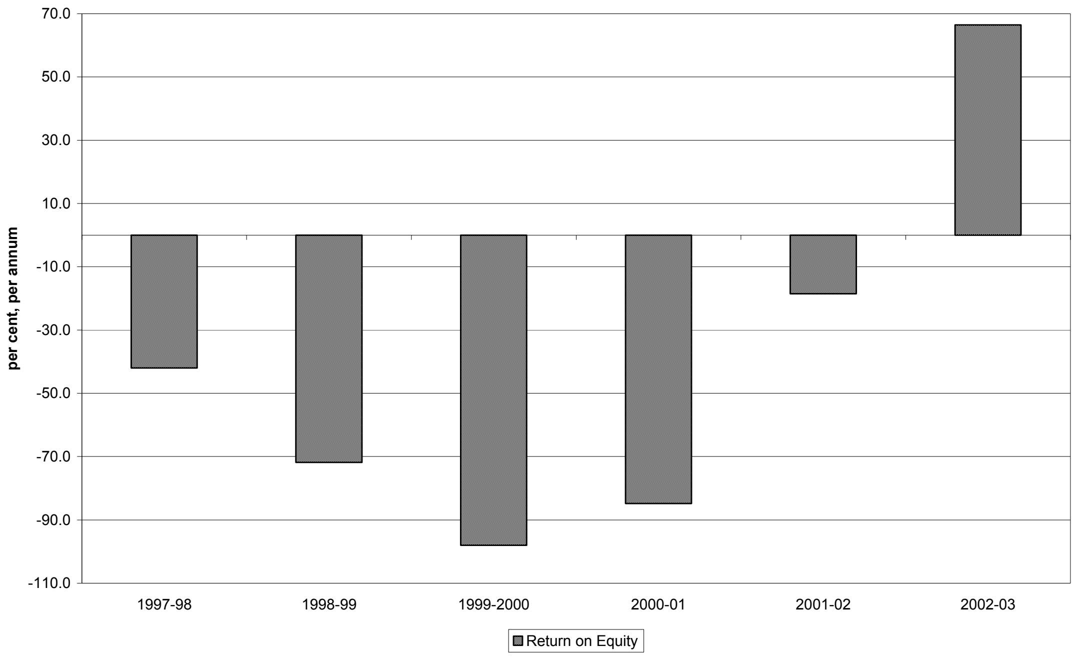

Chart 4.5.5 shows that the post-tax return on equity at Melbourne Airport has increased in each reporting year since 1999-2000. In 2002-03 Melbourne Airport's post-tax return on equity increased significantly to 66 per cent.

It should be noted that the capital structure of a business can have a significant impact upon its reported post-tax return on equity. Australia Pacific Airports Corporation (the owners of Melbourne Airport) identifies in its 2003 Annual Report some shareholder loans which are classified as non-current interest bearing liabilities.[44] Similarly payments in respect of these shareholder loans are identified as a borrowing costs expense payable before income tax.[45]

The existence of these shareholder loans means that reported equity does not reflect the total amounts invested in the airports by shareholders. Furthermore, the interest payments associated with these loans affect the reported measure of interest, tax and post-tax profit. In these circumstances shareholders earn returns from the airport not only from reported profits, but also from the interest they receive. As such, post-tax return on equity does not necessarily reflect the total return received by shareholders.

Issues associated with the use of the post-tax return on equity measure are discussed further in Chapter 3 and Appendix A of this document.

Chart 4.5.6 shows the pre-tax return on tangible non-current aeronautical assets generated from aeronautical services, and the pre-tax return on total tangible non-current assets for Melbourne Airport as a whole from 1997-98 to 2002-03.

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44 Australia Pacific Airports Corporation Annual Report 2003, p32.
45 Ibid, p44.

Chart 4.5.6 Melbourne: pre-tax returns on tangible non-current assets – aeronautical services and total airport

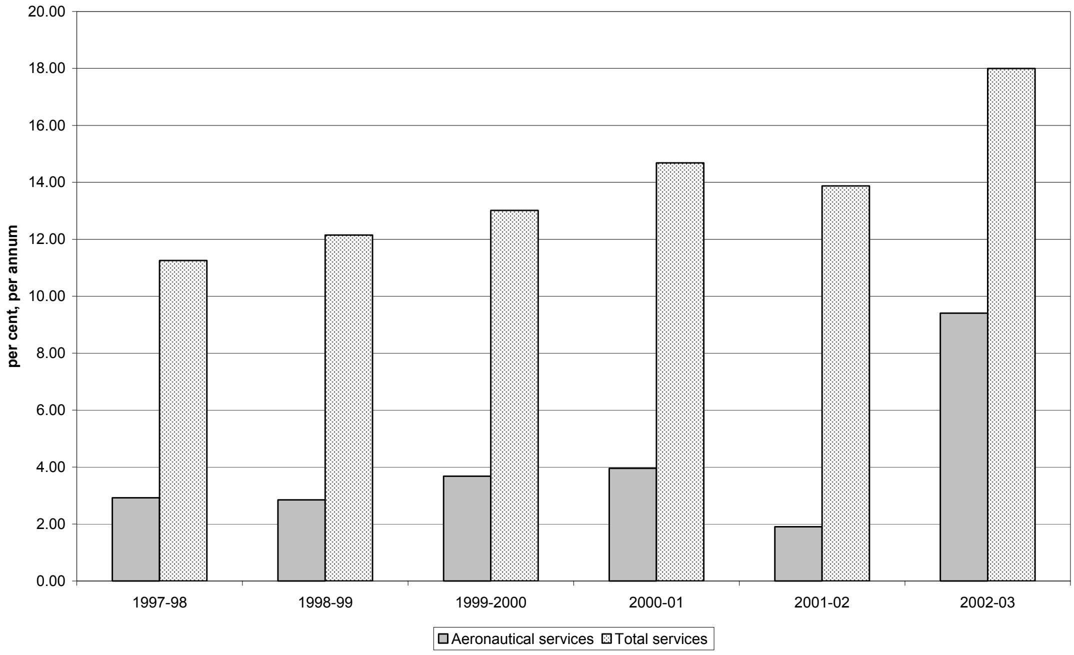


Chart 4.5.6 shows that rates of return on aeronautical services remained stable from 1997-98 to 2000-01 before falling in 2001-02 and then increasing in 2002-03. Rates of return for Melbourne Airport as a whole increased steadily from 1997-98 to 2000-01 before also falling in 2001-02 and increasing in 2002-03.

Asset Values

Chart 4.5.7 shows the total value of non-current assets at Melbourne Airport from 1997-98 to 2002-03.

Chart 4.5.7 Melbourne: non-current assets – total airport

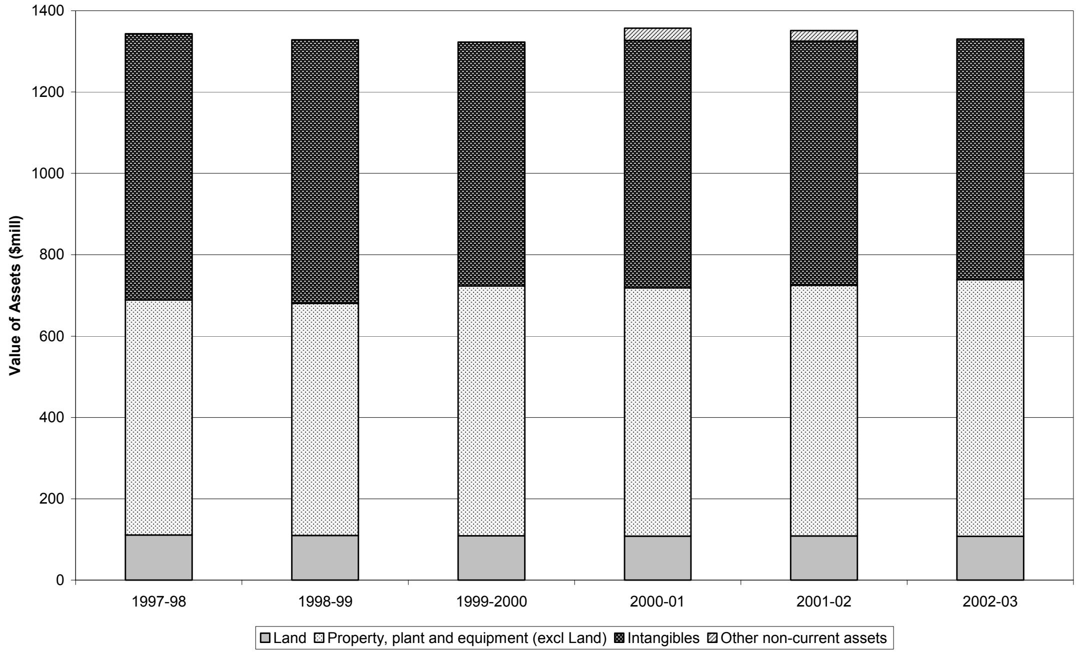


Chart 4.5.7 shows that the value of non-current assets remained relatively stable over the reporting period.

Chart 4.5.8 shows changes to the value of non-current assets at Melbourne Airport from 1997-98 to 2002-03.

Chart 4.5.8 Melbourne: change in non-current assets – total airport

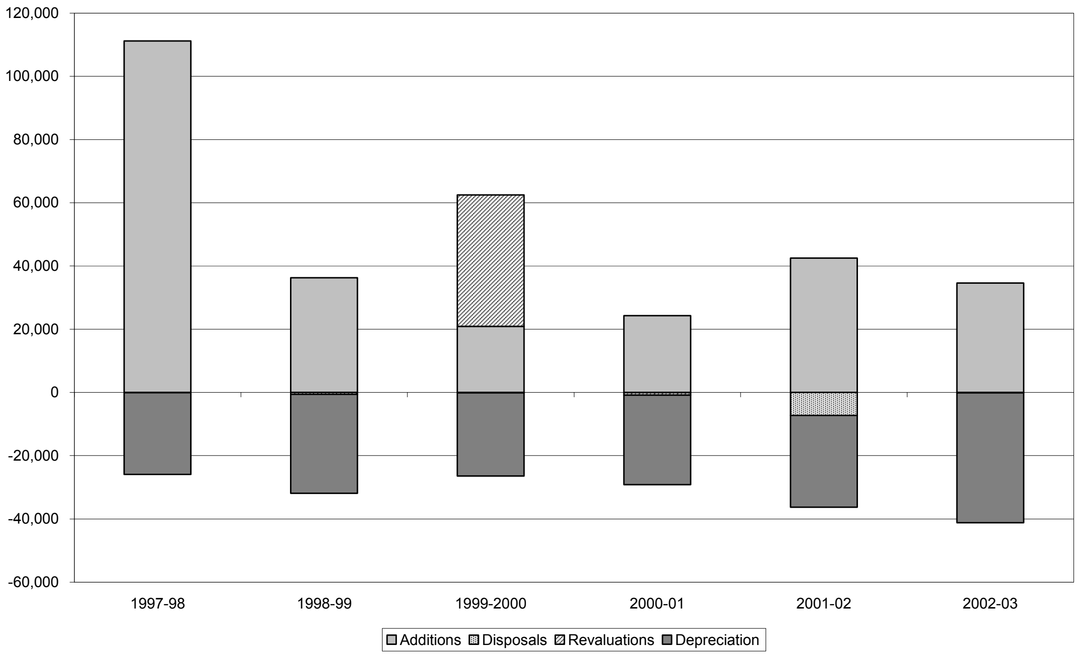


Chart 4.5.7 shows that non-current asset valuations are mainly changing due to the effects of asset additions and depreciation.

Melbourne Airport's regulatory accounts are attached at Appendix B.

Perth Airport

Activity

Chart 4.6.1 shows traffic volumes at Perth Airport measured by passenger numbers, tonnage and aircraft movements from 1997-98 to 2002-03.

Chart 4.6.1 Perth: volume of passengers, tonnage and aircraft movements

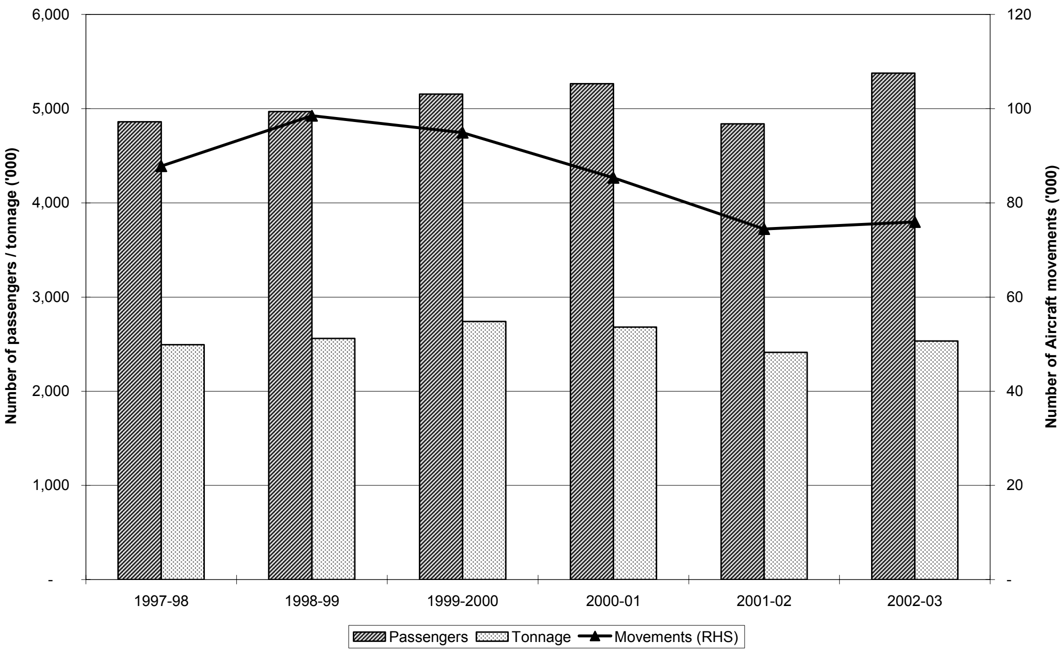


Chart 4.6.1 shows that passenger numbers increased by 11 per cent in 2002-03. This increase followed a decrease of 8 per cent in 2001-02. The 2002-03 figures represent an increase of 2 per cent over Perth Airport's levels in 2000-01.

Aircraft movements increased by 2 per cent, reversing the trend of the three previous years (1999-2000 to 2001-02), while tonnage volumes also increased (by 5 per cent) in 2002-03 after having fallen in the two previous years.

Operational statistics for Perth Airport are attached at Appendix C.

Prices

Annual average aeronautical charges[46] at Perth Airport increased by 58 per cent during 2002-03, following the removal of the price cap that had been in place since 1997-98.

[46] Annual average airport charges have been derived by dividing Perth Airport's total annual aeronautical revenue (excluding domestic terminal revenue) by the total number of airport passengers per annum.

This increase follows an increase of 8 per cent in 2001-02. Average charges at Perth Airport have increased 70 per cent in the past two years.

Actual prices for aeronautical and aeronautical related charges at Perth Airport are detailed at Appendix D.

Costs and Profits

Table 4.6.1 lists major categories of revenue and costs relating to aeronautical services and aeronautical related services at Perth Airport for 2002-03.

Table 4.6.1 Perth: revenue and costs - 2002-03

	Revenue ($'000)	Costs ($'000)
Aeronautical Services		
Aircraft Movement Facilities and Activities	20,512	10,396
Passenger Processing Facilities and Activities	16,793	9,985
Total aeronautical services	*37,305*[47]	*20,381*[48]
Aeronautical-related Services		
Landside vehicle access to terminals	14	643
Public and staff car parking	9,249	2526
Check-in counters and related facilities	806	471
Aircraft light and emergency maintenance sites and buildings	1,789	893
Taxi holding and feeder services	458	271
Total aeronautical-related services	*12,316*	*4,804*

Aeronautical Services

Chart 4.6.2 shows average revenue, costs and margin per passenger for aeronautical services at Perth Airport from 1997-98 to 2002-03.

[47] This represents total revenue from aeronautical services as specified under PS Act Ministerial direction No 27 and may not equate to total revenue from aeronautical services as reported under the *Airports Act 1996.*

[48] This represents total costs from aeronautical services as specified under PS Act Ministerial direction No 27 and may not equate to total costs from aeronautical services as reported under the *Airports Act 1996.*

Chart 4.6.2 Perth: Aeronautical revenue, expenses & margin

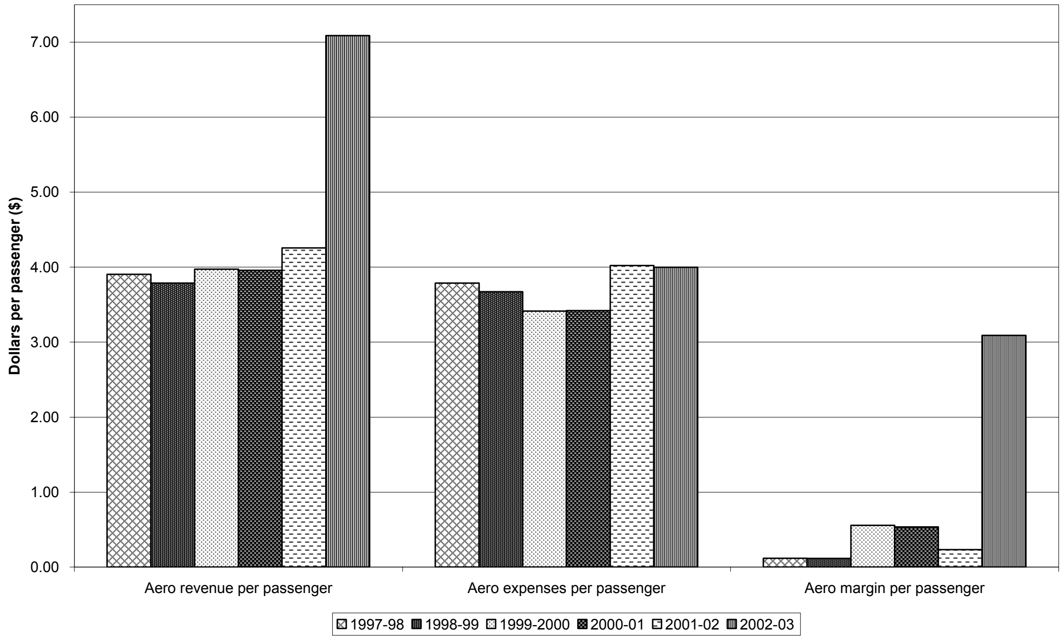


Chart 4.6.2 shows that average aeronautical revenue per passenger at Perth Airport was relatively constant between 1997-98 and 2000-01, but increased by 8 per cent in 2001-02 and by 67 per cent in 2002-03. In part, this increase reflects the inclusion, for the first time, of revenue from the former Ansett terminal. Under the previous arrangements with Ansett, lease revenue was classified as non-aeronautical.

Aeronautical expenses per passenger at Perth Airport fell slightly (by less than 1 percent) during 2002-03 and are now 6 per cent higher than the 1997-98 level.[49]

Aeronautical margins per passenger increased to $3.09 per passenger in 2002-03.

Security Charges

As can be seen from the above, there has been an increase in average aeronautical expenses per passenger since 2000-01.

A major factor contributing to this increase has been the provision of increased Government mandated security services at airports, particularly since 2001.

Chart 4.6.3 shows total security revenue and expenses and average security revenue per passenger at Perth Airport from 1998-99 to 2002-03.

[49] It should be noted that the measure of operating expenses per passenger, and therefore operating margin per passenger, excludes interest, amortisation and tax expenses.

Chart 4.6.3 Perth: security revenue and expenses

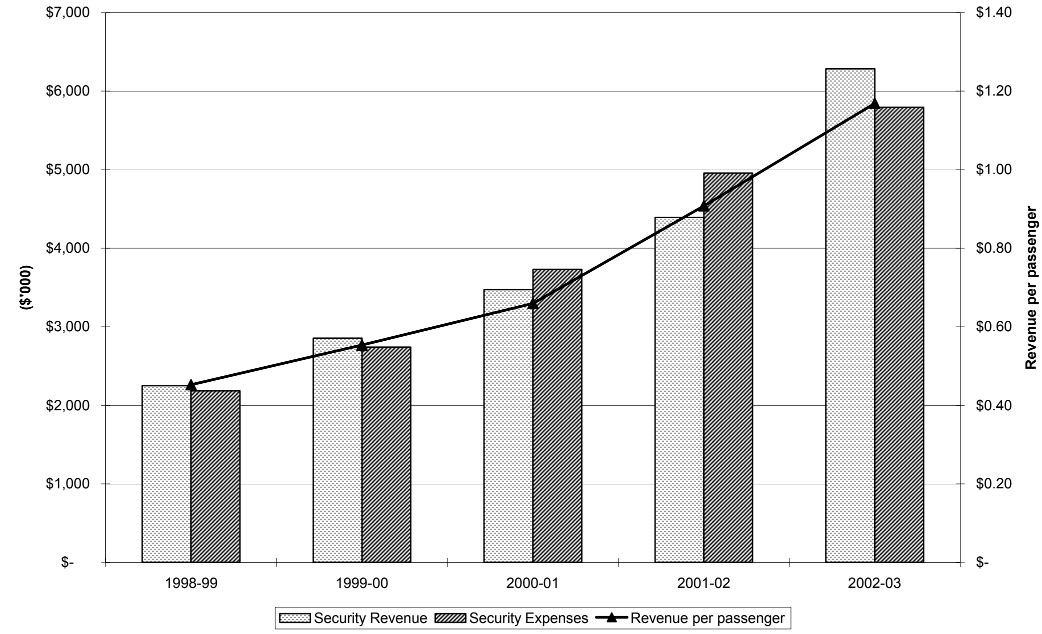


Chart 4.6.3 shows that total and average per passenger security revenue has increased every year between 1998-99 and 2002-03. Security expenses have also increased every year between 1998-99 and 2002-03.

Total Airport Services

Chart 4.6.4 shows total average revenue, costs and margin per passenger at Perth Airport from 1997-98 to 2002-03.

Chart 4.6.4 Perth: total airport revenue, expenses & margin per passenger

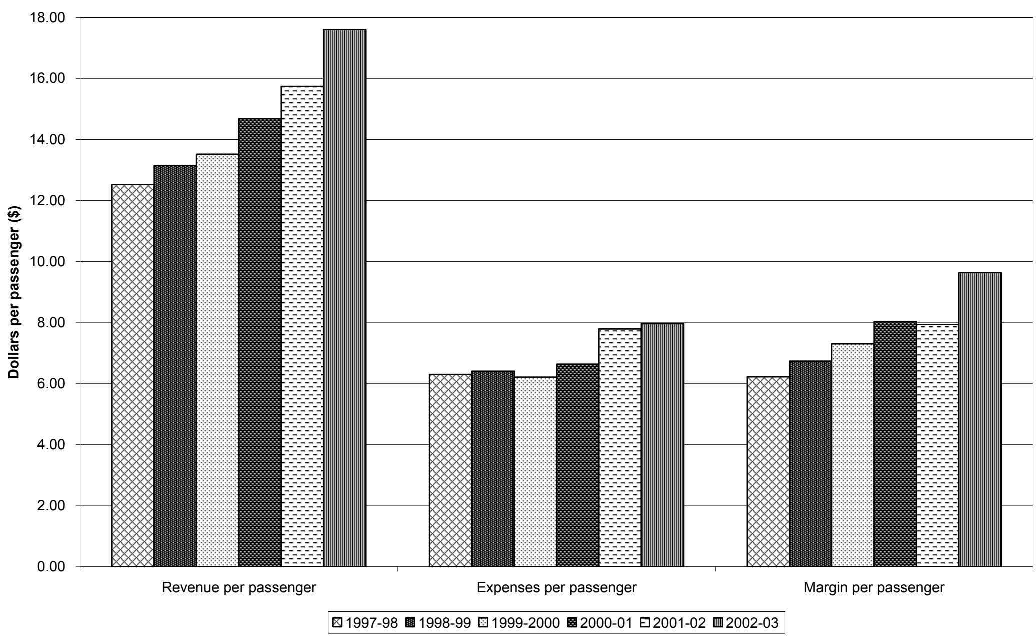


Chart 4.6.4 shows that average revenue per passenger at Perth Airport has been consistently increasing since 1997-98, however since 2000-01 the rate of growth has increased. In 2002-03, revenue per passenger increased by 12 per cent to $17.60. This increase is due entirely to the increase in aeronautical revenue per passenger (non-aeronautical revenue per passenger fell 8 per cent in 2002-03).

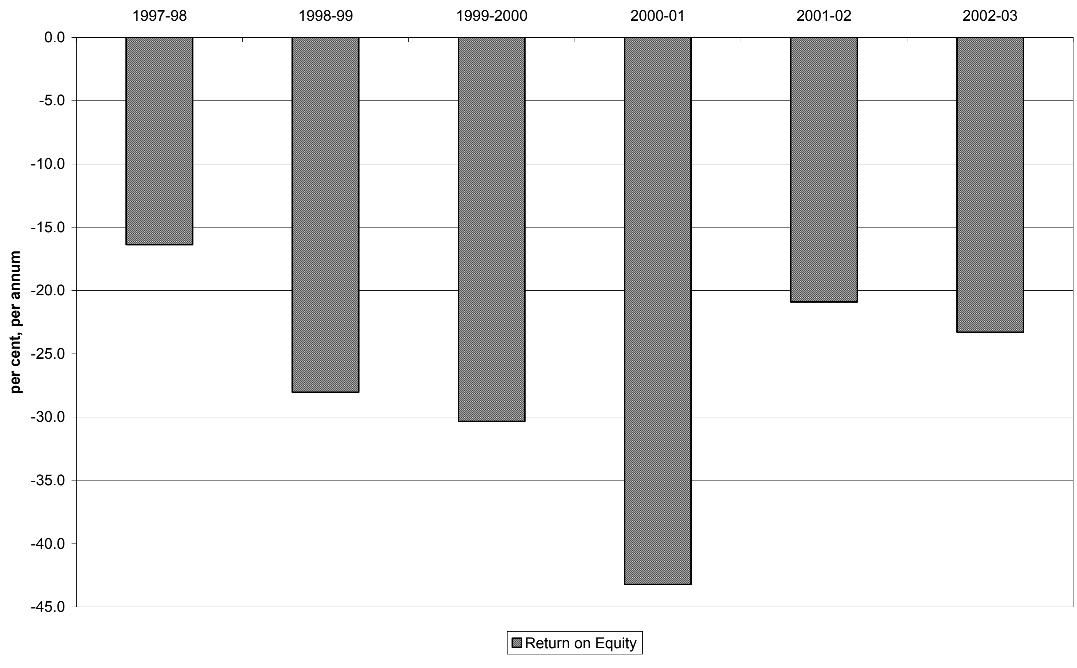
Average expenses per passenger remained relatively stable between 1997-98 and 2000-01, before increasing by 17 per cent in 2001-02 and a further 2 per cent in 2002-03.[50]

Average margins per passenger increased during the period 1997-98 and 2000-01 before remaining stable in 2001-02. However, 2002-03 saw a 21 per cent increase to $9.64.

Rates of Return

Chart 4.6.5 shows the post-tax return on equity at Perth Airport from 1997-98 to 2002-03.

Chart 4.6.5 Perth: post-tax return on equity – total airport



Note: Perth Airport undertook an independent valuation for leased land, buildings, runways taxiways and aprons and other infrastructure as at 30 June 2001. The potential valuation increment for aeronautical and non-aeronautical assets was $76.04 million. Perth Airport did not adopt this in their financial accounts.

[50] It should be noted that the measure of operating expenses per passenger, and therefore operating margin per passenger, excludes interest, amortisation and tax expenses.

Chart 4.6.5 shows significant negative post-tax returns on equity at Perth Airport over the entire reporting period. In 2002-03 Perth Airport reported a negative return of 23 per cent.

It should be noted that the capital structure of a business can have a significant impact upon its reported post-tax return on equity. Perth Airport identifies in its 2002-03 annual report that the purchase of the Perth Airport lease was partly funded by way of shareholder sponsored subordinated debt. Subordinated shareholder loans are classified in Perth Airport's financial accounts as non-current interest-bearing liabilities. Similarly interest payments to subordinated debt holders are classified as a borrowing cost expense payable before income tax.[51]

The existence of these shareholder loans means that reported equity does not reflect the total amounts invested in the airports by shareholders. Furthermore, the interest payments associated with these loans affect the reported measure of interest, tax and post-tax profit. In these circumstances shareholders earn returns from the airport not only from reported profits, but also from the interest they receive. As such, post-tax return on equity does not necessarily reflect the total return received by shareholders.

Issues associated with the use of the post-tax return on equity measure are discussed further in Chapter 3 and Appendix A of this document

Chart 4.6.6 shows the pre-tax return on non-current tangible aeronautical assets generated from aeronautical services, and the pre-tax return on total tangible non-current assets for Perth Airport as a whole from 1997-98 to 2002-03.

[51] Perth Airport 2002/2003 Financial report p25

Chart 4.6.6 Perth: pre-tax returns on tangible non-current assets – aeronautical services and total airport

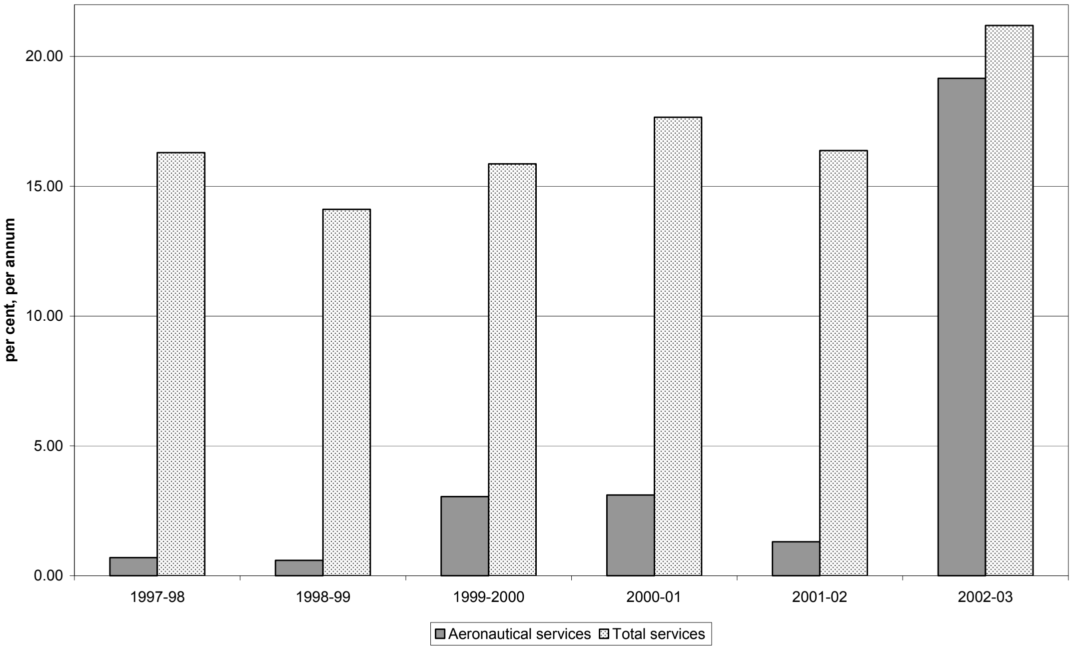
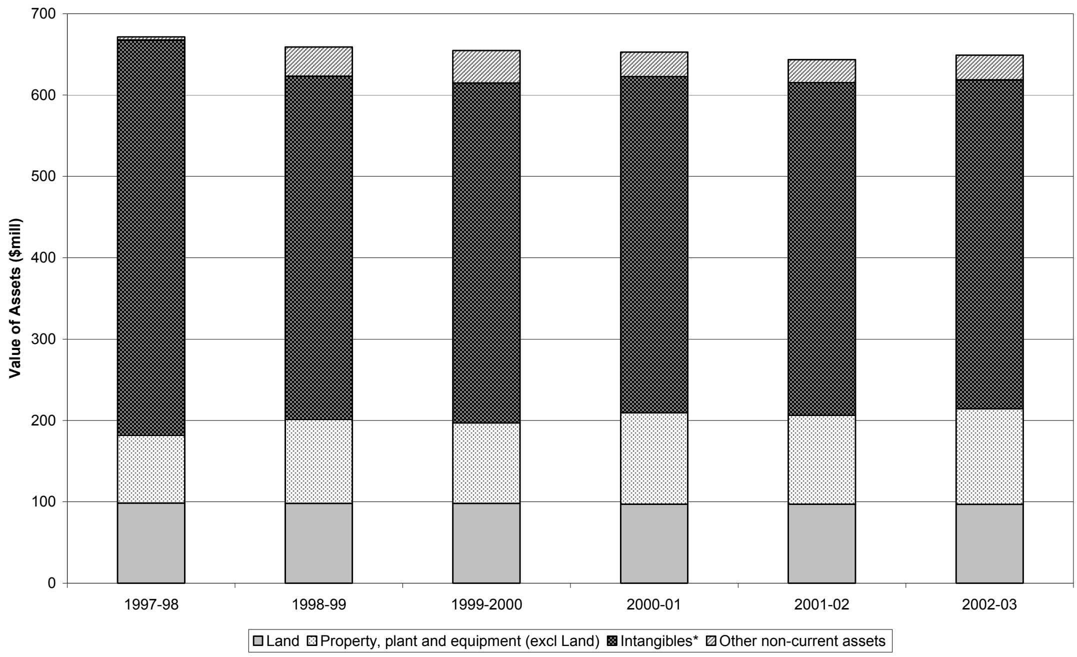


Chart 4.6.6 shows aeronautical returns increasing from 1 per cent in 2001-02 to 19 per cent in 2002-03. Total returns also increased, up from 16 per cent in 2001-02 to 21 per cent in 2002-03.

Asset Values

Chart 4.6.7 shows the total value of non-current assets at Perth Airport from 1997-98 to 2002-03.

Chart 4.6.7 Perth: non-current assets – total airport



The value of non-current assets at Perth Airport was generally stable over the period, and grew by less than 1 per cent to $649m in 2002-03.

Chart 4.6.8 shows changes to the value of tangible non-current assets at Perth Airport from 1997-98 to 2002-03.

Chart 4.6.8 Perth: change in non-current assets – total airport

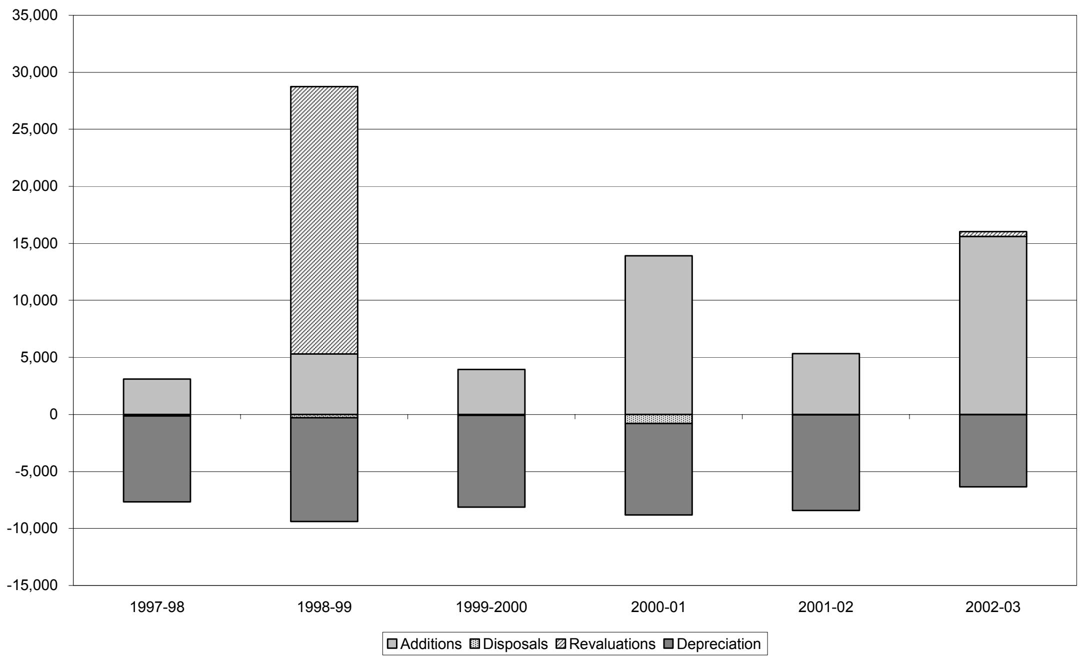


Chart 4.6.8 shows that changes in tangible non-current asset valuations are due to the effects of asset additions, depreciation and revaluations.

Perth Airport's regulatory accounts are attached at Appendix B.

Sydney Airport

Activity

Chart 4.7.1 shows traffic volumes at Sydney Airport measured by passenger numbers, tonnage and aircraft movements from 1998-99 to 2002-03.

Chart 4.7.1 Sydney: volume of passengers, tonnage and aircraft movements

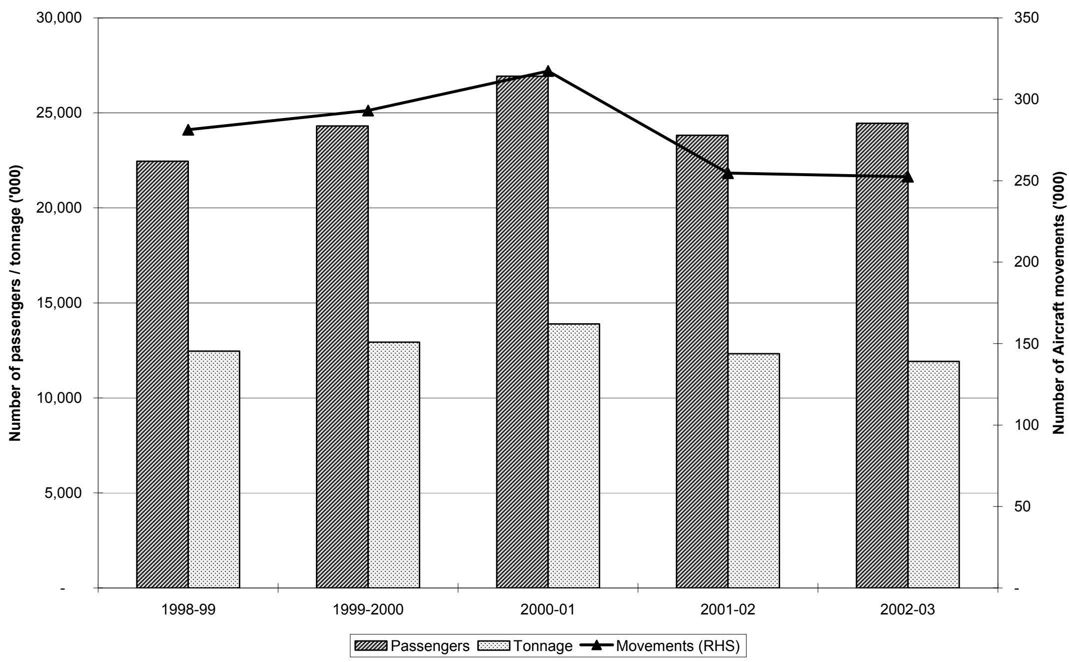


Chart 4.7.1 shows that during 2002-03 passenger numbers increased by 3 per cent, while aircraft movements remained stable and tonnes landed fell 3 per cent. The chart also shows that tonnage and aircraft movements all increased during the period 1998-99 to 2000-01. From 2000-01 to 2002-03 there has been a 9 percent reduction in passenger numbers and a 20 per cent fall in both aircraft movements and tonnage. The proportionately greater reduction in aircraft movements and tonnage relative to passenger numbers in this time suggests increased passenger load factors and/or increased use of larger capacity aircraft at Sydney Airport.

Operational statistics for Sydney Airport are attached at Appendix C.

Prices

Annual average aeronautical charges[52] at Sydney Airport increased by 84 per cent over the two years to June 2003. However, most of this increase occurred in 2001-02,

[52] Annual average airport charges have been derived by dividing Sydney Airport's total annual aeronautical revenue by the total number of airport passengers per annum.

when prices increased by 69 per cent, following a price notification to the ACCC. In 2002-03 Sydney Airport charges increased by a further 9 per cent, mainly due to increases in security charges.

Actual prices for aeronautical and aeronautical-related charges at Sydney Airport as at 30 June 2003 are detailed at Appendix D.

Costs and Profits

Table 4.7.1 lists major categories of revenue and costs relating to aeronautical services and aeronautical related services at Sydney Airport for 2002-03.

Table 4.7.1 Sydney: revenue and costs 2002-03

	Revenue ($'000)	Costs ($'000)
Aeronautical Services		
Aircraft Movement Facilities and Activities	84,684	75,275
Passenger Processing Facilities and Activities	160,028	77,816
Total aeronautical services	*244,712*[53]	*153,091*[54]
Aeronautical-related Services		
Landside vehicle access to terminals	657	6,373
Public and Staff Car parking	48,780	14,979
Taxi holding and feeder services		209
Check-in counters and related facilities	10,036	4,759
Aircraft light and emergency maintenance sites and buildings	10,200	7,039
Freight equipment storage sites and buildings	295	147
Cargo facility sites and buildings	2,346	1,590
Total aeronautical-related services	*72,314*	*35,096*

Aeronautical Services

Chart 4.7.2 shows average revenue, costs and margin per passenger for aeronautical services at Sydney Airport from 1998-99 to 2002-03.

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53 This represents total revenue from aeronautical services as specified under PS Act Ministerial direction No 27 and may not equate to total revenue from aeronautical services as reported under the *Airports Act 1996.*

54 This represents total costs from aeronautical services as specified under PS Act Ministerial direction No 27 and may not equate to total costs from aeronautical services as reported under the *Airports Act 1996.*

Chart 4.7.2 Sydney: aeronautical revenue, expenses & margin

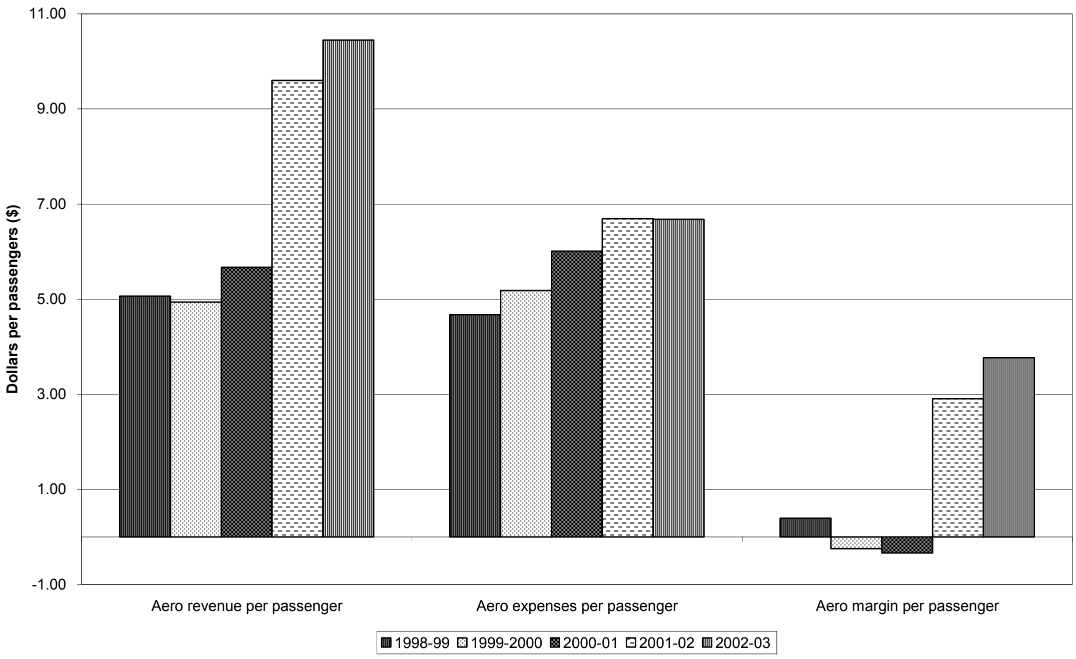

Chart 4.7.2 shows that average revenue per passenger increased significantly (84 per cent) from 2000-01 to 2002-03. In 2002-03 average revenue per passenger at Sydney Airport was \$10.44, which represented a 9 per cent increase over 2001-02.

Average expenses per passenger increased each year from 1998-99 to 2001-02 and by 43 per cent in total over this period. In 2002-03 average expenses per passenger were close to the level of the preceding period.[55]

Average margins per passenger have increased since 2000-01 mainly reflecting increases in average revenue. In 2002-03 the average aeronautical margins at Sydney Airport increased by 30 per cent to \$3.77 per passenger.

Security Charges

As can be seen from the above, there has been an increase in average aeronautical expenses per passenger since 2000-01.

A major factor contributing to this increase has been the provision of increased Government mandated security services at airports, particularly since 2001.

Chart 4.7.3 shows total security revenue and expenses and average security revenue per passenger at Sydney Airport from 1998-99 to 2002-03.

[55] It should be noted that the measure of operating expenses per passenger, and therefore operating margin per passenger, excludes interest, amortisation and tax expenses.

Chart 4.7.3 Sydney: security revenue and expenses

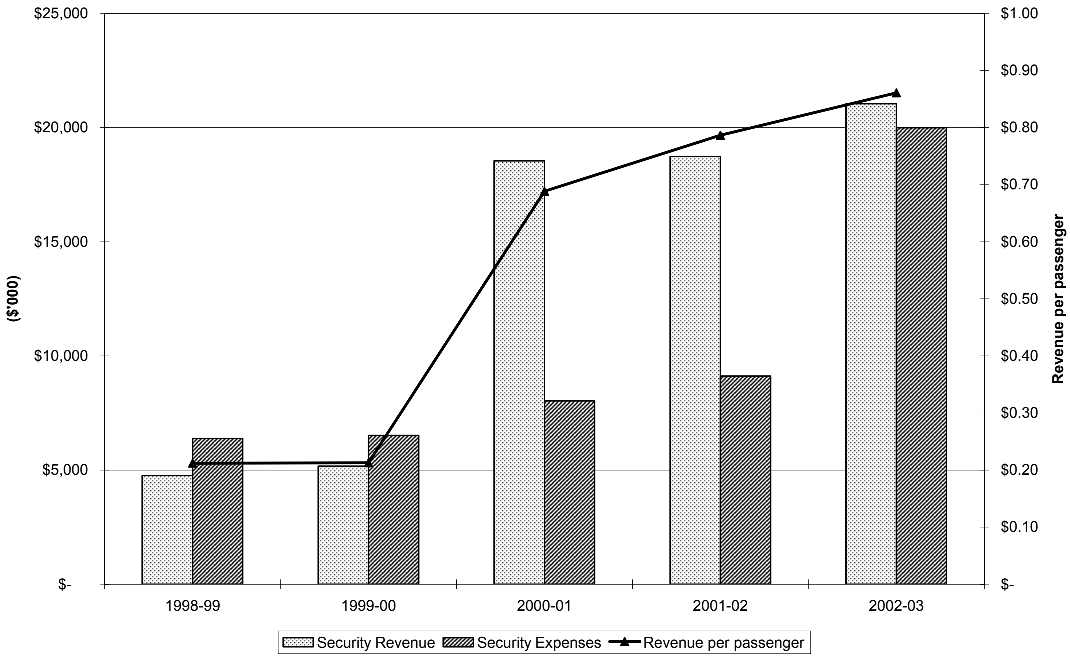

Chart 4.7.3 shows that total and average per passenger security revenue have increased across the period, with the majority of increase occurring in 2000-01. Security expenses also increased across the period, with the majority of increase occurring in 2002-03.

Total Airport Services

Chart 4.7.4 shows total average revenue, costs and margin per passenger at Sydney Airport from 1998-99 to 2002-03.

Chart 4.7.4 Sydney: total airport revenue, expenses & margin per passenger

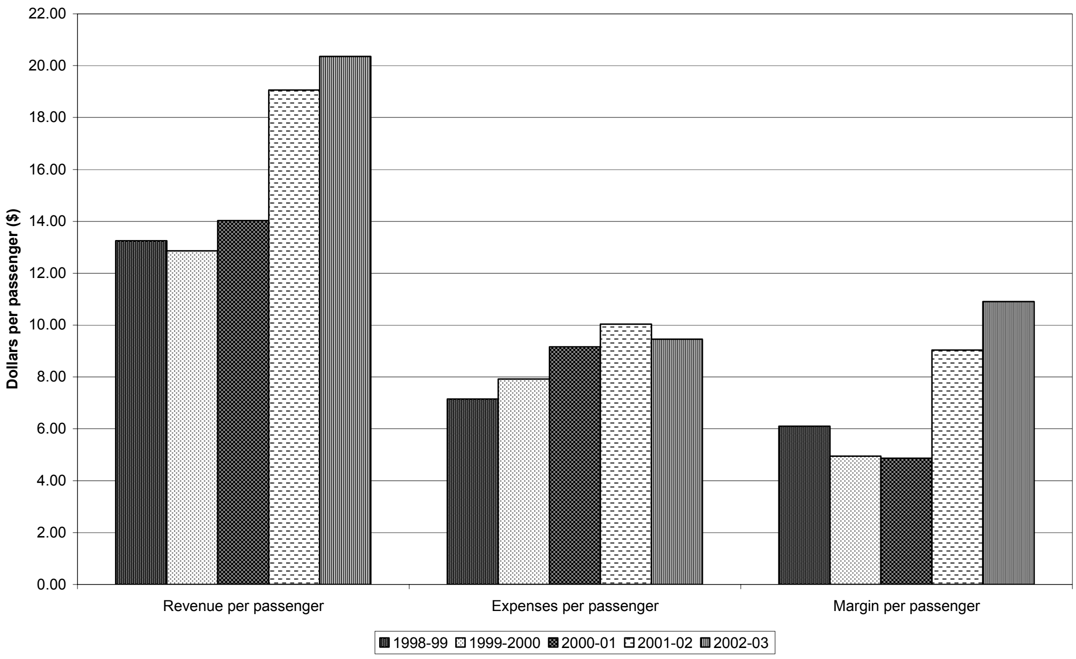

Chart 4.7.4 shows that average revenue per passenger increased by 36 per cent in 2001-02 and rose a further 7 per cent to $20.36 in 2002-03.

Average expenses per passenger increased each year to 2001-02. In 2002-03, however, average expenses at Sydney Airport fell by 6 per cent to $9.45 per passenger, mainly reflecting a reduction in the costs of non-aeronautical services.[56]

After falling in 1999-2000 and 2000-01, average margins per passenger increased in 2001-02 and 2002-03, by 86 per cent and 21 per cent respectively.

Rates of Return

Chart 4.7.5 shows the post-tax return on equity at Sydney Airport from 1998-99 to 2002-03.

[56] It should be noted that the measure of operating expenses per passenger, and therefore operating margin per passenger, excludes interest, amortisation and tax expenses.

Chart 4.7.5 Sydney: post-tax return on equity – total airport

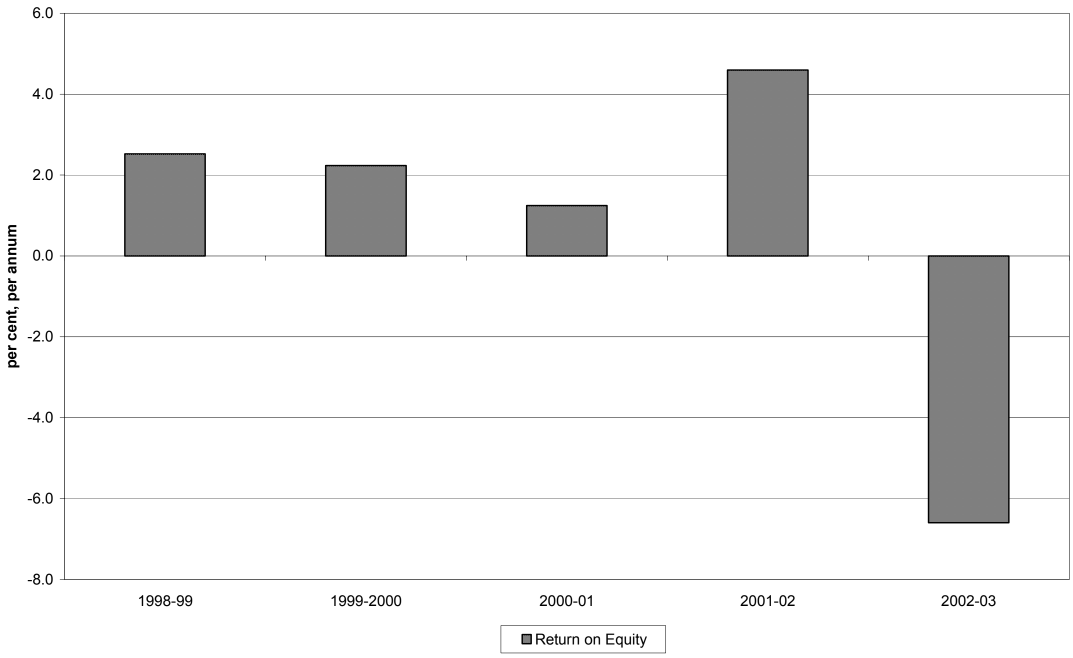

Chart 4.7.5 shows that Sydney Airport reported a positive post-tax return on equity in all years except 2002-03. In 2002-03 Sydney Airport reported a post-tax return on equity of -6.6 per cent.

It should be noted that the capital structure of a business can have a significant impact upon its reported post-tax return on equity. Southern Cross Airports Corporation Holdings Limited's[57] 2002-03 annual report identifies that they have implemented a new financial structure for Sydney Airport. In part this new structure is also reflected in a substantial increase in pre-tax net borrowing costs from $74.8 million in 2001-02 to $528.6 million in 2002-03.[58]

The existence of these shareholder loans means that reported equity does not reflect the total amounts invested in the airports by shareholders. Furthermore, the interest payments associated with these loans affect the reported measure of interest, tax and post-tax profit. In these circumstances shareholders earn returns from the airport not only from reported profits, but also from the interest they receive. As such, post-tax return on equity does not necessarily reflect the total return received by shareholders.

Issues associated with the use of the post-tax return on equity measure are discussed further in Chapter 3 and Appendix A of this document

[57] On 28 June 2002, Southern Cross Airports Corporations Holdings Limited acquired the issued capital of Sydney Airport Corporation Limited.

[58] Southern Cross Airports Corporations Holdings Limited Annual Report 2003 p34.

Chart 4.7.6 shows the pre-tax return on non-current tangible aeronautical assets generated from aeronautical services, and the pre-tax return on total tangible non-current assets for Sydney Airport as a whole from 1998-99 to 2002-03.

Chart 4.7.6 Sydney: pre-tax returns on tangible non-current assets – aeronautical services and total airport

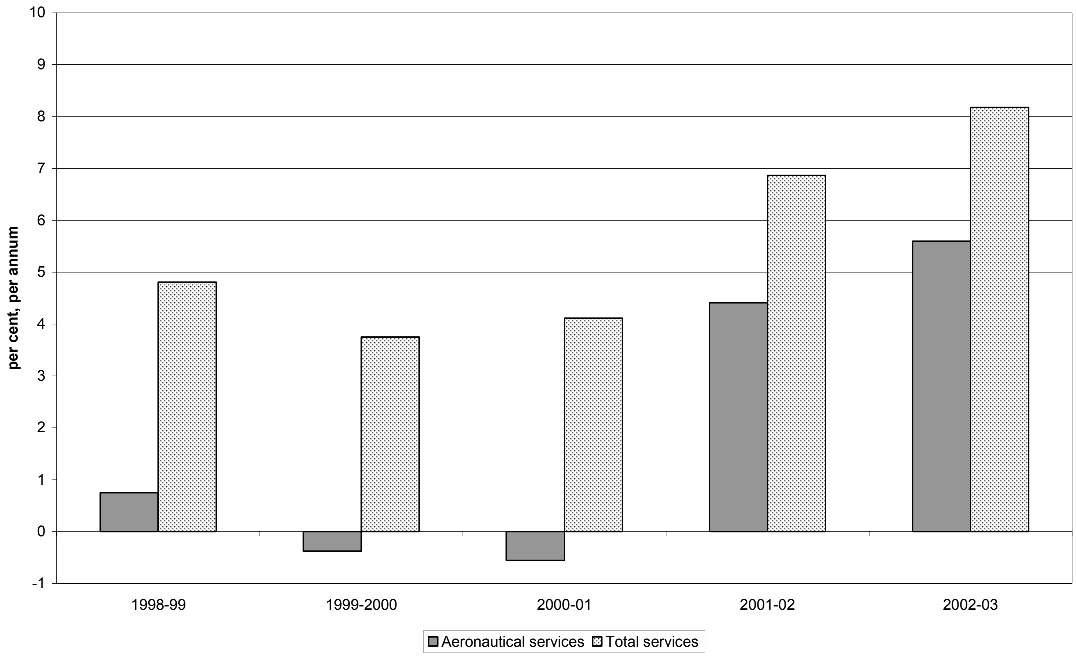

Chart 4.7.6 shows that rates of return on aeronautical services and for Sydney Airport as a whole increased in 2001-02 and 2002-03. By 2002-03, aeronautical returns had increased to 5.6 per cent, and total airport returns to 8.2 per cent.

Asset Values

Chart 4.7.7 shows the total value of non-current assets at Sydney Airport from 1998-99 to 2002-03.

Chart 4.7.7 Sydney: non-current assets – total airport

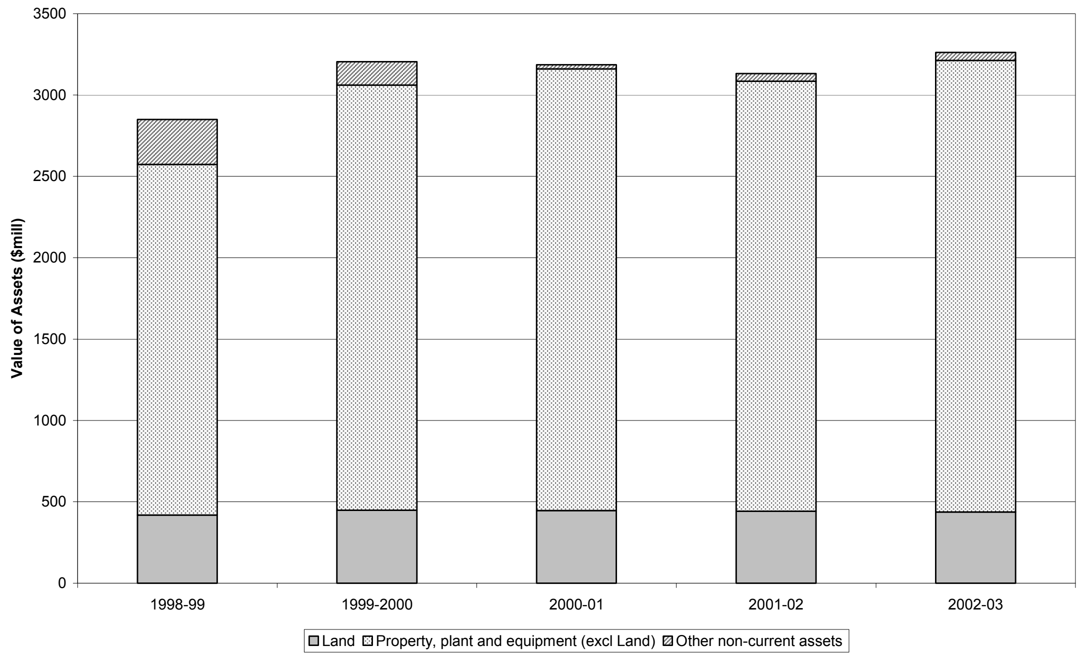

Chart 4.7.7 shows that the value of non-current assets at Sydney Airport has remained relatively stable since 1999-2000. The increase in 1999-2000 followed asset additions rather than revaluations of existing assets at Sydney Airport. In 2002-03 the value of non-current assets increased by 4 per cent mainly reflecting investment in property plant and equipment (excluding land).

Chart 4.7.8 shows changes to the value of non-current assets at Sydney Airport from 1998-99 to 2002-03.

Chart 4.7.8 Sydney: change in non-current assets – total airport

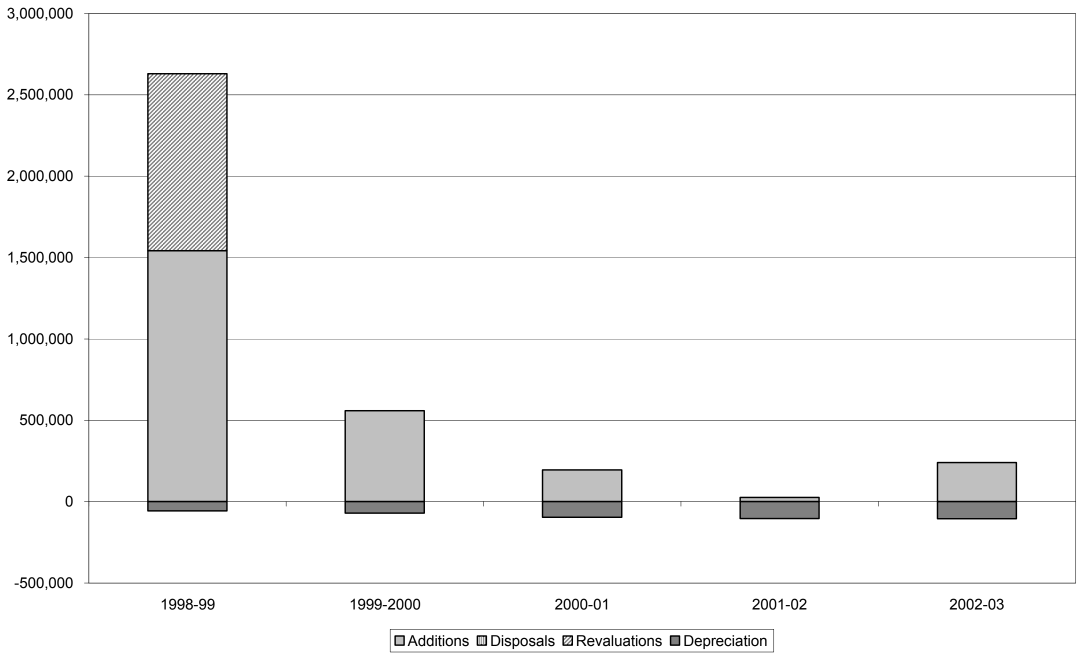

Chart 4.7.8 also shows that non-current asset values increased significantly in 1998-99 as a result of asset additions and revaluation of assets. In particular, revaluations of land by Sydney Airport added around $1087m to the value of its assets. Of this total, $274m was aeronautical.

Sydney Airport's regulatory accounts are attached at Appendix B.

Appendix A: Measuring prices and profitability

Measuring changes in aeronautical prices

As can be seen from the definitions set out in section 2 of this report, the airports subject to monitoring provide a range of various services to airlines and other parties. In many cases, this means there are a number of different charges that apply when an airline flies to a particular airport.

Since these charges can be levied on different bases – for example, some charges may apply on a per passenger basis, and others by aircraft weight – the price of using an airport cannot simply be measured by adding up the different charges in place at a given point in time. Furthermore, airports may offer discounts for certain periods or to certain users, or there may be minimum and maximum charges in place, which affect some users but not others.

Under the previous price cap regime, these kinds of problem were overcome through the use of a measure of the weighted average change in prices, with the weightings based on the revenue share of each service in the preceding period. This is a complex approach, however, estimating an average charge over a fixed time period, with a significant number of adjustments required for matters such as new services or charges, changes to the basis of charging, the introduction of GST, and 'pass-throughs' for items such as security costs and new investment.

It is generally accepted that there is no single means of aggregating various prices which measures all aspects of price inflation.[59] The price changes for particular airport users may vary depending on the composition of the airport services they utilise, the times at which they use them, and so on. For example, the costs to an airline of landing a domestic flight are likely to be different to those associated with landing an international one, due to differing security and processing requirements, and other factors.

Similarly, changes in price structure by an airport may affect users in different ways, even to the point of effectively lowering the costs to one user while raising them for another.

In light of the various difficulties associated with measures of airport prices, the approach the ACCC has adopted for the purposes of this report is twofold. Firstly, for each airport, the charges in place at the end of each year are reported, in line with past

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[59] For a detailed discussion of issues associated with measuring price changes, see Australian Bureau of Statistics, *Analytical Framework for Price Indices*, 6421.0, 1997.

practice. This allows a comparison of the price for a given service, at given points in time, to be made.[60]

From a policy perspective, however, it is important to have some understanding of how 'average' airport prices are changing.[61] As already noted, there are several different ways of approaching this, each of which will provide different outcomes. However, the general trends identified in an analysis of average prices will generally be similar to those that emerge from the kind of 'point to point' comparison described above.

For the purpose of this report, the ACCC's primary measure of the change in 'average' airport charges is aeronautical revenue per passenger. This provides a consistently defined service definition, as well as a measure of the cost to airlines expressed in terms of the most significant charging unit. All figures in the report are expressed in nominal dollar terms.

A further advantage of using aeronautical revenue per passenger is that it is likely to most closely reflect the average cost of airport services to the ultimate user of those services, the consumer.[62]

Against these positive points, it should be noted that a weakness with this measure is that it does not differentiate between domestic and international passengers, for whom the average revenue may vary. A precise measure of average revenue for domestic passengers and for international passengers is difficult to construct, however, given gaps and discontinuities in the historical data from airports that would be required to construct these figures.[63] As such, these measures would be quite subjective.

In adopting the average revenue measure, some adjustments are necessitated by changes in the provision of airport services in recent times, in order to obtain a consistent measure across time. The recent acquisition (by most airports subject to monitoring) of domestic terminals formerly operated by Ansett essentially introduced a new service into the basket of offerings by airport operators. Historically, terminal lease revenue has been classified by airports as non-aeronautical, and as such detailed

60 Note that in many cases, the basis of the charge for a particular service is not constant between periods. This means that a comparison of that charge over time will need to take account of the differing units to which it has been applied; for example, passengers and tonnes.

61 How 'average' price is measured will depend not only on the basket of services included, but also on the time period over which the average is calculated. For the purposes of this report the relevant time period is a financial year.

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

63 For example, airports are only required to provide information on the total tonnes landed each year, without differentiating between international and domestic traffic. Furthermore, in some cases this latter decomposition may not be available. A more detailed composition would be required, however, in order to estimate the average revenue per international passenger and average revenue per domestic passenger. A similar decomposition of revenue would also be required, which again may not be available for all airports.

historical data is not available.[64] In order to construct an average revenue figure which broadly reflects the prices for a constant bundle of services, therefore, domestic terminal revenue in 2002-03 has for some airports been excluded from the average revenue figure from which price changes are estimated.

Similarly, the inclusion in 2002-03 of aircraft refuelling as an aeronautical service under Direction 27 has necessitated some adjustments. Again, where such revenue is included in the total aeronautical revenue for 2002-03 it has been excluded for the purposes of estimating the change in average prices.[65]

Finally, it should be borne in mind that changes in price should be interpreted in the context of changes in the quality of services provided. To this end, the ACCC's report *Quality of service – price-monitored airports 2002-03* is an important complement to this report. That report broadly found that there had been little evidence of significant changes in the quality of services at any of these airports.

Measuring profitability

As with measures of price, there are a number of ways in which the profitability of aeronautical services and airports can be evaluated. In this report, a number of measures are presented in order to provide an holistic view of profitability. These measures, and the interpretation of them, are discussed briefly below. All figures in the report are expressed in nominal dollar terms.

Operating margins

Operating margin is defined as the average revenue per passenger less the average operating cost per passenger.[66] These figures have been calculated across all airport services, and also for aeronautical services only.

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

It is a useful measure, however, in that it provides a measure of airport **operating** performance, as distinct from **financial** performance. In this respect, it can provide a

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

65 These adjustments were only necessary in the case of Brisbane Airport. Perth Airport argued that aircraft refuelling is subject to the lease/licence exclusion in Direction 27 and therefore did not provide separate cost and revenue information. Instead, these data are included within the figures for non-aeronautical services.

66 Operating margin is also sometimes defined as operating profit as a percentage of revenue. Amortisation has been excluded from the measure of operating expenditure and operating margin.

consistent approach to revealing trends in operating performance over time, or comparing the relative performance of different airports.[67]

Rates of return

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

There are, however, a number of significant complicating factors which must be carefully borne in mind when interpreting such measures. In general, these factors are relevant to understanding what measure of 'return' (or profit) is being used, and what constitutes the base to which that return is compared.

Two common classes of rate of return are return on assets (ROA) and return on equity (ROE). Within each of these broad groupings, however, a number of different measures can be generated. For example, the returns may be pre- or post-tax, or they may include or exclude interest expenses and/or depreciation and amortisation.

Similarly, an ROA might be measured as the return on all assets, just non-current assets, or non-current tangible assets. An ROE may or may not include quasi-equity in the form of subordinated debt instruments.

An important rate of return is the expected nominal post-tax return on equity for a business, since it is this which determines whether investors will be willing to advance equity to finance the capital infrastructure required to provide services. It is important to note that this return is the net return likely to be achieved by investors after taking into account all the costs involved in running the business, including costs associated with complementary sources of capital, other factors of production and payment of tax liabilities.

Many airports subject to prices monitoring, however, carry large intangible assets on their balance sheets, and/or have complex capital structures, with significant levels of subordinated shareholder debt. In some cases, airports subject to monitoring have, or have had, negative balances for shareholders' equity.

This latter point makes return on equity measures for airports somewhat problematic, as positive operating profits result in negative returns on equity. Furthermore, the fact that shareholders are also significant debt-holders means that some of the reported interest expenses accrues to shareholders as interest income, rather than as dividends or capital growth, as would be the case if it took the form of equity. For these reasons this monitoring report also includes ROA measures of profitability.

The ACCC considers that pre-tax return on tangible non-current assets is a useful measure of an airport's rate of return and its operating performance.[68] This measure

[67] Note that comparisons between different airports may also need to take into account different operating conditions.

abstracts from management decisions regarding capital structure, which can significantly affect interest expenses and tax payable (and thus post-tax returns), but which do not reflect the operating profitability of providing airport services.[69] Similarly, by using assets as the basis for normalising returns, decisions over capital structure do not affect the ratio.

For similar reasons, returns on tangible non-current assets are used in order to limit the extent to which airport owners' expectations of growth in value (as reflected in goodwill or lease premiums) obscure changes in the profitability of providing services. In particular, lease premiums paid could reflect the expectation of future price and profit increases that take advantage of the airport's monopoly power.

Return on tangible non-current assets can - subject to several very important qualifications - be compared to a benchmark (pre-tax) weighted average cost of capital (WACC) as an indicator of whether an airport is earning an appropriate level of return (that is, a level sufficient to encourage ongoing investment in the infrastructure necessary to provide the services) or if it is taking advantage of its market power to price excessively.[70] The qualifications are:

- WACC is a **long-run** benchmark of what level of return is required to sufficiently compensate an investor for bearing risk. As such, comparison of a single year's actual returns with a benchmark WACC does not provide a complete picture of the adequacy of an airport's profitability.

- WACC is measure of **expected** return, as opposed to **actual** returns, which are reported here.

- The airport operator's valuation of tangible non-current assets will materially affect the measure of actual return. Furthermore, an economic approach to valuing assets may differ from the accounting values reflected in the accounts of monitored companies. For example, in the case of airports, the value of land, as well as specialised airfield assets, is complex and contentious.

In preparing this monitoring report, the ACCC has not been in a position to thoroughly evaluate the appropriateness of airport asset valuations as a basis for evaluating prices. As such, it has not drawn firm conclusions regarding the relationship between current airport charges and profitability. In certain cases, however, the report highlights changes in the valuation of assets at particular airports.

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68 This is consistent with the approach taken by KPMG in its *Review of Airports' Regulatory Accounts*, undertaken for the ACCC in 2001 (refer to pp. 4-5 of that report for some discussion of these issues).

69 KPMG also noted that "much of an airport's debt is often held by shareholders or related parties and may be subordinated", *ibid*., p. 128.

70 WACC is a measure of the opportunity cost of funds invested in providing services. That is, it estimates the return an investor requires over the long term to compensate for the risk borne in the investment. If returns over the long term are below the WACC, it can be argued that the investor has not been adequately compensated for risk, and would be better diverting the funds into alternative uses. In contrast, where returns are above the WACC, it might be argued that an investor has been overcompensated.

Furthermore, certain airports have requested the ACCC treat the WACC estimates as confidential and as such have not been published in this report.

In light of the above qualifications regarding the measures of profitability reported here, the ACCC remains open to the possibility of using other measures in future reports.

Aeronautical services vs total airport results

Direction 27 stipulates that the ACCC is to specifically monitor profits for **aeronautical services**.

This separation requires allocating costs and revenue (including common costs) between aeronautical and non-aeronautical services.[71] The ACCC's Guidelines set out allocation principles for these items, which airports must apply when providing information. The Guidelines also require an allocation of fixed assets between aeronautical and non aeronautical services, but do not require an allocation of certain other kinds of assets - cash and intangible assets.

71 Note, however, that the definition of aeronautical services under the Airports Act differs from the definition set out in Direction 27. The definitions are discussed further in section 2.

Appendix B: Airport regulatory accounts

Adelaide airport

Table A1. Statement of financial performance for year ended 30 June 2003

Description	Audited financial statements	Aeronauticals ervices	Non-aero services
	$'000	$'000	$'000
Revenue			
Aeronautical revenue	20,187	20,187	-
Non-aeronautical revenue	6,284	-	6,284
Other non-aeronautical revenue	21,688	-	21,688
Total revenue	**48,159**	**20,187**	**27,972**
Expenditure			
Salaries and wages	5,070	3,020	2,050
Services and utilities	6,484	1,748	4,736
Consultants and advisors	2,380	1,405	975
General administration	2,347	1,662	685
Leasing	322	187	135
Property maintenance	1,154	664	490
Depreciation	7,256	3,846	3,410
Amortisation of land	1,192	768	424
Amortisation of intangibles	2,540	1,575	965
Security costs	1,525	1,525	-
Total expenditure	**30,270**	**16,400**	**13,870**
Operating profit/(loss)	**17,889**	**3,787**	**14,102**
Profit or (loss) on disposal of assets	16	13	3
Earnings before interest and tax (EBIT)	**17,905**	**3,800**	**14,105**
Borrowing costs	18,487	11,464	7,023
Earnings before tax (EBT)	**(582)**	**(7,664)**	**7,082**
Tax expense/(benefit)	(863)		
Profit after tax	**281**		
Dividends paid	-		
Accumulated profit(loss)	**281**		

Table A2. Statement of financial performance for year ended 30 June 2002[72]

Description	Audited financial statements	Aeronauticals ervices	Non-aero services
	$'000	$'000	$'000
Revenue			
Aeronautical revenue	11,338	11,338	-
Non-aeronautical revenue	28,577	-	28,577
Total revenue	**39,915**	**11,338**	**28,577**
Expenditure			
Salaries and wages	5,651	4,333	1,318
Services and utilities	5,805	736	5,069
Consultants and advisors	2,720	1,505	1,215
General administration	2,273	1,078	1,195
Leasing	287	134	153
Property maintenance	855	461	394
Depreciation	6,678	3,483	3,195
Amortisation of land	1,193	768	425
Amortisation of intangibles	2,186		
Australian Protective Services costs	2,085	2,085	-
Total expenditure	**29,733**	**14,583**	**12,964**
Operating profit/(loss)	**10,182**	**(3,245)**	**15,612**
Profit or (loss) on disposal of assets	21	10	11
Earnings before interest and tax (EBIT)	**10,203**	**(3,235)**	**(15,623)**
Interest expense	18,923		
Profit before tax (EBT)	**(8,720)**		
Tax charge	(839)		
Profit/(loss) after tax	**(7,881)**		
Dividends paid	-		
Retained earnings	**(7,881)**		

72 The ACCC does not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.

Table A3. Statement of financial position—year ended 30 June 2003

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	$'000	$'000	$'000
CURRENT ASSETS			
Cash	13,827		
Receivables	22,156	10,748	11,408
Accrued revenue	762	318	444
Other	1,831	1,117	714
Total current assets	**38,576**	**12,183**	**12,566**
NON-CURRENT ASSETS			
Property, plant & equipment	211,465	131,134	80,331
Intangibles	207,359	128,588	78,771
Other	680	422	258
Total non-current assets	**419,504**	**260,144**	**159,360**
Total assets	**458,080**	**272,327**	**171,926**
CURRENT LIABILITIES			
Creditors	5,386		
Borrowings	122		
Other	1,628		
Total current liabilities	**7,136**		
NON-CURRENT LIABILITIES			
Borrowings	435,600		
Other	1,497		
Total non-current liabilities	**437,097**		
Total liabilities	**444,233**		
Net assets	**13,847**		
SHAREHOLDERS' EQUITY			
Share capital	1,905		
Reserves[1]	51,925		
Accumulated profits/(losses)	(39,983)		
Total shareholders' equity	**13,847**		
Accumulated profit(loss) at start of year	**(40,253)**		
Movements:			
Profit (loss) for the year	281		
Adjustment due to change in accounting policy for provision for annual leave.[2]	(11)		
Accumulated profit(loss) at end of year	**(39,983)**		

Table A4. Statement of financial position—year ended 30 June 2002

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	$'000	**$'000**	**$'000**
CURRENT ASSETS			
Cash	7,529		
Receivables	2,862	2,184	678
Inter-company current accounts	20,085		
Accrued revenue	122	34	88
Other	1641	597	1,044
Total current assets	**32,239**		
NON-CURRENT ASSETS			
Property, plant and equipment	212,436	129,364	83,072
Intangibles	207,190		
Other	2,040	592	1,448
Total non-current assets	**421,666**		
Total assets	**453,905**		
CURRENT LIABILITIES			
Creditors	5,348	2,668	2,680
Interest payable	1,057		
Provisions			
Other	1,688	968	720
Total current liabilities	**8,093**		
NON-CURRENT LIABILITIES			
Borrowings	430,195		
Other	2,040		
Total non-current liabilities	**432,235**		
Total liabilities	**440,328**		
Net assets	**13,577**		
SHAREHOLDERS' EQUITY			
Share capital	1,905		
Reserves	51,925		
Accumulated profits/(losses)	(40,253)		
Total shareholder's equity	**13,577**		
Accumulated profit(loss) at start of year	(32,372)		
Movements:			
Profit/loss for the year	(7,881)		
Accumulated profit/(loss) at end of year	**(40,253)**		

Table A5. Statement of cash flows for year ending 30 June 2002 and 2003

Description	Audited financial statements 2001–02	Audited financial statements 2002–03
	$'000	$'000
Cash flows—operating activities		
Inflows:		
Receipts from customers	40,953	52,545
Interest received	352	610
Outflows:		
Payments to suppliers and employees	(18,726)	(26,930)
Interest paid	(17,635)	(19,069)
Net cash flows from operating activities	**4,944**	**7,156**
Cash flows—investing activities		
Inflows:		
Proceeds from sale of property, plant and equipment	84	28
Other	172	-
Outflows:		
Repayment of loans to associated companies	-	-
Acquisition of property, plant and equipment	5,177	(5,868)
Other	-	-
Net cash flows used in investing activities	**(4,921)**	**(5,840)**
Cash flows—financing activities		
Inflows:		
Loans from associated companies	3,622	
Proceeds from borrowing		25,329
Outflows:		
Repayment of borrowings	-	20,347
Net cash flows provided by financing activities	**3,622**	**4,982**
Net increase/(decrease) in cash held	**3,645**	**6,298**
Cash at beginning of reporting period	3,884	7,529
Cash at end of reporting period	7,529	13,827

Adelaide Airport Ltd

Summary of significant accounting policies

This is a special purpose financial report that has been prepared for the sole purpose of complying with the *Regulatory Information Requirements* under Part 7 of the *Airports Act 1996* and s. 27A of the *Prices Surveillance Act 1983*, as described in the *Airports reporting guideline* (issued by the ACCC) dated August 2002 (revised July 2003). The financial report has been prepared in accordance with the templates provided by the Australian Competition and Consumer Commission for ACCC financial reporting and price monitoring at airports. The accounting policies set out below are as extracted from the company's 30 June 2003 annual financial statements. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the ACCC.

It is prepared in accordance with the historical cost convention. The transitional provisions of AASB 1041 Revaluation of Non Current Asserts have been applied to those assets previously revalued which are now deemed to be carried at cost. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) Basis of accounting

The financial statements have been prepared on the basis that the economic entity will continue to operate as a going concern. The economic entity expects to achieve positive cash flows over the term of the lease but will incur accounting losses for a number of years. The financial statements have been prepared on the basis of historical costs and do not take account of changes in either the general purchasing power of the dollar or in the prices of specific assets.

(b) Principles of consolidation

The consolidated financial statements include the financial statements of the parent entity, Adelaide Airport Limited, and its controlled entities, referred to collectively throughout these financial statements as the 'economic entity'. All inter-entity balances and transactions have been eliminated.

(c) Stapled securities & loan notes

The economic entity and the company have issued stapled securities comprising a $99 loan note and a $1 ordinary share. The two components cannot be traded separately. The rights to the loan notes are subordinated to all other creditors and distributions to security holders may comprise interest paid on the loan notes and repayment of loan note principal. Under the terms of the Loan Note Deed Poll, the principal of the loan notes is to be repaid at predetermined rates beginning in 2033 with full maturity by 2048. Repayments of principal can be made before these dates provided there is net available cash after the relevant interest payments are made.

The loan notes are classified in the statement of financial position as non-current liabilities, because they are a debt instrument. However as loan notes cannot be traded separately, the statement of financial position also discloses the combined amount of equity and loan notes.

Distributions to security holders may comprise interest paid on the loan notes, repayment of loan note principal, return of capital and dividends.

The interest rate payable on the loan notes is set out in the Loan Note Deed Poll; however the payment of interest is subject to sufficient cash being available to make payment. If the cash is not available, the directors can reduce the interest rate for the payment period. If interest is not paid in the relevant payment period because there is insufficient net cash available, it is permanently foregone under the terms of the Loan Note Deed Poll**.**

(d) Receivables and borrowings

Receivables and borrowings are recorded at their net fair values. A provision is raised for any doubtful debts based on a review of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified.

Borrowings are recognised when issued at the amount of the net proceeds received and carried at this amount. Interest on the borrowings is recognised as an expense on an accruals basis.

(e) Capitalisation of establishment expenses and deferred expense

Establishment expenses, including consultancy costs, formation expenses and establishment costs, incurred as part of obtaining the lease right from the Commonwealth to operate the airports before commencement of operations have been capitalised as an intangible asset. The capitalised establishment expenses are subsequently amortised on a straight-line basis over the period which the benefit from the capitalised establishment expenses is expected to arise. Capitalised establishment expenses are carried at the lower of cost and recoverable amount.

The expense of an agreed payment to terminate the airport operations services contract early has been deferred to reflect the future benefit to the economic entity and will be amortised over the following 10 quarters in line with the agreed cash outflows.

(f) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

The benefit arising from estimated carry forward tax losses is recorded as a future income tax benefit where realisation of such benefit is considered to be virtually certain.

(g) Cash

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(h) Comparative figures

Comparative figures where necessary, have been adjusted to conform to changes in presentation in the current year.

(i) Recoverable amount of non-current assets

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write-down to recoverable amount.

The expected net cash flows included in determining recoverable amounts of non current assets are discounted to their present values.

(j) Revenue recognition

Revenue (including interest income) is recognised on an accrual basis. Revenue received in advance is recorded as a liability in the statement of financial position and brought to account in the statement of financial performance over the period in which the benefit will be derived.

Aeronautical revenues comprise landing fees based on the maximum take-off weight (MTOW) of aircraft, landing fees and terminal charges based on passenger numbers and a recovery of government-mandated security charges. Landing fees based on passenger numbers commenced 1 August 2002 and terminal charges based on passenger numbers commenced 22 September 2002.

Commercial trading revenue comprises concessionaire rent and other charges received including income from public car parks.

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

Government grant income has been recognised as income once controlled by the company while the related expenditure has been capitalised and depreciated in accordance with note 1(m).

(k) Leased non-current assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

The leased asset is amortised on a straight-line basis over the term of the lease, or where it is likely that the company will obtain ownership of the asset, the life of the asset. Lease assets held at the reporting date are being amortised over periods ranging from 5 to 15 years.

(l) Non-current assets constructed by the consolidated entity

The cost of non-current assets constructed by the consolidated entity includes the cost of all materials used in construction, contract design, administration and contract labour, and where appropriate direct labour on the project, borrowing costs incurred during construction and an appropriate proportion of directly attributable variable and fixed overheads.

Borrowing costs included in the cost of non-current assets are those costs that would have been avoided if the expenditure on the construction of assets had not been made.

(m) Depreciation of property, plant and equipment

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Category	**Useful life**	**Depreciation basis**
Land Under Lease	4–99 yrs	straight line
Buildings	25 yrs	straight line
Leasehold Improvements		
Runways, taxiways and aprons existing at 28 May 1998	25 yrs	straight line
Runways, taxiways and aprons where completed post 28 May 1998:		
Base	Balance of lease term	straight line
Surface	15 yrs	straight line
Roads & car parks	10 yrs	straight line
Fences & gates	8 yrs	straight line
Lighting & visual aids	10 yrs	straight line
Mains services	20 yrs	straight line

Plant & equipment	3–25 yrs	straight line
Computer & other office equipment	2.5–5 yrs	straight line
Furniture & fittings	10–16 yrs	straight line
Low value asset pool	3 yrs	diminishing value

As a result of obtaining the lease right to operate the airports from the Commonwealth, the economic entity obtained the right to use of all property, plant and equipment associated with the airports.

Under the lease arrangement with the Commonwealth, all airport land, structures and buildings revert back to the Commonwealth at the end of the 99-year lease term. As a result, all land, structures and buildings are amortised by the economic entity over a period not exceeding 99 years.

(n) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

(o) Intangible lease right

The agreed purchase price paid to the Commonwealth to obtain the right to operate the airports was in excess of the net fair values of the assets and liabilities acquired at completion date.

As a result, the excess of the purchase price over the net fair value of the assets and liabilities on completion date has been recorded as an intangible lease right, representing the premium paid by the economic entity to obtain the right to operate the airports.

The directors believe that the expected future cash flows of the airports are sufficient to warrant the recognition of this intangible lease right and it will be amortised on a straight-line basis over the 99-year lease right period.

The unamortised balance of the lease right is reviewed each balance date and charged to the statement of financial performance to the extent that future benefits from the lease right are no longer probable.

(p) Employee entitlements

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. No provision is made for non-vesting sick leave as the anticipated pattern of future sick leave taken indicates that accumulated non-vesting leave will never be paid.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made 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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii)The consolidated entity has adopted the revised Accounting Standard AASB1028 ‘Employee Benefits’, which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. Previously, the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled. The effect of the revised policy has been to decrease consolidated retained profits and increase employee benefit liabilities at the beginning of the year by $10 000.

(q) Derivative financial instruments

The consolidated entity enters into interest rate swap agreements.

The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest and finance charges during the period and included in other debtors or other creditors at each reporting date.

When an interest rate swap is terminated early and the underlying hedged transactions are no longer expected to occur as designated, the gains or losses arising on the swap upon its early termination are recognised in the statement of financial performance as at the date of the termination.

(r) Trade and other creditors

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(s) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

Borrowing costs include:

- interest on borrowings
- amortisation of deferred establishment costs
- ancillary costs.

(t) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(u) Maintenance and repairs

Aircraft pavements, roads, leasehold improvements, plant and machinery of the consolidated entity are required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the addition of a new surface to the pavements or roads, in which case the costs are capitalised and depreciated in accordance with note 1(m). Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

(v) Website costs

Costs in relation to web sites controlled by a controlled entity are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over the period of expected benefit.

Provisions for employee benefits

Provisions for employee entitlements are held in the subsidiary company Adelaide airport Management Ltd which is the employer for all staff at Adelaide and Parafield Airports. Payments from and additions to the provisions are reflected in the statement of financial performance for Adelaide Airport Ltd, the liabilities being recognised through loans from the subsidiary. For additional information refer to the summary of accounting policies (p.).

Brisbane airport

Table A6. Statement of financial performance for year ended 30 June 2003

Description	Audited financial statements	Aeronautical services[1]	Non-aeronautical services
	$'000	$'000	$'000
Revenue:			
Aeronautical revenue	65,303	65,303	-
Aeronautical-Related revenue	33,655	-	33,655
Other non-aeronautical revenue	70,180	-	70,180
Total revenue	**169,138**	**65,303**	**103,835**
Expenditure:			
Salaries and wages	12,592	9,412	3,179
Depreciation	24,378	18,471	5,907
Amortisation of intangibles	9,320	1,927	7,393
Services and utilities	8,591	2,553	6,038
Property maintenance	10,798	6,801	3,997
Security costs	8,002	8,002	-
Other costs	12,046	4,842	7,204
Total expenditure	**85,727**	**52,008**	**33,718**
Operating profit/(loss)	**83,411**	**13,295**	**70,117**
Earnings before interest and tax (EBIT)	**83,411**	**13,295**	**70,117**
Interest	102,601	41,145	61,456
Earnings before tax (EBT)	**(19,190)**	**(27,850)**	**8,661**
Tax charge	6,300	**-**	**6,300**
Profit/loss after tax	**(25,490)**	**(27,850)**	**2,361**
Dividends paid	-	-	-
Retained earnings	**(25,490)**	**(27,850)**	**2,361**

Table A7. Statement of financial performance for year ended 30 June 2002[73]

Description	Audited financial statements $'000	Aeronautical services $'000	Non-aeronautical services $'000
Revenue			
Aeronautical revenue	45,258	45,258	-
Non-aeronautical revenue	101,609	-	101,609
Total revenue	**146,867**	**42,258**	**101,609**
Expenditure			
Salaries and wages	9,765	7,065	2,700
Depreciation	28,138	19,496	8,642
Services and utilities	7,887	1,988	5,899
Property maintenance	104,98	6,809	3,689
Government Mandated Security costs	7,520	7,520	-
Other costs	8,308	4,447	3,862
Total expenditure	**72,116**	**47,325**	**24,792**
Earnings before interest and tax (EBIT)	**74,751**	**(2,067)**	**76,817**
Interest Expense	81,369	30,626	50,743
Amortisation—borrowing costs & lease premium	6,806	-	6,806
Profit/(loss) before tax	**(13,424)**	**(32,693)**	**19,268**
Tax benefit/charge	6,300	-	6,300
Profit/(loss) after tax	**(7,124)**	**(32,693)**	**25,568**
Dividends paid	-		
Profit/(loss) after tax and dividends	**(7,124)**	**(32,693)**	**25,568**

[73] The ACCC does not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.

Table A8. Statement of financial position—year ended 30 June 2003

Description	Audited financial statements	Aeronautical services	Non-Aeronautical services
	$'000	$'000	$'000
CURRENT ASSETS			
Cash	26,791	10,575	16,216
Receivables	9,978	5,770	4,208
Inventories	578	573	5
Other	433	263	170
Total current assets	**37,780**	**17,181**	**20,599**
NON-CURRENT ASSETS			
Investment properties	100,706	-	100,706
Property, plant & equipment	787,237	571,127	216,110
Intangibles	632,957	28,630	604,327
Other	8,784	3,490	5,294
Total non-current assets	**1,529,684**	**603,247**	**926,437**
Total assets	**1,567,464**	**620,428**	**947,036**
CURRENT LIABILITIES			
Creditors	30,599	18,590	12,009
Borrowings	1,175	1,175	-
Other	2,033	521	1,512
Provisions	2,230	1,667	563
Total current liabilities	**36,037**	**21,953**	**14,084**
NON-CURRENT LIABILITIES			
Borrowings	1,268,764	505,373	763,391
Other	5,585	1,827	3,758
Provisions	401	300	101
Total non-current liabilities	**1,274,750**	**507,500**	**767,250**
Total liabilities	**1,310,787**	**529,453**	**781,334**
Net assets	**256,677**	**90,975**	**165,702**
SHAREHOLDERS' EQUITY			
Share capital	281,095		
Reserves[1]	163,858	85,998	77,861
Accumulated profits/(losses)	(188,276)		
Total shareholders' equity	**256,677**		
Accumulated profit(loss) at start of year	**(162,786)**		
Movements:			
Profit (loss) for the year	(25,490)		
Other (describe if applicable)			
Accumulated profit(loss) at end of year	**(188,276)**		

Table A9. Statement of financial position—year ended 30 June 2002

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	$'000	**$'000**	**$'000**
CURRENT ASSETS			
Cash	8,548		
Receivables	9,710	5,043	4,667
Inventories	483	483	0
Deferred tax	6,300	0	6,300
Other	227	99	128
Total current assets	**25,268**	**5,625**	**11,095**
NON-CURRENT ASSETS			
Lease Premium	639,763	-	639,763
Leasehold Land	188,265	36,747	151,517
Property, plant and equipment	695,886	533,704	162,182
Other—Borrowing Costs	10,160	3,823	6,337
Total non-current assets	**1,534,074**	**574,274**	**959,799**
Total assets	**1,559,342**		
CURRENT LIABILITIES			
Creditors	14,543		
Interest bearing liabilities	1,175		
Other	2,717		
Provisions	2,100	1,556	544
Total current liabilities	**20,535**		
NON-CURRENT LIABILITIES			
Bank Loan	485,000		
Domestic Bonds	350,000		
Mezzanine Bonds	121,000		
Shareholder Loans	280,500		
Convertible Notes	10,000		
Finance Lease	3,439		
Provisions	191	142	49
Other	6,510		
Total non-current liabilities	**1,256,640**		
Total liabilities	**1,277,175**		
Net assets	**282,167**		
SHAREHOLDERS' EQUITY			
Share capital	**281,095**		
Reserves	**-**		
Accumulated profits/(losses)	**1,072**		
Total shareholders' equity	**282,167**		
Accumulated profit(loss) at start of year	**8,196**		
Movements:			
Transfer of Reserves to Retained profits	-		
Loss for the year	(7,124)		
Accumulated profits at the end of the year	**1,072**		

Table A10. Statement of cash flows for year ending 30 June 2002 and 2003

Description	**Audited financial statements 2001–02** **$'000**	**Audited financial statements 2002–03** **$'000**
Cash flows—operating activities		
Inflows:		
Receipts from customers	148,777	174,850
Interest received	647	919
Outflows:		
Payments to suppliers and employees	(52,379)	(56,380)
Interest paid	(70,134)	(83,840)
Net cash from operating activities	**26,911**	**35,549**
Cash flows—investing activities		
Inflows:		
Proceeds from sale of property, plant and equipment	139	4,328
Outflows:		
Payments for property, plant and equipment	(40,558)	(40,127)
Other	-	-
Net cash flows used in investing activities	**(40,558)**	**(35,799)**
Cash flows—financing activities		
Inflows:		
Proceeds from borrowings	18,200	20,000
Outflows:		
Finance lease payments	(1,507)	-
Repayment of borrowings	-	(1,507)
Borrowing costs	-	-
Net cash flows provided by financing activities	**16,693**	**18,493**
Net increase(decrease) in cash held	**3,046**	**18,243**
Cash at beginning of reporting period	5,502	8,548
Cash at the end of reporting year	8,548	26,791

Brisbane Airport Corporation Ltd

1. Statement of significant accounting policies

The significant policies which have been adopted in the preparation of the regulatory accounting statements are:

(A) Basis of preparation

This special purpose financial report has been prepared in accordance with the regulatory information requirements under Part 7 of the *Airports Act 1996* and s. 27A of the *Prices Surveillance Act 1983* (August 2002).

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

Accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

(B) Revenue recognition

Revenues are recognised on an accruals basis at the fair value of the consideration received net of the amount of Goods and Services Tax (GST) payable to the taxation authority.

Aeronautical revenue

Aeronautical revenue comprises landing fees and terminal charges. Landing fees are based on a per passenger charge for landing and departures of international flights and a charge based on the maximum take off weight of aircraft for domestic flights. Terminal charges are based on a per passenger charge for landing and departures of international and domestic flights.

Government mandated security revenue

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

Retail revenue

Retail revenue comprises concessionaire rent and other charges received.

Landside transport revenue

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

Property revenue

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

Investment property revenue

Investment property revenue comprises rental income from company owned buildings and leased areas. Refer note 2.

Other revenue

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

Proceeds from sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Interest received—other parties

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(C) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or part of the expense.

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

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

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

(D) Derivatives

Interest rate swaps

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

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

The net amounts receivable or payable under open swaps and the associated deferred gains or losses are not recorded on the statement of financial position until the hedge transaction occurs. When recognised the net receivables or payables are revalued using the interest rates current at reporting date.

When the anticipated transaction is no longer expected to occur as designated, the deferred gains or losses relating to the hedged transaction are recognised immediately in the statement of financial performance.

(E) Borrowing costs

Borrowing costs include interest, amortisation of deferred borrowing costs and finance charges on capitalised leases. Ancillary costs incurred in connection with the arrangement of borrowings and renegotiation of interest rate swap agreements are capitalised and amortised on a straight-line basis over the anticipated term of the applicable borrowings.

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

(F) Taxation

Income tax

The company adopts the income statement liability method of tax effect accounting.

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

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt, or if relating to tax losses when realisation is virtually certain.

(G) Acquisition of right to operate Brisbane airport

On 2 July 1997 the company acquired the right to operate Brisbane airport for a period of 50 years with a 49-year option.

Lease premium

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

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

Leasehold land

Leasehold land has been recorded at cost and is amortised on a straight-line basis over the expected term of the lease, being 99 years.

(H) Property, plant and equipment

Acquisitions of assets

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the company if a similar borrowing were obtained from an independent financier under comparable terms and conditions. The unwinding of the discount is treated as interest expense.

The costs of assets constructed or internally generated by the company, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets as set out in note (E).

Expenditure, including that on internally generated assets is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred that are probable and can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Useful lives

All assets, including intangibles, have limited useful lives and are depreciated / amortised using the straight line method over their estimated useful lives, with the exception of finance lease assets which are amortised over the term of the relevant lease, or where it is likely that the company will obtain ownership of the asset, the life of the asset.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed.

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

Runways, taxiways and aprons	1 per cent to 20 per cent
Roads and car parks	2.5 per cent to 3 per cent
Buildings	2.5 per cent to 15 per cent

Plant and equipment	5 per cent to 40 per cent
Leased plant and equipment	20 per cent

(I) Receivables

Trade debtors

Trade debtors are generally settled within 30 days and are carried at amounts due.

The collectability of debts is assessed at balance date and specific provision is made for any doubtful debts.

(J) Inventories

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

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

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

Current valuations for land and buildings and investment properties valued on the cost basis are carried out at least once every three years.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

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

(L) Payables

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

(M) Interest bearing liabilities

Interest bearing liabilities are carried at their principal amount. Interest expense is accrued at the contracted rate and included in 'trade creditors and accruals'.

Leased assets

Leases under which the company assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

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

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

(N) Employee benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the year end represent present obligations resulting from employees' services provided up to the balance date, calculated at undiscounted amounts based on wage and salary rates that the company expects to pay as at reporting date including related on-costs.

Long service leave

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

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

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

Superannuation fund

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

(O) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

(P) Maintenance

Major periodic maintenance expenditure on runways, taxiways and aprons is capitalised and written off over the period between major repairs. Other maintenance costs are expensed as incurred.

(Q) Unearned revenue

Revenue received in advance is recorded as a liability in the statement of financial position and brought to account in the statement of financial performance over the period in which the benefit will be derived.

2. Reclassification

On 1 July 2002 the company established a new class of non-current assets, titled investment property. The new class was established to provide users of the company's financial statements with a better understanding of the organisation's operations, particularly the increasingly significant business segment, development of investment property for rental to third parties. The investment property class of non-current assets comprises buildings and developed land that is leased or intended to be leased to third parties for the purpose of obtaining rental income. These assets do not form part of the company's aeronautical operations. This includes aircraft maintenance facilities, aviation training and education centres, freight facilities, distribution warehouses, offices and all other non-aviation related activities, such as retail centres, entertainment and leisure facilities and golf courses.

Investment properties are valued on the cost basis and in accordance with AASB 1021 depreciation, are not depreciated. Accumulated depreciation/amortisation up to 30 June 2002 for assets transferred to investment property was $3.4 million. Depreciation/amortisation expense recognised in the company's 2002 financial statements in respect of those assets was $2.1 million and would have been $2.5 million in 2003 if those assets had not been reclassified as investment property.

Canberra airport

Table A11. Statement of financial performance for year ended 30 June 2003

Description	Audited financial statements	Aeronautical services[1]	Non-aeronautical services
	$'000	$'000	$'000
Revenue:			
Aeronautical revenue	12,415	12,415	-
Aeronautical-related revenue	3,072	-	3,072
Other non-aeronautical revenue	15,274	-	15,274
Total revenue	**30,761**	**12,415**	**18,346**
Expenditure:			
Salaries and wages	2,749	2,031	718
Depreciation	7,116	3,170	3,946
Services and utilities	652	238	414
Property maintenance	1,125	495	630
Security costs	85	32	53
Insurances	871	791	80
Other costs	3,336	1,479	1,857
Total expenditure	**15,934**	**8,236**	**7,698**
Operating profit/(loss)	**14,827**	**4,179**	**10,648**
Earnings before interest and tax (EBIT)	**14,827**	**4,179**	**10,648**
interest	11,526	3,504	8,022
earnings before tax (ebt)	**3,301**	**675**	**2,626**
Tax charge	1,462	**966**	**486**
Profit/loss after tax	**1,839**	**(291)**	**2130**
Dividends paid	-		
Retained earnings	**1,839**		

Table A12. Statement of financial performance for year ended 30 June 2002

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	$ '000	$ '000	$ '000
Revenue			
Aeronautical revenue	9,641	9,641	-
Non-aeronautical revenue	19,346	-	19,346
Total revenue	**28,987**	**9,641**	**19,346**
Expenditure			
Salaries and wages	1,761	1,218	543
Depreciation	4,384	3,047	1,337
Service and utilities	647	358	289
Maintenance	687	458	229
Other costs	11,622	1,983	9,639
Total expenditure	**19,101**	**7,064**	**12,037**
Operating profit/(loss)	**9,886**	**2,577**	**7,309**
Loss on disposal of assets	20	14	6
Earnings before interest and tax (EBIT)	**9,866**	**2,563**	**7,303**
Interest expense	9,929		
Earnings before tax	**(63)**		
Income tax charge	251		
Profit/loss after tax	**(314)**		
Dividends paid	-		
Retained earnings	**(314)**		

Table A13. Statement of financial position—year ended 30 June 2003

Description	Audited financial statements $'000	Aeronautical services $'000	Non-aeronautical services $'000
CURRENT ASSETS			
Cash	1,795		
Receivables	2,289	1,211	1,078
Other	1,449	989	460
Total current assets	**5,533**		
NON-CURRENT ASSETS			
Property, plant & equipment	506,984	154,107	352,877
Intangibles	-		
Total non-current assets	**506,984**		
Total assets	**512,517**		
CURRENT LIABILITIES			
Creditors	6,545		
Borrowings	-		
Other	562		
Provisions	1,807	646	1,161
Total current liabilities	**8,914**		
NON-CURRENT LIABILITIES			
Borrowings	145,091		
Provisions	85		
Total non-current liabilities	**145,176**		
Total liabilities	**154,090**		
Net assets	**358,427**		
SHAREHOLDERS' EQUITY			
Share capital	10,000		
Reserves[1]	350,856	107,230	243,626
Accumulated profits/(losses)	(2,429)		
Total shareholders' equity	**358,427**		
Accumulated profit(loss) at start of year	**(4,268)**	**(18,275)**	**14,008**
Movements:			
Profit (loss) for the year	1,839	(291)	2,130
Accumulated profit(loss) at end of year	**(2,429)**	**(18,566)**	**16138**

Table A14. Statement of financial position—year ended 30 June 2002

Description	Audited financial statements $ '000	Aeronautical services $ '000	Non-aeronautical services $ '000
CURRENT ASSETS			
Cash	1,615	1,027	588
Receivables	1,562	1,084	478
Inventories	-	-	-
Accrued revenue	131	84	47
Other	473	293	180
Total current assets	**3,781**	**2,488**	**1,293**
NON-CURRENT ASSETS			
Receivables	74	-	74
Investments	-	-	-
Property, plant & equipment	335,626	223,192	112,434
Intangibles	-	-	-
Future income tax benefit	173	38	135
Other	-	-	-
Total non-current assets	**335,873**	**223,230**	**112,643**
Total assets	**339,654**	**225,718**	**113,936**
CURRENT LIABILITIES			
Creditors	2,301		
Borrowings	-		
Provisions	562	424	138
Deferred income tax liability	178	130	48
Other	9	-	9
Total current liabilities	**3,050**		
NON-CURRENT LIABILITIES			
Borrowings	116,886		
Provisions	46	33	13
Total non current liabilities	**116,932**		
Total liabilities	**119,982**		
Net assets	**219,672**		
SHAREHOLDERS' EQUITY			
Share capital	10,000		
Reserves	213,939		
Accumulated profits/(losses)	(4,267)		
Total shareholders' equity	**219,672**		
Accumulated profit(loss) at start of year	**(3,953)**		
Movements:			
Profit/loss for the year	(314)		
Accumulated profit/loss at the end of year	**(4,267)**		

Table A15. Statement of cash flows for the years ending 30 June 2002 and 2003

Description	**Audited financial statements 2001–02**	**Audited financial statements 2002–03**
	$'000	**$'000**
Cash flows - operating activities		
Inflows:		
Receipts from customers	27,957	33,037
Interest received	61	110
Outflows:		
Payments to suppliers and employees	(15,874)	(13,618)
Interest paid	(9,929)	(11,526)
Income tax paid	(103)	(300)
Income tax Paid	-	-
Net cash flows from operating activities	**2,112**	**7,703**
Cash flows - investing activities		
Inflows:		
Proceeds from sale of property, plant and equipment	-	985
Other	-	-
Outflows:		
Acquisition of property, plant and equipment	(23,454)	(36,713)
Other	-	-
Net cash flows from investing activities	**(23,454)**	**(35,728)**
Cash flows - financing activities		
Inflows:		
Proceeds from borrowing from related entities	**15,322**	28,205
Proceeds from borrowing	-	-
Net cash flows from financing activities	**15,322**	**28,205**
Net increase / (decrease) in cash held	**(6,010)**	**180**
Cash at beginning of financial year	7,625	**1,615**
Cash at end of financial year	1,615	**1,795**

Canberra International Airport

Summary of significant accounting policies

The significant policies which have been adopted in the preparation of the regulatory accounting statement are:

Basis of accounting

The special purpose financial report has been prepared in accordance with the *Airports reporting guideline: information requirements under Part 7 of the Airports Act 1996 and s. 27A of the Prices Surveillance Act 1983*.

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

Canberra International Airport commenced operations on 29 May 1998. The regulatory accounting statements are for the year ended 30 June 2003. While the content of the regulatory accounting statements is audited, the individual company accounts from which they are drawn are not audited nor are they required to be.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year other than adoption of accounting standards:

AASB 1028: Employee Benefits

AASB:1044: Provisions, Contingent Liabilities and Contingent Assets

Principles of consolidation

This special purpose financial report for the ACCC comprises Capital Airport Group Pty Limited and Canberra International Airport Pty Limited. The consolidated accounts include the information contained in the financial statements of these entities. All inter-company balances and unrealised surpluses from intra-economic entity transactions have been eliminated in full.

Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working day, net of outstanding bank overdrafts.

Income tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognized in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realized. Where assets are revalued no provision for potential capital gains tax has been made.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Recoverable amount

Non-current assets are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount the expected cash flows have not been discounted to their present value using a market determined risk adjusted discount rate.

Property, plant and equipment—cost and valuation

Leasehold land, buildings and improvements are measured on a fair value basis. At each balance date, the value of each asset in these classes is reviewed to ensure it does not differ materially from the asset's fair value at that date. Where necessary, the asset is revalued to reflect its fair value. All other classes of assets are measured at cost.

The gain or loss on disposal of all property, plant and equipment, including revalued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the results of the economic entity in the year of disposal. Certain land, buildings and improvements have been subject to revaluation. The revaluation has not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax.

Property, plant and equipment—revaluation

Leasehold land, buildings, building, improvements and other property assets have been revalued on 30 June 2003 at their fair market values by the directors based on advice from a registered valuer. All other assets are stated at their cost less appropriate depreciation.

Property, plant and equipment—depreciation

Depreciation and amortisation are provided, other than on other property assets, by charges against the statement of financial performance at rates based on the estimated useful life of the respective assets using both the prime cost and reducing balance methods. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Major depreciation periods are:

- buildings and infrastructure 15 to 40 years
- airfield runways, taxiways and aprons 15 to 80 years
- motor vehicles 4 to 6 years
- plant and equipment 10 to 20 years
- furniture & fittings 13.3 years
- computer equipment 3 to 4 years.

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries and annual leave expected to be settled within twelve months of the reporting date are measured at their nominal amounts including related on-costs.

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employee' services provided to reporting date. The calculation has been made based on the short history of the operating company providing limited data on turnover history and expected future increases in wage and salary rates including related on-costs.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue is recognised to the extent that costs have been incurred.

Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

Dividends

Control of a right to receive consideration for the investment in asset is attained, usually evidenced by approval of the dividend at a meeting of the shareholders.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

Related party transactions

The following loans are payable to Stirling Finance Unit Trust (SFUT), the entity which controls the Canberra International Airport (CIA) and Capital Airport Group (CAG):

	Amount of loan payable / receivable	**Interest rate**	**Interest paid**
SFUT-CAG loan	$3,364,968	9.0per cent	-
CIA-SFUT core debt loan	$ 61,000,000	9.0per cent	$5,490,000
CIA-SFUT other debt loan	$ 80,726,121	9.0per cent	$6,036,216
	$145,091,089	n/a	$11,526,216

There were no other related party balances or transactions recorded in the consolidated accounts of Canberra International Airport.

Darwin airport

Table A16. Statement of financial performance for year ended 30 June 2003

Description	Audited financial statements	Aeronautical services[1]	Non-aeronautical services
	$'000	$'000	$'000
Revenue:			
Aeronautical revenue	13,809	13,809	-
Aeronautical-related revenue	1,755	-	1,755
Other non-aeronautical revenue	2,795	-	2,795
Total revenue	**18,360**	**13,809**	**4,550**
Expenditure:			
Salaries and wages	3,325	2,195	1,131
Depreciation	4,147	3,496	651
Amortisation of Intangibles	471		
Services and utilities	1,342	1,171	171
Property maintenance	933	766	167
Security costs	2,709	2,709	-
Other costs	3,182	2,305	876
Total expenditure	**16,108**	**12,643**	**2,995**
Operating profit/(loss)	**2,251**		
Abnormal items (Please specify)	(3,950)	(2,607)	(1,343)
Earnings before interest and tax (EBIT)	**(1,699)**		
Interest	14,664		
Earnings before tax (EBT)	**(16,363)**		
Tax charge			
Profit/loss after tax	**(16,363)**		
Dividends paid			
Retained earnings	**(16,363)**		

Table A17. Statement of financial performance for year ended 30 June 2002[74]

Description	Audited financial statements $'000	Aeronautical services $'000	Non-aeronautical services $'000
Revenue			
Aeronautical revenue	10,926	10,926	-
Non-aeronautical revenue	4,267	-	4,267
Total revenue	**15,193**	**10,926**	**4,267**
Expenditure			
Salaries and wages	2,410	1,374	1,036
Depreciation	3,930	3,527	404
Amortisation	473		
Service and utilities	1,173	1,010	163
Australian Protective Services	1,073	1,073	
Maintenance	594	465	129
Passenger screening	1,004	1,004	-
Additional security measures	694	694	-
Other costs	2,228	1,398	830
Total expenditure	**13,579**		
Earnings before interest and tax (EBIT)	**1,613**		
Interest expense	12,474		
Profit/(loss) before tax	**(10,861)**		
Tax charge	-		
Profit/(loss) after tax	**(10,861)**		

74 The ACCC does not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.

Table A18. Statement of financial position—year ended 30 June 2003

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	$'000	$'000	$'000
CURRENT ASSETS			
Cash	13		
Receivables	2,697	2,420	277
Other	54	39	14
Total current assets	**2,763**	**2,460**	**291**
NON-CURRENT ASSETS			
Property, plant & equipment	58,232	43,985	14,247
Intangibles	15,821		
Deferred expenditure	11,401		
Total non-current assets	**85,454**		
Total assets	**88,218**		
CURRENT LIABILITIES			
Creditors	2,512		
Interest bearing liabilities	1,549		
Provisions	697	470	226
Total current liabilities	**4,757**		
NON-CURRENT LIABILITIES			
Interest bearing liabilities	141,401		
Provisions	78	51	26
Total non-current liabilities	**141,479**		
Total liabilities	**146,236**		
Net assets	**(58,018)**		
SHAREHOLDERS' EQUITY			
Share capital	12		
Accumulated profits/(losses)	(58,018)		
Total shareholders' equity	**(58,018)**		
Accumulated profit/(loss) at start of year	**(41,656)**		
Movements:			
Profit/(loss) for the year	(16,363)		
Accumulated profit(loss) at end of year	**(58,018)**		

Table A19. Statement of financial position—year ended 30 June 2002

Description	Audited financial statements $'000	Aeronautical services $'000	Non-aeronautical services $'000
CURRENT ASSETS			
Cash	13		
Receivables	2,260	1,681	579
Accrued revenue	330	153	177
Other	48	27	21
Total current assets	**2,651**		
NON-CURRENT ASSETS			
Property, plant and equipment	60,582	46,064	14,518
Intangibles	15,989		
Deferred expenditure	10,621		
Total non-current assets	**87,192**		
Total assets	**89,843**		
CURRENT LIABILITIES			
Payables	2,655		
Borrowings	1,219		
Provisions	654	393	261
Total current liabilities	**4,528**		
NON-CURRENT LIABILITIES			
Borrowings	126,923		
Provisions	48	29	19
Total non-current liabilities	**126,971**		
Total liabilities	**131,499**		
Net assets/liabilities	**(41,656)**		
SHAREHOLDERS' EQUITY			
Share capital			
Accumulated profits/(losses)	(41,656)		
Total shareholders' equity	**(41,656)**		

Table A20. Statement of cash flows for year ending 30 June 2002 and 2003

Description	Audited financial statements 2001–02	Audited financial statements 2002–03
	$'000	**$'000**
Cash flows from operating activities		
Inflows:		
Receipts from customers	16,442	20,159
Interest received		56
Outflows:		
Payments to suppliers	(10,589)	(17,437)
Interest paid	(3,435)	(6,276)
GST paid	(401)	(180)
Net cash flows from operating activities	**2,018**	**(3,677)**
Cash flows from investing activities		
Inflows:		
Proceeds from sale of plant	40	
Outflows:		
Acquisition of property, plant and equipment	(4,070)	(1,797)
Net cash flows from investing activities	**(4,030)**	**(1,797)**
Cash flows—financing activities		
Inflows:		
Proceeds from borrowings (related parties)	1,007	5,145
Net cash flows from financing activities	**1,007**	**5,145**
Net increase/(decrease) in cash held	**(1,004)**	**(330)**
Cash at beginning of the financial period	(202)	(1,207)
Cash at end of period	(1,207)	(1.537)

Darwin International Airport

Summary of significant accounting policies

The financial report has been prepared in accordance with the historical cost convention.

The financial report is a general financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, which includes applicable accounting standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared on the going concern basis due to the support of the ultimate controlling entity to not call in the loans due to them from the entity.

(a) Changes in accounting policies

The entity has adopted the revised Accounting Standard AASB1028 'Employee Benefits', which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. In accordance with the revised standard, the provision for employee benefits is now measured based on remuneration rates expected to be paid when the liability is settled. There has been no material effect on the financial statements of adoption of the revised standard.

(b) Economic Dependency

A continuing material dependency exists with the parent entity. The nature of this support is in the form of not calling in the loans due to the parent by DIAPL.

(c) Income tax

The entity adopts the liability method of tax-effect accounting whereby the income tax expense shown in the statement of financial performance is based on the operating profit before income tax adjusted for any permanent differences.

The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation.

Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(d) Foreign currency translation

Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit and loss for the year.

(e) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Aeronautical charges

Comprise:

- Passenger based charges for scheduled regular public transport (rpt) passenger services.
- Landing based charges for unscheduled, general aviation or non passenger services.
- Passenger based charges for the use of terminal facilities.
- Safety and security charge levied on a per passenger basis in respect of government mandated security charges where 100 per cent cost recovery applies.

Trading income

Comprises concessionaire rent, overages, and other charges received including income from public car parks.

Property

Comprises income from company owned terminals, buildings and other leased areas.

(f) Receivables

Trade receivables are recognised and carried at original invoice amount.

Recoverability of trade debtors is reviewed on an ongoing basis. Debts, which are known to be unrecoverable, are written off. A general provision for doubtful debts is raised together with a specific provision for debts where recoverability is deemed to be doubtful.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

(g) Acquisition of assets

The cost method of accounting is used for all acquisition of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition. Where shares are issued on acquisition, the value of the shares is determined by reference to the fair value of the assets acquired, including goodwill and other intangible assets where applicable.

(h) Recoverable amounts

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount. To the extent that a revaluation decrement reverses a revaluation increment previously credited to, and still included in the balance of, the asset revaluation reserve, the decrement is debited directly to that reserve. Otherwise the decrement is recognised as an expense in the profit and loss account.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values using a market determined, risk-adjusted discount rate.

(i) Infrastructure assets and plant and equipment

(i) Cost and valuation

The cost base assigned to infrastructure assets and plant and equipment is set out in note 7.

(ii) Depreciation and amortisation

Infrastructure, plant and equipment (including infrastructure assets under lease) have been depreciated using the straight-line method based on the estimated useful life of the assets to DIAPL.

Depreciation and amortisation rates used are as follows:

	2003	**2002**
Runways taxiways & aprons	4.3%	4.3%
Roads & car parks	8.7%	8.7%
Fences & gates	12%	12%
Lighting & visual aids	10%	10%
Passenger terminal	4–10%	4–10%
Buildings	4–10%	4–10%
Plant & equipment	10–20%	10–20%
Vehicles	15–18%	15–18%
Computer equipment	33.33%	33.33%

(iii) Leasehold improvements

Leasehold improvements have been amortised over the shorter of the unexpired period of the lease and estimated useful life of the improvements.

(j) Trade and other creditors

These amounts represent liabilities for goods and services provided to the company before the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include:

- interest on bank overdraft and loans
- senior and junior debt agents fees (including premium)
- ancillary costs incurred in connection with the ongoing conduct of borrowings.

The entity refinanced its debt facilities on 6 June 2003 and the borrowing costs incurred in acquiring the new bank loan have been capitalised and amortised over the period of the loan.

(l) Maintenance and repairs

Maintenance, repair costs and minor renewals are charged as expenses as incurred.

(m) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made for services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, and other leave benefits
- other types of employee benefits

are recognised against profits on a net basis in their respective categories.

In the entity's defined benefits superannuation plan, any contributions made to the superannuation funds have been recognised against profits when due. The entity ceased contributing to the defined benefit superannuation plan on 28 February 2003.

(n) Cash

For the purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of change in value, net of outstanding bank overdrafts.

(o) Intangible assets

Lease franchise fee

The franchise fee paid on the acquisition of the airport leases from the Federal Government, which represents the difference between the purchase price and the fair value attributed to the net tangible assets at date of acquisition. This lease franchise fee is being amortised on a straight line basis over the 99-year life of the lease.

(p) Deferred expenditure

Bid costs

The direct costs incurred in the purchase of the airport leases have been capitalised and are being amortised over the 99-year life of the lease.

Finance costs

The fees incurred in the underwriting of the senior and junior debt were capitalised and are being amortised over five years. The fees incurred in the refinance of the senior and junior debt on 6 June 2003 have been capitalised and will be amortised over five years.

The balances of deferred expenditure are reviewed annually and any balance representing future benefits—the realisation of which is considered to be no longer probable—are written off.

(q) Goods and Services Tax (GST)

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

Melbourne airport

Table A21. Statement of financial performance for year ended 30 June 2003

Description	Audited financial statements $'000	Aeronautical services[1] $'000	Non-aeronautical services $'000
Revenue:			
Aeronautical revenue	100,477	100,477	-
Aeronautical-related revenue	42,588		42,588
Grazing and tenant revenue	239		-
Interest revenue—other entities	61		-
Other non-aeronautical revenue	93,877		93,877
Total revenue	**237,242**	**100,477**	**136,465**
Expenditure:			
Salaries and wages	15,568	10,309	5,259
Depreciation	32,851	18,493	14,358
Amortisation of intangibles	6,248	-	6,248
Services and utilities	25,523	14,214	11,309
Property maintenance	6,884	4,674	2,210
Maintenance add back		(239)	
Security costs	3,851	3,851	-
Other costs	19,618	8,935	10,683
Total expenditure	**110,543**	**60,237**	**50,067**
Operating profit/(loss)	**126,699**	**40,240**	**86,398**
Abnormal items (please specify)	-		
Earnings before interest and tax (EBIT)	**126,699**	**40,240**	**86,398**
Interest	95,087		
Earnings before tax (EBT)	**31,612**		
Tax charge	(12,789)		
Profit/loss after tax	**18,823**		
Dividends paid			
Retained earnings	**18,823**		

Table A22. Statement of financial performance for year ended 30 June 2002[75]

Description	Audited financial statements $ '000	Aeronautical services $ '000	Non-aeronautical services $ '000
Revenue			
Aeronautical revenue	65,689	65,689	-
Non-aeronautical revenue	130,920	-	130,920
Grazing and tenant revenue	149		
Interest income	170		
Total revenue	**196,928**	**65,689**	**130,920**
Expenditure			
Salaries and wages	16,820	11,028	5,792
Depreciation	29,013	16,631	12,382
Amortisation	6,248	-	6,248
Services and utilities	20,006	9,857	10,149
Property maintenance	5,433	3,530	1,903
Maintenance add backs	-	(149)	
Government mandated security costs	4,146	4,146	
Other costs	17,335	12,389	4,946
Total expenditure	**99,001**	**57,432**	**41,420**
Operating profit/(loss)	**97,927**	**8,257**	**89,500**
Abnormal items			
Earnings before interest and tax (EBIT)	**97,927**		
Interest Expense	94,727		
Earnings before tax	**3,200**		
tax benefit attributable to loss	(4,961)		
Profit/(loss) after tax	**(1,761)**		
Dividends paid	-		
Retained earnings	**(1,761)**		

[75] The ACCC does not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.

Table A23. Statement of financial position—year ended 30 June 2003

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	$'000	$'000	$'000
CURRENT ASSETS			
Cash	3,325		
Receivables	17,326	9,185	8,141
Inventories	633	523	110
Other	305	211	94
Total current assets	**21,589**	**9,919**	**8,345**
NON-CURRENT ASSETS			
Property, plant & equipment	738,708	425,231	313,477
Intangibles	592,046	-	592,046
Other	16,583		
Total non-current assets	**1,347,337**	**425,231**	**905,523**
Total assets	**1,368,926**	**435,150**	**913,868**
CURRENT LIABILITIES			
Creditors	40,953		
Provisions	3,487	2,302	1,185
Total current liabilities	**44,440**	**2,302**	**1,185**
NON-CURRENT LIABILITIES			
Borrowings	1,280,366		
Other prepaid rent	3,151		
Deferred tax liabilities	12,425	7,152	5,273
Provisions	214	141	73
Total non-current liabilities	**1,296,156**		
Total liabilities	**1,340,596**		
Net assets	**28,330**		
SHAREHOLDERS' EQUITY			
Share capital	100,000		
Reserves[1]			
Accumulated profits/(losses)	(71,670)		
Total shareholders' equity	**28,330**		
Accumulated profit(loss) at start of year	**(90,493)**		
Movements:			
Profit (loss) for the year	18,823		
Other (describe if applicable)			
Accumulated profit(loss) at end of year	**(71,670)**		

Table A24. Statement of financial position—year ended 30 June 2002

Description	Audited financial statements $'000	Aeronautical services $'000	Non-aeronautical services $'000
CURRENT ASSETS			
Cash	1,083		
Receivables	11,599	6,257	5,342
Inventories	702	606	96
Other	111	65	46
Total current assets	**13,495**	**6,928**	**5,484**
NON-CURRENT ASSETS			
Property, plant and equipment	724,775	426,707	298,068
Intangibles	600,325	-	600,325
Other	26,024		
Total non-current assets	**1,351,124**	**426,707**	**898,393**
Total assets	**1,364,619**	**433,635**	**903,877**
CURRENT LIABILITIES			
Creditors	29,135		
Provisions	3,336	2,281	1,055
Total current liabilities	**31,471**		
NON-CURRENT LIABILITIES			
Borrowings	1,314,894		
Deferred tax liabilities	8,486	4,996	3,490
Provisions	261	178	83
Total non-current liabilities	**1,323,641**		
Total liabilities	**1,355,112**		
Net assets	**9,507**		
SHAREHOLDERS' EQUITY			
Share capital	100,000		
Accumulated profits/(losses)	(90,493)		
Total shareholders' equity	**9,507**		
Accumulated profit/(loss) at start of year	**(88,732)**		
Profit/(loss) for the year	(1,761)		
Accumulated profit/(loss) at end of year	**(90,493)**		

Table A25. Statement of cash flows for year ending 30 June 2002 & 2003

Description	Audited financial accounts 2001–02 '000	Audited financial accounts 2002–03 '000
Cash flows—operating activities		
Inflows:		
Receipts from customers	214,430	252,825
Interest and bill discounts received	170	61
Outflows:		
Payments to suppliers and employees	(64,985)	(64,297)
Interest and other costs of finance paid	(90,479)	(96,799)
Goods and Services Tax remitted	(5,818)	(13,124)
Net cash flows from operating activities	**52,318**	**78,666**
Cash flows—investing activities		
Inflows:		
Proceeds from sale of property, plant and equipment	121	218
Outflows:		
Acquisition of property, plant and equipment	(44,926)	(42,114)
Net cash flows used in investing activities	**(44,805)**	**(41,896)**
Cash flows—financing activities		
Inflows:		
Proceeds from borrowings	91,000	167,562
Other	(187)	-
Outflows:		
Repayment of borrowings	(86,000)	(146,000)
Loan funds repaid to entities in wholly owned group	(13,524)	(56,090)
Net cash provided from (applied to) financing activities	**(8,711)**	**(34,528)**
Net increase/(decrease) in cash held	**(1,198)**	**2,242**
Cash at the beginning of the financial year	(2,281)	1,083
Cash at the end of the financial year	1,083	3,325

Melbourne airport

Notes to financial accounts

1. Summary of accounting policies

Financial reporting framework

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

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

Significant accounting policies

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

The following significant accounting policies have been adopted in the preparations of presentation of the financial report.

a) Inventories

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

b) Receivables

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

c) Depreciation

Depreciation is provided on property, including buildings, plant and equipment, roads, runways and other infrastructure. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation:

- Buildings 10–40 years
- Roads, runways and other infrastructure 13–80 years
- Plant and equipment 3–10 years

d) Leased land and lease premium amortisation

Land leased as part of the airport acquisition has been valued at acquisition at fair value and the cost of acquisition of the airport business in excess of net tangible assets has been capitalised as lease premium. The leased land and lease premium are amortised on a straight line basis over the period of the lease, which is 99 years.

e) Acquisition of assets

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

f) Capitalisation of interest

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

g) Recoverable amount of non-current assets

Non-current assets are written down to recoverable amount where the carrying value of the non-current assets exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have been discounted to their present value.

h) Reversionary assets

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

i) Payables

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

j) Interest bearing liabilities

Bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis. Ancillary costs incurred by the company in establishing the funding facilities for the acquisition of the airport have been capitalised and are amortised on a straight line basis over the term of the facilities.

k) Employee entitlements

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

Provision made in respect of wages and salaries, annual leave and long service leave expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at time of settlement.

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

l) Revenue recognition

Aeronautical revenue

Revenue from landing and terminal fees is recognised on an accruals basis when the service is provided.

Retail revenue

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

Property revenue

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

Outgoings, security and other income

Revenue received from recharging of outgoings, security and sundry other income is recognised on an accruals basis when the service or goods are provided.

m) Goods and Services Tax

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

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense

ii. for receivables and payable which are recognised inclusive of GST.

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

Cashflows are included in the statement of cash flows on a gross basis. The GST component of cashflows arising from investing activities which is recoverable from, or payable to, the taxation authority is classified as an operating cashflow.

n) Derivative financial instruments

The company has entered into interest rate swaps. The swaps have been allocated against the underlying debt instrument and to this extent modify the interest rate risk of the underlying debt. Further details of derivative financial instruments are disclosed in note 27 to the financial statements.

o) Income tax

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

After the end of financial year, the directors of the ultimate parent entity elected that all wholly-owned Australian entities would join a tax consolidated group from 1 July 2003. Further information about the group's implementation of the tax consolidation system is detailed in note 4.

Perth airport

Table A26. Statement of financial performance for year ended 30 June 2003[76]

Description	Audited financial statements $'000	Aeronautical services $'000	Non-aeronautical services $'000
Revenue:			
Aeronautical revenue	38,111	38,111	-
Aeronautical-related revenue	11,510	-	11,510
Other non-aeronautical revenue	45,009	-	45,009
Total revenue	**94,630**	**38,111**	**56,519**
Expenditure:			
Salaries and wages	9,049	4,831	4,218
Depreciation	7,859	4,400	3,459
Amortisation of intangibles	7,263		
Services and utilities	9,242	2,290	6,952
Leasing & maintenance	2,347	1,111	1,236
Australian Protective Services	3,139	3,139	-
Passenger screening	2,103	2,103	-
Checked bag screening	554	554	-
Other costs	8,528	3,067	5,461
Total expenditure	**50,084**	**21,495**	**21,326**
Operating profit/(loss)	**44,546**	**16,616**	**35,193**
Earnings before interest and tax (EBIT)	**44,546**	**16,616**	**35,193**
Interest	51,922		
Earnings before tax (EBT)	**(7,376)**		
Tax charge	-		
Profit/loss after tax	**(7,376)**		
Dividends paid	-		
Retained earnings	**(7,376)**		

76 The ACCC did not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.

Table A27. Statement of financial performance for year ended 30 June 2002[77]

Description	Audited financial statements $'000	Aeronautical services $'000	Non-aeronautical services $'000
Revenue			
Aeronautical revenue	20,591	20,591	-
Non-aeronautical revenue	55,537	-	55,537
Total revenue	**76,128**	**20,591**	**55,537**
Expenditure			
Salaries and wages	7,987	4,121	3,866
Depreciation	8,171	4,810	3,360
Amortisation	7,529		
Services and utilities	8,363	1,858	6,505
Maintenance	2,016	1,082	933
Government mandated security costs	3,019	3,019	-
Passenger screening	1,323	1,323	-
Checked baggage screening	614	614	-
Other costs	6,212	2,631	3,580
Total expenditure	**45,233**	**19,459**	**18,245**
Operating profit/(loss)[78]	**30,895**	**1,132**	**37,292**
Interest expense	39,064		
Profit /(loss) before tax	**(8,169)**		
Tax charge	-		
Profit /(loss) after tax	**(8,169)**		
Dividends paid	-		
Profit/(loss) after tax and dividends	**(8,169)**		
Opening accumulated loss	(97,329)		
Closing accumulated loss	**(105,498)**		

77 The ACCC did not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.

78 Operating profit here is equivalent to earnings before interest and tax (EBIT).

Table A28. Statement of financial position—year ended 30 June 2003

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	$'000	$'000	$'000
CURRENT ASSETS			
Cash	12,854		
Receivables	9,363	3,883	5,480
Inventories	69	-	69
Other	3,810	1,450	2,360
Total current assets	**26,096**	**5,333**	**7,909**
NON-CURRENT ASSETS			
Receivables	-		-
Infrastructure, plant & equipment	214,310	84,392	129,918
Intangibles	404,521		
Expenditure carried forward	25,357		
Other	4,827	2,343	2,484
Total non-current assets	**649,015**	**86,735**	**132,402**
Total assets	**675,111**	**92,068**	**140,311**
CURRENT LIABILITIES			
Creditors	21,327		
Interest bearing liabilities	-		
Other	121		
Provisions	2,011	994	1,017
Total current liabilities	**23,459**	**994**	**1,017**
NON-CURRENT LIABILITIES			
Payables	3,922		
Interest bearing liabilities	613,240		
Other	2,593		
Provisions	242	120	122
Total non-current liabilities	**619,997**	**120**	**122**
Total liabilities	**643,456**	**1,114**	**1,139**
Net assets	**31,655**	**90,954**	**139,172**
SHAREHOLDERS' EQUITY			
Share capital	144,565		
Reserves[1]	-		
Accumulated profits/(losses)	(112,910)		
Total shareholders' equity	**31,655**		
Accumulated profit(loss) at start of year	**(105,498)**		
Movements:			
Profit (loss) for the year	(7,376)		
Other (adoption of accounting standard)	(36)		
Accumulated profit(loss) at end of year	**(112,910)**		

Table A29. Statement of financial position as at 30 June 2002

Description	Audited financial statements	Aeronautical services	Non-aeronautical services
	$	$	$
CURRENT ASSETS			
Cash	56		
Receivables	6,070	2,208	3,863
Inventories	82	0	82
Accrued revenue	4,703	88	4,615
Other	4,766	1,285	3,480
Total current assets	**15,677**	**3,581**	**12,040**
NON-CURRENT ASSETS			
Lease franchise fee	408,871		
Property, plant and equipment	206,384	84,464	121,920
Expenditure carried forward	24,102		
Other	4,194	2,438	1,756
Total non-current assets	**643,551**	**86,902**	**123,676**
Total assets	**659,228**	**90,483**	**135,716**
CURRENT LIABILITIES			
Creditors	11,547		
Borrowings	1,749		
Provisions	1,800	929	871
Total current liabilities	**15,096**		
NON-CURRENT LIABILITIES			
Borrowings	604,890		
Provisions	175	90	85
Total non-current liabilities	**605,065**		
Total liability	**620,161**		
Net assets	**39,067**		
SHAREHOLDERS' EQUITY			
Share capital	144,565		
Accumulated profits/(losses)	(105,498)		
Total shareholders' equity	**39,067**		

Table A30. Cash flow statement for years ended 30 June 2002 & 2003

	Audited financial statements 2001–02 $'000	Audited financial statements 2002–03 $'000
Cash flows—operating activities		
Inflows:		
Receipts from customers	80,691	104,596
Interest received	385	572
Outflows:		
Payments to suppliers and employees	(31,033)	(28,283)
GST paid	(4,832)	(6,299)
Net cash flows from operating activities	**45,211**	**70,586**
Cash flows—investing activities		
Inflows:		
Proceeds from sale of property, plant and equipment	68	96
Proceeds from reserve accounts released	-	
Other		1,343
Outflows:		
Payments transferred to reserve accounts	(2,279)	
Acquisition of property, plant and equipment	(6,508)	(15,894)
Other		(3,884)
Net cash flows used in investing activities	**(8,719)**	**(18,339)**
Cash flows—financing activities		
Inflows:		
Proceeds from borrowings		45,000
Outflows:		
Repayment of borrowings	(4,544)	(46,452)
Borrowing costs: Primary debt holders	(29,861)	(29,617)
Subordinated debt holders	(4,234)	(8,380)
Net cash flows from financing activities	**(38,639)**	**(39,449)**
Net increase/(decrease) in cash held	**(2,148)**	**12,798**
Cash at beginning of reporting period	**2,203**	**56**
Cash at the end of the reporting period	**56**	**12,854**

Westralia Airports Corporation Pty Ltd

Summary of significant accounting policies

This special purpose financial report has been prepared in accordance with the regulatory information requirements under Part 7 of the *Airports Act 1996*, ss. 21 and 27A of the *Prices Surveillance Act 1983*, accounting standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the Corporations Act. It is prepared in accordance with the historical cost convention.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous period. Comparative information is reclassified where appropriate to enhance comparability.

a) Principles of consolidation

The consolidated accounts comprise the accounts of WAC and all of its controlled entities. A controlled entity is any entity controlled by WAC. Control exists where WAC has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with WAC to achieve common objectives. Details of the controlled entity are contained in note 9 to the accounts.

All inter-company balances and transactions between the entities in the consolidated entity, including any unrealised profit or losses, have been eliminated on consolidation.

b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except for the accounting policies with respect to foreign currency hedge contracts and employee benefits.

i. Foreign currency hedge contracts

The consolidated entity has adopted revised Accounting Standard AASB 1012 ‘Foreign Currency Translation’, applicable to reporting periods beginning on or after 1 January 2002. In accordance with the revised standard, the consolidated entity has for the first time recognised foreign currency contracts that are hedges on the statement of financial position. Previously, foreign currency contracts that qualified for hedge accounting were not recognised in the statement of financial position. As at 30 June 2003 this has resulted in an increase of $121 000 in current liabilities, a $2 593 000 increase in non-current liabilities, a decrease of $1 865 000 in non-current interest bearing liabilities, an increase of $121 000 in current assets and an increase of $728 000 in non-current assets.

ii. Employee benefits

The consolidated entity has adopted revised Accounting Standard AASB 1028 'Employee Benefits' applicable to annual reporting periods beginning on or after 1 July 2002. In accordance with the revised standard, the measurement of employee benefit obligations is now based on remuneration rates that the entity expects to pay when the liability is settled. Previously, the measurement of the liability was based on remuneration rates at the date of recognition of the liability. The change in accounting policy has resulted in an increase of $36 000 in current liabilities, and the opening retained losses has increased by $36 000.

c) Taxes

i. Income taxes

Tax effect accounting procedures using the liability method are followed whereby the income tax expense is matched with the accounting profit after allowing for permanent differences. The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

ii. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

d) Foreign currency translation

i. Transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction. Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

Except for certain specific hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year. Any gains or costs on entering a hedge are deferred and amortised over the life of the contract.

ii. Specific hedges

Where a purchase or sale is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transaction are deferred and included in the measurement of the purchase or sale. Exchange gains and losses arising on the hedge transaction after that date are taken to the net profit.

e) Revenue recognition

(i) Aeronautical charges comprises landing fees and international terminal charges, based on the maximum take-off weight of aircraft and passenger numbers on aircraft, and a security charge for the recovery of charges imposed by Australian Protective Services and other government mandated security requirements.

(ii) Trading comprises concessionaire rent and other charges received.

(iii) Ground transport services comprises operation of public and leased car parks, car rental concessions, ground transport services and traffic management.

(iv) Property revenue comprises income from owned terminals, buildings, and long-term leases of land and other leased assets.

(v) Re-charge property service costs comprises recharged service and utility expenditure.

(vi) Interest revenue comprises earnings on funds deposited with financial institutions.

(vii) Asset sales comprise revenue on disposal of assets brought to account at the transaction date.

Gross revenue is raised when there is an unconditional right to receive that revenue and it can be measured reliably.

f) Receivables

All trade debtors are recognised and carried at original invoiced amount receivable, and are due for settlement no more than 30 days from the date of recognition. Recoverability of trade debtors is reviewed on an ongoing basis. Debts, which are known to be unrecoverable, are written off. A general provision for doubtful debts is raised together with a specific provision for debts where recoverability is deemed to be doubtful.

g) Inventories

Inventories have been stated at the lower of cost and net realisable value. The basis of accounting for inventories is on a first-in first-out basis.

h) Acquisition of assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition. Where shares are issued on acquisition, the value of the shares is determined by reference to the fair value of the assets acquired, including goodwill and other intangible assets where applicable.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of acquisition. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

The lease franchise fee, arising from the acquisition of the Perth airport lease, is brought to account on the basis described in note 1(k)*(i)*.

i) Recoverable amounts

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal. Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market determined, risk adjusted discount rate.

j) Infrastructure, plant and equipment

(i) Cost and valuation

The cost basis is used to attribute value to land, buildings, infrastructure, plant and equipment.

(ii) Depreciation and amortisation

Infrastructure, plant and equipment (including infrastructure assets under lease) have been depreciated using the straight-line method based upon the estimated useful life of the assets.

Depreciation and amortisation rates used are as follows:

2003-2002

	2003(%)	**2002 (%)**
Operational land	1.01	1.01
Investment land	0	0
Plant and equipment.	15.0	15.0
Buildings	6.25–15.0	6.25–15.0
Fixed plant and equipment	5.0–15.0	5.0–15.0
Runways, taxiways and aprons	1.01–6.67	1.01–6.67
Other infrastructure assets cent	6.25–20.0	6.25–20.0

(iii) Leasehold improvements

Leasehold improvements have been amortised over the shorter of the unexpired period of the lease and estimated useful life of the improvements.

(iv) Major repairs and maintenance

Major asset maintenance costs incurred on runways, taxiways and aprons are capitalised and are written off over the period between major asset maintenance projects. This recognises that the benefit is to future periods and also apportions the cost over the period of the related benefit.

(v) Non-current assets under construction

The cost of non-current assets constructed by the consolidated entity includes the cost of materials used in construction, direct labour on the project and consultancy and professional fees associated with the project.

k) Lease franchise fee and expenditure carried forward

(i) Lease franchise fee

The franchise fee paid on acquisition of the Perth airport lease, which represents the difference between the Perth airport purchase price and the fair value of the net tangible assets acquired, is amortised on a straight line basis over the life of the lease, being 99 years from 2 July 1997.

ii) Capitalised bid costs

The costs incurred in relation to the Perth airport bid and acquisition have been capitalised and are amortised on a straight-line basis over the life of the lease, being 99 years from 2 July 1997.

(iii) Capitalised finance costs and capitalised US note issue finance costs

All fees and costs incurred in establishing the funding facilities for the acquisition of the Perth airport lease and in refinancing the debt structure have been capitalised and are amortised on a straight-line basis according to the term to maturity of the relevant debt.

(iv) Capitalised masterplan costs

All fees and costs incurred in the development of the masterplan have been capitalised and are amortised on a straight-line basis over five years. This represents the statutory period over which the masterplan is valid.

(v) Aviation development program

Costs incurred relate to feasibility analysis and runway upgrades and are currently being amortised over a period of three years.

l) Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the reporting date and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

m) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except as noted in note 1(k)*(iii)*. Borrowing costs include:

- interest on bank overdraft and long term borrowings
- interest on short and long term subordinated debt
- interest on bonds payable (including capitalised interest component)
- ancillary costs incurred in connection with the ongoing conduct of borrowings.

n) Derivative financial instruments

(i) Forward exchange contracts

The consolidated entity enters into forward exchange contracts where it agrees to sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from payments and receipts in foreign currencies, to protect the consolidated entity against the possibility of loss from future exchange rate fluctuations.

The accounting policy for currency swaps is detailed in note 1(d).

(ii) Interest rate swaps

The consolidated entity enters into interest rate swap agreements that are used to convert the floating interest rates payable on a portion of its debt to fixed interest rates. The swaps are entered into with the objective of reducing the risk of rising interest rates.

It is the company's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.

o) Maintenance and repairs

Maintenance, repair costs and minor renewals, excluding maintenance on runways, taxiways and aprons, are charged as expenses as incurred.

Maintenance on runways, taxiways and aprons is treated in accordance with note 1(j)*(iv)*.

p) Employee benefits

Provision has been made for long service leave and annual leave payable to employees on the basis of statutory and contractual requirements. Vested entitlements are classified as current liabilities.

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

A liability for long service leave is measured as the present value of expected future payments to be made for services provided by employees up to the reporting date. When assessing the adequacy of the provision, consideration is given to the present value of these payments after assessing expected future wage and salary levels, experience of employee departure and period of service.

The company meets its superannuation guarantee and enterprise bargaining obligations for employer's superannuation through contributions to resident complying accumulation superannuation funds selected by employees. If an employee makes no choice, then those contributions are sent monthly to the resident complying superannuation scheme operated by Westscheme Pty Ltd. Contributions made to superannuation funds are charged against profits.

q) Cash

For the purposes of the statement of cashflows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of change in value, net of outstanding bank overdrafts.

r) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

Sydney airport

Table A31. Statement of financial performance[79] for year ended 30 June 2003[80]

Description	Audited financial statements $'000	Aeronautical services[1] $'000	Non-aeronautical services $'000
Revenue:			
Aeronautical revenue	243,373	243,373	-
Aeronautical-related revenue	72,314	10,693	61,621
Other revenue	182,103	1,341	180,762
Total revenue	**497,790**	**255,407**	**242,383**
Expenditure:			
Salaries and wages	44,173	31,609	12,564
Depreciation	104,605	72,573	32,032
Amortisation of Intangibles			
Services and utilities	30,119	16,135	13,984
Property maintenance	12,314	9,378	2,936
Security costs	19,992	19,741	251
Other costs	19,951	13,834	6,117
Total expenditure	**231,154**	**163,270**	**67,884**
Operating profit/(loss)	**266,636**	**92,137**	**174,499**
Earnings before interest and tax (EBIT)	**266,636**		
Interest	362,552		
Earnings before tax (EBT)	**(95,916)**		
Tax charge	(27,789)		
Profit/loss after Tax	**(68,127)**		
Dividends paid			
Retained earnings	**(68,127)**		

79 The names of several of the financial statements and items for SACL have been changed in line with new terminology under accounting standards, but are equivalent to previous years' items.

80 The ACCC did not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.

Table A32. Statement of financial performance[81] for year ended 30 June 2002[82]

Description	Audited financial statements $'000	Aeronautical services $'000	Non-aeronautical services $'000
Revenue			
Aeronautical revenue	228,349	228,349	-
Non-aeronautical revenue	223,224	-	223,224
Other	2,418	240	2,178
Total revenue	**453,991**	**228,589**	**225,402**
Expenditure			
Salaries and wages	48,344	31,865	16,479
Depreciation	101,209	69,754	31,455
Services and utilities	39,859	25,307	14,552
Property maintenance	14,335	10,,209	4,126
Australian Protective Services	9,114	9,114	-
Other costs	26,069	13,150	12,919
Total expenditure	**238,930**	**159,399**	**79,531**
Operating profit/	**215,061**	**69,190**	**145,871**
Profit from ordinary activities before net borrowing costs and income tax (EBIT)	**215,061**	**69,190**	**145,871**
Net borrowing costs	74,840		
Profit from ordinary activities before income tax	**140,221**		
Income tax relating to ordinary activities	53,104		
Profit from ordinary activities after income tax	**87,117**		
Retained profits at beginning	-		
Dividends paid or provided	(26,474)		
Retained profits at end	**60,643**		

81 The names of several of the financial statements and items for SACL have been changed in line with new terminology under accounting standards, but are equivalent to previous years' items.

82 The ACCC did not require an allocation of costs related to amortisation or interest expense because any allocation between aeronautical and non-aeronautical services is likely to be arbitrary.

Table A33. Statement of financial position—year ended 30 June 2003

Description	Audited financial statements $'000	Aeronautical services $'000	Non-aeronautical services $'000
CURRENT ASSETS			
Cash	48,964		
Receivables	38,029	24,791	13,238
Other	3,023		
Total current assets	**90,016**	**24,791**	**13,238**
NON-CURRENT ASSETS			
Receivables	7,300		
Property, plant & equipment	3,212,417	1,646,683	1,565,734
Intangibles	-		
Other	41,607		
Total non-current assets	**3,261,324**		
Total assets	**3,351,340**		
CURRENT LIABILITIES			
Creditors	56,710		
Provisions	7,067	5,057	2,010
Total current liabilities	**63,777**		
NON-CURRENT LIABILITIES			
Borrowings	2,253,733		
Provisions	1,149	822	327
Total non-current liabilities	**2,254,882**		
Total liabilities	**2,318,659**		
Net assets	**1,032,681**		
SHAREHOLDERS' EQUITY			
Share capital	1		
Reserves[1]	1,040,164	274,340	765,824
Accumulated profits/(losses)	(7,484)		
Total shareholders' equity	**1,032,681**		
Accumulated profit(loss) at start of year	**60,643**		
Movements:			
Profit (loss) for the year	(68,127)		
Other (describe if applicable)			
Accumulated profit(loss) at end of year	**(7,484)**		

Table A34. Statement of financial position—year ended 30 June 2002

Description	Audited financial statements $'000	Aeronautical services $'000	Non-aeronautical services $'000
CURRENT ASSETS			
Cash	32,658		
Receivables	23,843	23,137	706
Inventories	-		
Accrued revenue	9,799	223	9,576
Other	2,267		
Total current assets	**68,567**		
NON-CURRENT ASSETS			
Receivables	-		
Investments	-		
Property, plant & equipment	3,085,073	1,568,198	1,516,875
Work in progress	39,918		
Other—future income tax benefit	6,954		
Total non-current assets	**3,131,945**		
Total assets	**3,200,512**		
CURRENT LIABILITIES			
Payables	70,105		
Interest bearing liabilities	-		
Tax liabilities	37,541		
Provisions	7,106	4,684	2,422
Total current liabilities	**114,752**		
NON-CURRENT LIABILITIES			
Interest bearing liabilities	1,159,560		
Deferred tax liabilities	30,508		
Provisions	885	583	302
Total non-current liabilities	**1,190,953**		
Total liabilities	**1,305,705**		
Net assets	**1,894,807**		
EQUITY			
Share capital	794,000		
Reserves	1,040,164	274,340	765,824
Retained profits	60,643		
Total shareholders' equity	**1,894,807**		

Table A35. Statement of cash flows for years ending 30 June 2002 & 2003

	Audited financial statements 2001–02	Audited financial statements 2002–03
	$'000	**$'000**
Cash flows—operating activities		
Inflows:		
Receipts from customers	520,215	545,839
Interest received	602	2,389
Dividends received	-	2
Outflows:		
Payments to suppliers and employees	(150,483)	(183,985)
Interest paid	(65,396) [83]	(364,972)
Income tax paid	(13,799)	(33,306)
Other	(33,698)[84]	
Net cash flows from operating activities	**257,441**	**(34,033**
Cash flows—investing activities		
Inflows:		
Proceeds from sale of property, plant & equipment	348	2,992
Other	23	-
Outflows:		
Acquisition of property, plant and equipment	(53,253)	(238,423)
Other	(608)	(14,404)
Net cash flows from investing activities	**(53,490)**	**(249,835)**
Cash flows—financing activities		
Inflows:		
Proceeds from borrowings	-	2,253,733
Other		
Outflows:		
Repayment of borrowings	(101,902)	(1,159,560)
Dividends paid	(76,097)	-
Return of capital	-	(793,999)
Net cash flows from financing activities	**(177,999)**	**300,174**
Net increase/(decrease) in cash held	**25,952**	**16,306**
Cash at beginning of reporting period	6,706	32,658

83 In 2001–02 this item was identified as borrowing costs paid.
84 In 2001–02 this item refers to Goods and Services Tax paid.

Cash at the end of the reporting period	32,658	48,964

Sydney Airport Corporation Limited regulatory accounting statements

Notes to the regulatory accounting statement

1. Summary of significant accounting policies

i. Basis of preparation

This special purpose financial report has been prepared in accordance with the regulatory information requirements under Part 7 of the *Airports Act 1996* and ss. 21 and 27A of the *Prices Surveillance Act 1983*—as laid out in the *Airports reporting guidelines,* August 2002—for Sydney airport.

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

Significant accounting policies

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

ii. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

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

Aeronautical revenue with the exception of international passenger flights is generated from:

a) charges levied on aircraft runway movements (take off and landing) where the invoiced amount is based on the maximum take off weight of fixed wing aircraft and movements of rotary wing aircraft

b) charges levied on arriving and departing passengers

c) time-based aircraft parking charges

d) charges on first rights use of gates.

Aeronautical revenue for international flights is derived from:

a) a passenger service charge (incorporating runway, security and international terminal use charges) calculated per arriving and departing passenger, excluding transit and transfer passengers, infants and positioning crew

b) Time-based aircraft parking charges

Aeronautical security recovery

Aeronautical security recovery revenue includes charges for:

a) recovery of counter terrorist first response costs and additional security measures which were charged and per tonne landed for domestic services weighing in excess of 20 tonnes

b) passengers' screening which was charged per departing passenger for non-international flights.

The recovery on international flights in included in the passenger service charge that is levied on all arriving and departing passengers excluding transit and transfer passengers, infants and positioning crew.

Aeronautical security recovery is reflected in aeronautical revenue in the statement of financial performance.

Aeronautical-related revenue

Aeronautical-related includes revenue from:

- check-in counter services
- recovery for parking infringement notices (PINS), being reimbursement of costs for administering parking infringements on behalf of the Commonwealth Government
- public and staff car parking activities
- aircraft light and emergency maintenance sites and buildings
- freight equipment storage sites and buildings
- cargo facility sites and buildings.

Non-aeronautical revenue

Non-aeronautical revenue represents the following classes of revenue:

Retail revenue—comprising rental from tenants whose activities include: duty free; food and beverage; other retail; banking and currency; and advertising.

Property revenue—recognised on the invoiced amount of rent due from airport property, including terminals, buildings and other leased areas (other than revenue already recognised as aeronautical-related revenue referred above).

Commercial trading revenue—revenue from all other commercial streams, excluding revenue in relation to time based charged from public and staff car parking. Commercial trading revenue also includes revenue relating to valet parking services and concession charges from car rental.

Asset sales

Asset sales revenue from non-aeronautical assets is recorded as the proceeds from sale. Asset sales revenue is recorded at the date proceeds from the sale are receivable.

Intercompany interest revenue

Intercompany interest revenue is recognised on an accrual basis to the extent that the recoverability of the accrued revenue from the subsidiary is considered to be probable.

iii. Income tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

iv. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation office.

v. Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

vi. Receivables

Trade and other receivables are recorded at amounts due less any provision for doubtful debts. And estimate for doubtful debts is made when collection of the full amount is not longer probably. Bad debts are written off as incurred.

vii. Property, plant and equipment

Cost and valuation

The cost of non-current assets constructed includes all direct costs incurred. These costs include materials, labour, borrowing costs, and other directly related expenditure.

Property, plant and equipment are stated at deemed cost in accordance with Accounting Standards AASB 1041 'Revaluation of non-current assets' and AASB 1010 'Recoverable amount of non-current assets'.

Depreciation and amortisation

Property, plant and equipment assets are depreciated on a straight-line basis at various rates being the shorter of the average useful life for that asset type and if relevant over the remaining period of the lease. Leasehold improvements are amortised over the remaining period of the lease or estimated useful life, whichever is the shorter, using the straight-line method.

The original estimated useful lives of each class of asset are:

- leasehold land term of lease
- leasehold buildings 5–60 years
- runways, taxiways and aprons 6–95 years
- other infrastructure 9–40 years
- operational plant and equipment 14–20 years
- other plant and equipment 3–60 years

viii. Leases

Leases are classified at the inception as either operating or financial leases based on the economic substance of the agreement to reflect the risks and benefits incidental to ownership.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the group are capitalised to property, plant and equipment. A lease liability is also recognised.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of improvements, whichever is the shorter.

ix. Assets acquired

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

x. Recoverable amount

Where the carrying value of non-current assets exceeds their recoverable amount, the assets are written down to the recoverable amount. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market-determined risk-adjusted discount rate.

xi. Maintenance

Major periodic maintenance expenditure on runways, taxiways and aprons is capitalised and written off over the period between major repairs. This recognises that major maintenance will increase the value of the asset and apportion the cost over the period of related benefit. Other maintenance costs are expenses as incurred.

xii. Borrowing costs

Establishment costs are amortised on a straight-line basis over the term of the applicable borrowings.

Borrowing costs comprise interest and the amortisation of costs incurred in establishing borrowing facilities.

Where borrowings are specifically incurred for qualifying assets, the actual borrowing costs are capitalised to those assets. Where borrowings are not specifically incurred for qualifying assets the capitalisation rate is determined as the proportion of the total borrowing costs which relate to the capital development. Borrowing costs are capitalised up to the date when the asset is substantially complete and ready for use and are subsequently amortised over the useful life of the asset.

xiii. Employee benefits

Regular contributions made to defined benefit superannuation plans are charged against profit when incurred.

Provision is made for employee benefits and related on-costs accumulated as a result of employees rendering services up to balance date. The benefits include wages and salaries, incentives, annual leave, and long service leave. Provisions made for employee benefits expected to be settled within 12 months are measured at their normal values using the remuneration rates expected to apply at the time of settlement; and those not expected to be settled within 12 months are measured at the present value of future cash outflows, the interest rates attached to government-guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Provision for employees' incentives is made when the outflow of economic benefits is probable and the amount can be measured reliably.

xiv. Payables

Liabilities for trade creditors and other amounts payable are carried at the principal amount which is the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Settlement terms for other liabilities are set out in the respective notes.

xv. Interest-bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

Bills of exchange and promissory notes are carried at the principal amount plus deferred interest.

xvi. Contributed equity

Ordinary share capital is recognised at the fair value of consideration received by the company. Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

xvii. Fair value

Fair values are determined by reference to purchasing prices in appropriate markets at the time of valuation.

xviii. Comparatives

Comparative information is not required under the regulatory information requirements Part 7 of the *Airports Act 1996* and ss. 21 and 27A of the *Prices Surveillance Act 1983*—as laid out in the *Airports reporting guideline*, August 2002—for Sydney airport.

Appendix C : Airport operational statistics

Adelaide Airport

Table A36. Operational statistics for the years ended 30 June, 1999 to 2003

Description	1998–99	1999–00	2000–01	2001–02	2002–03
PASSENGERS					
Domestic	3,798,598	3,983,019	4,212,961	3,874,178	4,145,966
International (excluding transit)	245,100	263,098	275,948	239,465	215,306
International transit	33,981	28,446	39,028	44,283	41,116
Domestic on-carriage	15,465	10,000	7,361	24,247	31,923
1.1.1.1 TOTAL PASSENGERS	**4,093,144**	**4,284,563**	**4,535,298**	**4,182,173**	**4,434,311**
1.1.1.2 AIRCRAFT MOVEMENTS					
Regular public transport aircraft movements	74,172	76,392	76,450	67,367	69,012
General aviation aircraft movements	36,802	25,774	24,850	28,838	27,924
1.1.1.3 TOTAL AIRCRAFT MOVEMENTS	**110,974**	**102,166**	**101,300**	**96,205**	**96,936**
TOTAL TONNES LANDED	**1,672,105**	**1,693,913**	**1,789,851**	**1,642,507**	**1,623,480**
AVERAGE STAFF EQUIVALENTS					
Aeronautical services	50	35	48	75	50
Non-aeronautical services	31	40	39	29	36
TOTAL AVERAGE STAFF EQUIVALENTS	**81**	**75**	**87**	**104**	**86**
AREA (HECTARES)					
Aeronautical services	468	468	506	506	506
Non-aeronautical services	317	317	279	279	279
TOTAL AREA (HECTARES)	**785**	**785**	**785**	**785**	**785**

Brisbane airport

Table A37. Operational statistics for the years ended 30 June, 1999 to 2003

Description	1998–99	1999–00	2000–01	20001–02	2002–03
PASSENGERS					
Domestic passengers	7,730,099	8,133,185	10,170,397	9,307,700	9,285,396
International passengers (excluding transit)	2,536,627	2,609,009	2,680,299	2,575,738	2,558,296
International transit passengers	279,181	253,347	232,626	237,597	299,616
Domestic on-carriage	166,922	205,854	201,102	199,079	196,978
TOTAL PASSENGERS	**10,712,829**	**11,201,395**	**13,284,424**	**12,320,114**	**12,340,286**
AIRCRAFT MOVEMENTS					
Regular public transport aircraft movements	131,316	130,714	143,468	128,768	127,014
General aviation aircraft movements	27,444	30,050	34,892	21,982	10,672
TOTAL AIRCRAFT MOVEMENTS	**158,760**	**160,764**	**178,360**	**150,750**	**137,686**
TOTAL TONNES LANDED	**5,020,245**	**5,069,217**	**5,659,109**	**5,126,455**	**4,987,386**
AVERAGE STAFF EQUIVALENTS					
Aeronautical services	88	89	86	96	102
Non-aeronautical services	28	29	34	33	35
TOTAL AVERAGE STAFF EQUIVALENTS	**116**	**118**	**120**	**129**	**137**
AREA (HECTARES)					
Aeronautical services	2,195	2,195	1,840	1,840	1,840
Non-aeronautical services	505	505	860	860	860
TOTAL AREA (HECTARES)[85]	**2,700**	**2,700**	**2,700**	**2,700**	**2,700**

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

Canberra airport

Table A38. Operational statistics for the years ended 30 June, 2000 to 2003

Description	1999–00	2000–01	2001–02	2002–03
PASSENGERS				
Domestic passengers	1,979,872	2,114,173	1,825,754	1,920,991
International passengers (excluding transit)	N/A	N/A	N/A	N/A
International transit passengers	N/A	N/A	N/A	N/A
Domestic on-carriage	Not disclosed by airlines	Not disclosed by airlines	Not disclosed by airlines	Not disclosed by airlines
TOTAL PASSENGERS	**N/A**	**N/A**	**N/A**	**1,920,991**
1.1.1.4 AIRCRAFT MOVEMENTS				
Regular public transport aircraft movements	38,870	47,924	N/A	N/A
General aviation aircraft movements	N/A	52,530	N/A	N/A
TOTAL AIRCRAFT MOVEMENTS	**N/A**	**100,454**	**101,374**	N/A
TOTAL LANDED TONNES	**N/A**	**N/A**	**N/A**	**N/A**
AVERAGE STAFF EQUIVALENTS				
Aeronautical services	15	21	25	30
Non- aeronautical services	7	6	11	12
TOTAL AVERAGE STAFF EQUIVALENTS	**22**	**27**	**36**	**42**
AREA (HECTARES)				
Aeronautical services	264	210	286	286
Non-aeronautical services	173	227	151	151
TOTAL AREA (HECTARES)	**437**	**437**	**437**	**437**

Note: N/A = not available

Darwin airport

Table A39. Operational statistics for the years to 30 June, 1999 to 2003

Description	1998–99	1999–00	2000–01	2001–02	2002–03
PASSENGERS					
Domestic	831 821	Na	Na[1]	762,500	877,300
International (excluding transit)	184 859	Na	Na[1]	195,600	152,600
International transit passengers	157 660	Na	Na[1]	95,200	56,500
Domestic on-carriage	45 192	Na	Na[1]	33,900	
TOTAL PASSENGERS	**1 219 532**	**Na**	**Na[1]**	**1,087,200[2]**	**1,086,400**
1.1.1.5 AIRCRAFT MOVEMENTS					
Regular public transport aircraft movements	22 544	26 860	25,830	18,716	18,014
General aviation aircraft movements	58 844	57 760	59,664	49,044	40,590
TOTAL AIRCRAFT MOVEMENTS	**81 388**	**84 620**	**85,494**	**67,760**	**58,604**
TOTAL LANDED TONNES	**637 582**	**720 333**	**801,706**	**592,028**	**527,167**
AVERAGE STAFF EQUIVALENTS					
Aeronautical services	16.5	17.4	17.7	17	24
Non- aeronautical services	12.5	13.1	13.3	13	12
TOTAL AVERAGE STAFF EQUIVALENTS	**29**	**30.5**	**31.0**	**30**	**36**
AREA (HECTARES)					
Aeronautical services	128.7	128.7	128.7	128.7	129
Non-aeronautical services	182.2	182.2	182.2	182.2	182
TOTAL AREA (HECTARES)	**310.9**	**310.9**	**310.9**	**310.9**	**311**

Notes:
1) Darwin airport notes that passenger numbers have not been provided due to non-provision by the airlines and confidentiality requirements.
2) Passenger numbers are estimated.

Melbourne airport

Table A40. Operational statistics for the years ended 30 June, 1999 to 2003

Description	1998–99	1999–00	2000–01	2001–02	2002–03
PASSENGERS					
Domestic passengers	11,568,545	12,266,238	13,442,022	12,705,588	13,367,053
International passengers (excluding transit)	2,725,843	2,988,855	3,363,491	3,406,687	3,275,366
International transit passengers	213,351	238,145	318,904	265,959	163,251
Domestic on-carriage	75,607	77,536	120,504	106,539	112,042
TOTAL PASSENGERS	**14,583,346**	**15,570,774**	**17,244,921**	**16,484,773**	**16,917,712**
AIRCRAFT MOVEMENTS					
Regular public transport aircraft movements	154,332	163,118	185,030	155,682	156,298
General aviation aircraft movements	2,470	1,558	2,334	1,888	1,616
TOTAL AIRCRAFT MOVEMENTS	**156,802**	**164,676**	**187,364**	**157,570**	**157,914**
TONNES LANDED					
International					2,603,790
Domestic					4,576,640
Other					21,870
TOTAL TONNES LANDED	**7,262,427**	**7,775,976**	**8,324,969**	**7,679,935**	**7,202,300**
AVERAGE STAFF EQUIVALENTS					
Aeronautical services	131	137	134	122	120
Non-aeronautical services	56	51	58	53	63
TOTAL AVERAGE STAFF EQUIVALENTS	**187**	**188**	**192**	**175**	**183**
AREA (HECTARES)					
Aeronautical services	1,742.76	1,742.76	1,742.76	1,753.97	1,753.97
Non-aeronautical services	624.54	624.54	624.54	624.54	624.54
TOTAL AREA (HECTARES)	**2,367.30**	**2,367.30**	**2,367.30**	**2,378.51**	**2,378.51**

Perth airport

Table A41. Operational statistics for the years ended 30 June, 1999 to 2003

Description	1998–99	1999–2000	2000–01	2001–02	2002–03
PASSENGERS					
Domestic passengers	3,264,459	3,385,825	3,560,565	3,160,085	3,720,353
International passengers (excluding transit)	1,539,550	1,595,701	1,660,275	1,651,069	1,612,551
International transit passengers	124,946	124,679	28,065	21,833	40,906
Domestic on-carriage	39,363	49,141	15,706	4,238	3,221
TOTAL PASSENGERS	**4,969,318**	**5,155,346**	**5,264,611**	**4,837,225**	**5,377,031**
AIRCRAFT MOVEMENTS					
Regular public transport aircraft movements	61,046	60,868	57,680	49,494	49,451
General aviation aircraft movements	37,434	34,028	27,648	24,946	26,485
TOTAL AIRCRAFT MOVEMENTS	**98,480**	**94,896**	**85,328**	**74,440**	**75,936**
TOTAL TONNES LANDED	**2,560,638**	**2,740,651**	**2,682,492**	**2,412,934**	**2,533,222**
AVERAGE STAFF EQUIVALENTS					
Aeronautical services	69	61	69	61	60
Non-aeronautical services	25	25	30	57	61
TOTAL AVERAGE STAFF EQUIVALENTS	**94**	**86**	**99**	**118**	**121**
AREA (HECTARES)					
Aeronautical services	1,280	1,280	1,280	1,280	1,280
Non-aeronautical services	825	825	825	825	825
TOTAL AREA (HECTARES)	**2,105**	**2,105**	**2,105**	**2,105**	**2,105**

Sydney airport

Table A42. Operational statistics for the years ended 30 June, 1999 to 2003

Description	1998–99	1999–00	2000–01	2001–02	2002–03
PASSENGERS					
Domestic passengers (includes regional)	14,162,607	15,405,739	17,304,786	15,454,981	15,832,168
International passengers (excluding transit)	7,407,506	8,048,190	8,722,667	8,037,750	7,817,003
International transit passengers	577,686	517,080	487,536	461,467	448,753
Domestic on-carriage	306,069	346,522	409,050	370,813	355,037
TOTAL PASSENGERS	**22,453,868**	**24,317,531**	**26,924,039**	**24,325,011**	**24,452,961**
AIRCRAFT MOVEMENTS					
Regular public transport aircraft movements	254,323	262,171	290,492	232,726	230,106
General aviation aircraft movements	26,978	30,939	26,847	22,003	22,410
TOTAL AIRCRAFT MOVEMENTS	**281,301**	**293,110**	**317,339**	**254,729**	**252,516**
TOTAL TONNES LANDED	**12,466**	**12,925**	**13,892**	**12,328**	**11,915,000**
AVERAGE STAFF EQUIVALENTS					
Aeronautical services	338	352	346	300	283
Non-aeronautical services	89	122	136	108	118
TOTAL AVERAGE STAFF EQUIVALENTS	**427**	**474**	**482**	**408**	**401**
AREA (HECTARES)					
Aeronautical services	718.6	669.4	669.4	669.4	671
Non-aeronautical services	167.9	216.7	228.7	236.0	236
TOTAL AREA (HECTARES)	**886.5**	**886.1**	**898.1**	**905.4**	**907**

Appendix D : Airport charges

Adelaide airport

Table A43. Schedule of aeronautical charges

Dates schedule effective from/to: as at 30 June 2003

Service / Infrastructure covered	Basis of charge (eg MTOW)	Charge per unit $ (incl. GST)
Aircraft movement facilities and activities		
International passenger air transport aircraft	Passenger	11.22
Domestic passenger air transport aircraft weighing more than 20,000 kg MTOW	Passenger	3.85
	MTOW	11.55
Aviation Insurance recovery charge, aircraft weighing more than 20,000kg MTOW	MTOW	0.49
Domestic passenger air transport aircraft weighing less than 20,000 kg MTOW (note 1)	MTOW	5.28
Aviation Insurance recovery charge, aircraft weighing less than 20,000kg MTOW	MTOW	0.14
Freight aircraft and aircraft not operating air transport services (note 1)	MTOW	5.28
Rotary wing and unpowered aircraft (note 2)	MTOW	2.64
Parking charge for aircraft parked longer than 2 hours in a designated general aviation parking area.	Per day or part thereof	12
Passenger processing facilities and activities		
Common user domestic terminal charge	Passenger	2.2
APS Security charge where aircraft has been charged on a per passenger basis and the aircraft weighs more than 20,000 kg MTOW	Passenger	0.94
APS Security charge where the aircraft weighs more than 20,000 kg MTOW	MTOW	1.2
Security charge for use of International Terminal inclusive of APS security, baggage screening and passenger screening	Passenger	6.17
Security screening of international transit passengers	Passenger	3.65

Table A44. Schedule of aeronautical-related charges

Dates schedule effective from/to: as at 30 June 2003

Service / Infrastructure covered	Basis of charge (eg. sq. metre)	Charge per unit $ (incl. GST)
Aircraft movement facilities and activities		
Landside vehicle access to terminals	No charge	
Public and staff car parking	See tariffs below	
Taxi holding and feeder services	No charge	
Check-in counters and related facilities	Per sq. meter	108.36
Aircraft light and emergency maintenance sites and buildings	Per sq. meter	Average $17.03

Dates schedule effective from/to: 1/7/02 to 30/6/03

Public car parking		
Short Term	00 - 30 mins	$ 3.00
	31 - 60 mins	$ 4.00
	61 - 90 mins	$ 6.00
	91 - 120 mins	$ 7.00
	2 - 3 hours	$ 8.00
	3 - 4 hours	$ 9.00
	4 - 5 hours	$ 10.00
	5 - 6 hours	$ 11.00
	6 - 7 hours	$ 12.00
	7 - 8 hours	$ 13.00
	8 - 9 hours	$ 14.00
	9-10 hours	$ 15.00
	10 - 24 hours	$ 16.00
	Per day	$ 16.00
Long term rate	Per day after day 5	$ 10.00

Brisbane airport

Table A45. Schedule of aeronautical charges

Dates schedule effective from/to: 1 July 2002 to 30 June 2003

Service / Infrastructure covered	Basis of charge (eg MTOW)	Charge per unit $ (incl. GST)
Aircraft movement facilities and activities		
Domestic landing fees	per MTOW	$ 8.80
Freight landing fees	per MTOW	$ 8.80
GA landing fees	per MTOW (subject to a minimum charge)	$ 8.80
Rotary wing landing fees	per MTOW (subject to a minimum charge)	$ 4.40
Large aircraft parking fees	per 24 hours of parking	$ 357.50
Small aircraft parking fees	per 24 hours of parking	$ 27.50
Aeronautical volume discount	Commercial agreements	na
Fuel throughput fees (Jul–02 to Jan–03)	per litre	$ 0.00403
Fuel throughput fees (Jan–03 to Jun–03)	per litre	$ 0.00445
Passenger processing facilities and activities		
International passenger service charge	per arriving and per departing international passenger	$ 9.82
Domestic express terminal fees—including Aerobridge	per arriving and per departing domestic passenger	$ 1.91
Domestic express terminal fees—excluding Aerobridge	per arriving and per departing domestic passenger	$ 1.47
Govt mandated security—international APS	per departing international passenger	$ 1.32
Govt mandated security—international passenger screening	per departing international passenger	$ 1.92
Govt mandated security—international checked baggage screening	per departing international passenger	$ 1.92
Govt mandated security—international other additional security	per departing international passenger	$ 0.18
Govt mandated security—domestic APS	per MTOW	$ 1.03
Govt mandated security—domestic other additional security	per MTOW	$ 0.13

Table A46. Schedule of aeronautical-related charges

Dates schedule effective from/to: 1 July 2002 to 30 June 2003

Service /infrastructure covered	Basis of charge (eg. sq. metre)	Charge per unit $ (incl. GST)
Aircraft movement facilities and activities		
Public and Staff Car parking	per hour of usage, or per days of use	See Appendix A
Taxi holding and feeder services	per vehicle trip	See Appendix B
International Check-in Desk fee	per hour of usage	$ 31.55
International Service Desk fee	per hour of usage	$ 20.30
Aircraft light and emergency maintenance sites and buildings	Site Leases	na
Freight Facility Sites and Buildings	Site Leases	na

International car park BAC 2002–03 car parking rates

	From 1 July 2003 to 30 April 2003	**From 1 May 2003**
Hours	**Rate inc GST ($)**	**Rate inc GST($)**
0 to 0.5	5.00	5.00
0.5 to 1	6.00	7.00
1 to 2	8.00	9.00
2 to 3	10.00	11.00
3 to 4	12.00	13.00
4 to 5	14.00	15.00
5 to 6	15.00	17.00
6 to 7	16.00	19.00
7 to 8	17.00	21.00
8 to 9	18.00	22.00
9 +		22.00

Refer to long-term domestic rates for more than 24 hours

Domestic short term car parking

	From 1 July 2003 to 30 April 2003	**From 1 May 2003**
Hours	**Rate inc GST($)**	**Rate inc GST($)**
0 to 0.5	5.00	5.00
0.5 to 1	6.00	7.00
1 to 2	8.00	9.00
2to 3	10.00	11.00
3 to 4	12.00	13.00
4 to 5	14.00	15.00
5 to 6	15.00	17.00
6 to 7	16.00	19.00
7 to 8	17.00	21.00
8 to 9	18.00	22.00
9 to 10	19.00	23.00
10 to 11	20.00	24.00
11 to 12	21.00	25.00
12 to 13	22.00	26.00
13 to 14		27.00
14 to 15		28.00
15 to 16		29.00
16 to 17		30.00
17 +		30.00

Domestic long-term car park

From 1 July 2003 to 30 April 2003 **From 1 May 2003**

Hours	**Rate inc GST($)**	**Rate inc GST($)**
1 day or part thereof	22.00	22.00
2 days or part thereof	38.00	38.00
3 days or part thereof	54.00	54.00
4 days or part thereof	70.00	70.00
5 days or part thereof	78.00	78.00
6 days or part thereof	86.00	86.00
7 days or part thereof	86.00	86.00
8 days or part thereof	94.00	94.00
9 days or part thereof	102.00	102.00
10 days or part thereof	110.00	110.00
11 days or part thereof	118.00	118.00
12 days or part thereof	126.00	126.00
13 days or part thereof	134.00	134.00
14 days or part thereof	134.00	134.00
15 days or part thereof	142.00	142.00
Every day thereafter	8.00	8.00
Every 7th day free	-	-

BAC 2002–03 ground transport fees

Per vehicle trip

Vehicle categories	Size	Price incl GST ($)
Large bus	Above 30 passengers	5.00
Medium bus	13 to 29 passengers	3.00
Small bus	6 to 12 passengers	2.00
Limousine	Below 6 passengers	1.00
Courtesy car	Below 6 passengers	1.00
Taxi fee	To 31 March 2003	1.00
Taxi fee	From 1 April 2003	2.00

Canberra airport

Table A47. Schedule of aeronautical charges

Dates schedule effective from/to: 30 October 2001 to present day

Service / Infrastructure covered	Basis of charge (eg MTOW)	Charge per unit $ (incl. GST)
Aircraft movement facilities and activities		
Landing charges—RPT		
RPT base landing charge [(1)]	PAX	$5.40
RPT landing charge discounts [(2)]		negotiated
Airport development charges: necessary new investment charges: [(3)]	PAX	$1.32
Security levy: [(4)]		
To : 1 Jul 2002 to 30 Sept 2002	PAX	$0.01
From: 1 Oct 2002 to current	PAX	$0.33
Landing charges—general aviation		
Landing charges and access fees		
. Landing charge	$ /tonne MTOW	$5.84
. Access <2,500 kg	$ /tonne MTOW	$16.41
. Access 2,500 - 4,000 kg	$ /tonne MTOW	$32.81
. Access 4,000 - 5,700 kg	$ /tonne MTOW	$54.70
. Access >5,700 kg	$ /tonne MTOW	$11.50
General aviation access permits [local]		
. <2,500 kg	Grass - /tonne pa	$1,597.09
. <4,000 kg	Apron - /tonne pa	$2,794.91
Airside licence fee	Negotiated - pa	

Table A49. Schedule of aeronautical-related charges

Dates schedule effective from/to: 1 July 2002 to 30 June 2003

Service /infrastructure covered	Basis of charge (eg. sq. metre)	Charge per unit $ (incl. GST)
<u>Aircraft movement facilities and activities</u>		
Landside Vehicle Access to Terminals		*not applicable*
Public and staff car parking		
Terminal parking	Time costing	Note 1
Terminal Parking to Tenants	$ /space/pa	Not provided
Taxi holding and feeder services		
Taxi cabs [1]	Set fee per visit	2
Hire cars & com car	$ per licence agreement	Not provided
Check-in counters and related facilities		
Note that terminal use charges are not disaggregated		
Aircraft light and emergency maintenance sites and buildings		
Land rent	$ /m2	various negotiated market rates
Land rent	$ /m2	various negotiated market rates

Note 1

Short stay car park rates	
0 – 1/2 hour	$1.00
1/2 – 1 hour	$1.50
1 – 1 1/2 hours	$2.20
1 1/2 – 2 hours	$3.30
2 – 4 hours	$5.50
4 – 24 hours	$17.50
24 – 48 hours	$35.00
Thereafter $15 per 24 hours	
Long stay parking rates	
4 – 24 hours (cost for 1 day)	$13.00
28 – 48 hours (cost for 2 days)	$26.00
52 – 72 hours (cost for 3 days)	$39.00
More than 3 days	$39.00 plus $6.00 per 24 hours or part thereof

Darwin airport

Table A50. Schedule of aeronautical charges

Dates schedule effective from/to: 1 Jul 2002 to 30 June 2003

Service /infrastructure covered	Basis of charge (eg MTOW)	Charge per unit $ (incl. GST)
<u>Aircraft movement facilities and activities</u>		
Airport services charge		
applies to all arriving and departing passengers on scheduled RPT flights.	per passenger	$ 5.48
General landing charges		
Applies to general aviation aircraft and other aircraft not charged on a per passenger basis		
– Domestic landings	per tonne MTOW	$ 15.40
– International landings	per tonne MTOW	$ 16.51
Advance purchase landing charges		
available to aircraft below 10,000kg MTOW and not used for RPT services. Can be purchased for periods between 1 and 12 months.	per tonne MTOW	$318.75–$2,700.00

Passenger processing facilities and activities

Charges relating to forward airline support area services, departure lounge, immigration and customs areas, baggage make-up, handling and reclaim areas and other areas relevant to passenger processing are charged according to lease agreements and other agreements in place and as negotiated from time to time with the relevant parties. Charges are generally calculated on a $/square meter basis.

Passenger facilities charge

From 1 October 2002 a per passenger charge (PFC) of $2.75 (incl GST) per arriving and departing passenger for the use of terminal facilities was introduced and replaced traditional terminal rentals covering those services. The PFC covers services and facilities in relation to check in facilities, use of baggage make-up, handling and reclaim areas, departure lounges and other relevant passenger processing facilities.

Table A51. Schedule of aeronautical-related charge

Dates schedule effective from/to: 1 July 2002 – 30 June 2003

Service /infrastructure covered	Basis of charge (eg. sq. metre)	Charge per unit $ (incl. GST)
Aircraft movement facilities and activities		
Landside vehicle access to terminals		
– private hire and limousine services	per parking bay per annum	$ 1,623.60
– airport shuttle services	% of turnover based on negotiated agreements	
Public and staff car parking		
– Public parking (public carpark)	per vehicle per day	$ 4.00
– Public parking (locked compound)	per vehicle per day	$ 13.20
– Staff car parking	per parking bay per annum	$ 380.60
– Other authorised parking	per parking bay per annum	$570.90 – $1,228.70
Taxi holding and feeder services		no charge
Check-in counters and related facilities		
– from 1 October 2002	per arriving and departing passenger	$ 2.75
Aircraft light and emergency maintenance sites and buildings		

Melbourne airport

Table A52. Schedule of aeronautical charges

Dates schedule effective from/to: 1 July 2002 - 30 June 2003

Description	Details	Basis of charge	Charge per unit $ (incl. GST)
Landing charge			
- International (for passenger aircraft utilising international terminal operated by Melbourne airport)	Same charge for year	per passenger	$11.00
- Other (for passenger aircraft not utilising international terminals operated by Melbourne airport)	Same charge for year	per passenger	$3.30
Domestic express terminal	From 1 July to 24 August 2002	per passenger	$1.65
South terminal		per passenger	$3.63
International freight	Includes minimum charge of $121.00	MTOW	$6.60
Domestic freight	Includes minimum charge of $121.00	MTOW	$6.60
General aviation	Includes minimum charge of $165.00	MTOW	$11.00
Parking	Applicable after first 6 hours	per 15 minutes	$27.50
Common user pax screening	Period 1 July 2002 to 30 September 2002	per departing passenger	$0.46
	Period 1 October 2002 to 31 December 2002	per departing passenger	$1.10
	Period 1 January 2003 to 31 March 2003	per departing passenger	$0.85
	Period 1 April 2003 to 30 June 2003	per departing passenger	$0.90
Int. pax & bag screening	Period 1 July 2002 to 30 September 2002	per departing passenger	$2.06
	Period 1 October 2002 to 31 March 2002	per departing passenger	$3.10
	Period 1 April 2003 to 30 June 2003	per departing passenger	$3.30
APS (passengers)	Period 1 July 2002 to 30 September 2002	per departing passenger	$0.60
	Period 1 October 2002 to 31 December 2002	per departing passenger	$0.70
	Period 1 January 2003 to 31 March 2003	per departing passenger	$0.50
	Period 1 April 2003 to 30 June 2003	per departing passenger	$0.00

Table A53. Schedule of aeronautical-related charges

Dates schedule effective from/to: 1 July 2002 – 30 June 2003

Service /infrastructure covered	Basis of charge (eg. sq. metre)	Charge per unit $ (incl. GST)
Aircraft movement facilities and activities		
Landside vehicle access to terminals	NA	NA
Public and staff car parking	per hour	
Taxi holding and feeder services	per passenger	Period July 2002: $0.66 Period August 2002 to July 2003: $1.32
Check-in counters and related facilities	NP	NP
Aircraft light and emergency maintenance sites and buildings	NA	NA

Perth airport

Table A54. Schedule of aeronautical charges

Dates schedule effective from/to: 1 July 2002 to 31 December 2002

Service / Infrastructure covered	Basis of charge (eg MTOW)	Charge per unit $ (incl. GST)
Aircraft movement facilities and activities		
Basic landing charge	Fixed Wing International RPT—per arriving & departing pax	3.960
	Fixed Wing Domestic & Regional RPT—per arriving & departing pax	3.960
	Fixed Wing—Per Tonne MTOW (GA, Freight & Other)	7.227
	Rotary Wing - Per Tonne MTOW	3.608
Minimum landing charge	Fixed Wing	33.000
	Rotary Wing	17.600
Basic aircraft parking charge	Per Aircraft per Day (GA)	27.500
Passenger processing facilities and activities		
International terminal charge	Per arriving & departing pax through the terminal	5.500
Government mandated security costs		
Australian protective services	Per Tonne MTOW (aircraft>20 tonne only)	1.526
Passenger screening	Per departing international pax	1.594
Checked bag screening	Per departing international pax	0.728
Dates schedule effective from/to:	31 December 2002to 30 June 2003	
Aircraft movement facilities and activities		
Basic landing charge	Fixed Wing International RPT—per arriving & departing pax	3.960
	Fixed Wing Domestic & Regional RPT—per arriving & departing pax	3.960
	Fixed Wing—Per Tonne MTOW (GA, Freight & Other)	7.227
	Rotary Wing—Per Tonne MTOW	3.608
Minimum landing charge	Fixed Wing	33.000
	Rotary Wing	17.600
Basic aircraft parking charge	Per Aircraft per Day (GA)	27.500
Passenger processing facilities and activities		
International terminal charge	Per arriving & departing pax through the terminal	5.500
Domestic terminal charge*	Per arriving & departing pax through the terminal	3.575
Domestic aerobridge charge	Per arriving & departing pax using an aerobridge	0.550
Government mandated security costs		
Australian Protective Services	Per departing international pax	1.781
	Per departing domestic pax through Multi-User Domestic Terminal	1.671
	Per departing domestic pax other than through Multi-User terminal	1.419
	Freight & Other—per tonne MTOW (aircraft>20 tonne only)	1.679
Passenger screening	Per departing international pax	1.954
	Per departing domestic pax through Multi-User Domestic Terminal	1.123
Checked bag screening	Per departing international pax	1.012

*The Domestic terminal charge is a step charge reducing based on airline volume through the terminal. Domestic charges commenced on 8 December 2002 when the terminal re-opened under WAC management

Table A55. Schedule of aeronautical-related charges

Dates schedule effective from/to: 1 July 2002 to 30 June 2003

Service / Infrastructure covered	Basis of charge (eg. sq. metre)	Charge per unit $ (incl. GST)
Aircraft movement facilities and activities		
Landside vehicle access to terminals	Number of special purpose vehicles (e.g. buses, limos, etc)	2.20
Public car parking	See schedules following	
Staff car parking	See Note 1	N/A
Taxi holding and feeder services	Number of taxi pick ups	1.10
Check-in counters and related facilities	See Note 2	N/A
Aircraft light and emergency maintenance sites and buildings	Square metres	Note 1 below

Note 1: Aircraft light & emergency maintenance sites & buildings are leased on commercial terms to a range of tenants. As such, there is no common rate of rental that can be reported here.

Note 2: The check in counters noted here are in the international terminal. Some of the counters are covered by a specific licence and have a fixed monthly charge while others are based on some measurement of usage (passengers or time). WAC also provides check in counters in the multi-user domestic terminal, but there is no separate charge for these counters, so the revenue is included as aeronautical in this report.

Public car parking

Dates schedule effective from/to:	1 July 2002 to 8 October 2002	
Public car parking		
	First 5 minutes	Free
	5 minutes to 35 minutes	3.30
	35 minutes to 1 hour	4.40
	1 hour to 2 hours	5.50
	2 hours to 3 hours	6.60
	3 hours to 4 hours	7.70
	4 hours to 5 hours	8.80
	5 hours to 6 hours	9.90
	Over 6 hours	16.50
	Daily Rates	
	First 7 days—per day	16.50
	Each day thereafter	11.00

Date schedule effective from/to:	9 October 2002 to 30 June 2003	
Public car parking		
	First 5 minutes	Free
	5 minutes to 30 minutes	3.30
	30 minutes to 1 hour	4.60
	1 hour to 2 hours	5.80
	2 hours to 3 hours	6.80
	3 hours to 4 hours	8.00
	4 hours to 5 hours	9.20
	5 hours to 6 hours	10.20
	Over 6 hours	16.00
	Daily rate—Domestic	
	First 3 days—per day	16.00
	Each day after 3 days	2.00
	Daily rate—International	
	First 2 days—per day	16.00
Aircraft light and emergency maintenance sites and buildings	Each day after 2 days	2.00

Sydney airport

Table A56. Schedule of aeronautical charges

Dates schedule effective from/to: 1 July 2002 to 30 June 2003

Service / Infrastructure covered	Basis of charge (eg MTOW)	Charge per unit $ (incl. GST)
Aircraft movement facilities and activities		
Runway charges		
Domestic (b)(c)	Runway charge	Refer notes below
International (b)(c.)	Runway charge	Refer notes below
Australian Protective Service Charge (APS) (g)	MTOW/PSC	Refer notes below
Aircraft parking charge		
Major SACL aprons	$35.00 per 15 minutes	$35.00 per 15 minutes
GA Area	$60.00 per day	$60.00 per day
Domestic terminal infrastructure charge	Commercial agreement	n/a
Aircraft refuelling services	Commercial agreement	n/a
Additional security measures	MTOW/PSC	Refer notes below
Passenger processing facilities and activities		
International passenger terminal charge (d)	PSC	Refer notes below
T2 Domestic terminal charge (e)	PSC	Refer notes below
Domestic express terminal (f)	PSC	Refer notes below
Passenger screening (h)(i)	PSC	Refer notes below
Checked bag screening (j)	PSC	Refer notes below

Notes:
a) Unless stated otherwise, rates are current as at 30 June 2003 (GST exclusive).

b) Subject to a minimum charge per movement of $50 (GST exclusive).

c) The runway charge is applicable for each fixed wing powered and unpowered aircraft not subject to the passenger services charge. The runway charge applicable from 1 July to 31 December 2002 is $3.45 per 1000 kg MTOW pro rata per runway movement. However, effective 1 January, 2003, this charge increased to $3.46 per 1000 kg MTOW pro rata per runway movement. The charge for regional services was $3.44 per 1000kg MTOW pro rata per runway movement for the period 1July 2002 to 30 June 2003, subject to minimum charges of $20.00 per runway movement (0-5 tonnes), $41.25 per runway movement (5-10 tonnes) and $50.00 per runway movement for aircraft weighing greater than 10 tonne.

d) The passenger services charge for international services is a charge per embarking and disembarking passenger (excluding Transit passengers, Transfer passengers, Infants and positioning crew) on fixed wing passenger aircraft embarking or disembarking passengers through the Sydney airport international terminal, subject to a minimum charge per movement of $50.00. The applicable charge from 1 July 2002 to 31 December 2002 was $15.23. The applicable charge from 1 January 2003 to 30 June 2003 is $15.27. The above charges exclude passenger screening charges, checked bag screening charges, Australian Protective Services charges and charges in relation to Additional Security Measures which are usually combined but have been broken out for this exercise. Note, the revenue reported against the passenger services charge is representative of:

—Runway fees in relation to international services

—International terminal management fee.

e) The T2 Passenger Facilitation Charge (PFC) is applicable to both arriving and departing passengers travelling on both domestic and regional services operating from within the domestic common user passenger terminal facilities, also known as Terminal 2 (T2). The charge applicable to arriving and departing passengers on domestic services from 1 July to 30 June 2003 is $6.50 per passenger. The charge applicable to arriving and departing passengers on regional services is $4.50 per passenger.

f) The Domestic Express Terminal charge is applicable to both arriving and departing passengers utilising the Domestic Express Terminal. The applicable charges for 1 July 2002 to 30 June 2003 are $1.74.

g) The Australian Protective Services charge (APS) also known as the Counter Terrorist First Response charge (CTFR) is applicable to all aircraft weighing more than 20,000 kg MTOW and not subject to the International Passenger Services Charge (PSC). The APS charge (per landing) applicable from 1 July to 30 June 2003 is $0.60 per 1000 kg MTOW pro rata (GST exclusive) for aircraft weighing more than 20,000 kg and not subject to passenger charges. Where passenger charges are applicable, the APS charge usually included in the International PSC but broken out for this exercise was $0.49 per arriving & departing passenger from 1 July 2002 to 30 June 2003.

h) The passenger screening charge for international services which is usually included in the International PSC but has been broken out for this exercise was $0.81 per arriving and departing passenger for the period 1 July 2002 to 30 June 2003;

i) The passenger screening charge for the domestic terminals (Domestic Express and T2) is charged on a per departing passenger basis. The applicable charge for domestic passenger screening from 1 July to 30 June 2003 is $1.79 (GST exclusive) per departing passenger, although the actual charge to airlines is calculated each month based on actual costs and passenger throughput.

j) The checked baggage screening charge for international services which is usually included in the international PSC but has been broken out for this exercise are as follow. Applicable from 1 July 2002 to 30 June 2003 is $1.06 per arriving and departing passenger.

k) The additional security measures (ASM) charge is applicable to all aircraft weighing more than 20,000 kg MTOW and not subject to the International PSC. The ASM charge applicable from 1 July 2002 to 31 March 2003 is $0.23 per 1000 kg MTOW pro rata (GST exclusive) per landing, and $1.40 from 1 April 2003 to 30 June 2003 per 1000 kg MTOW pro rata (GST exclusive) per landing. Aircraft operating out of the international terminal are subject to the international passenger services charge (PSC) which incorporates ASM recovery. The applicable ASM charge which is usually included in the International PSC but has been broken out for this exercise is $0.73 from 1 July 2002 to 31 March 2003 and $2.93 per arriving and departing passenger, with the increase in charge to recover war and terrorism insurance cost.

Table A57. Schedule of aeronautical-related charges

Dates schedule effective from/to: 1 July 2002 to 30 June 2003

Service / Infrastructure covered	Basis of charge (eg. sq. metre)	Charge per unit $ (incl. GST)
Aircraft movement facilities and activities		
Landside vehicle access to terminals	Commercial agreement	n/a
Public and staff car parking (a)	Timed charges/commercial agreement	Refer notes below
Taxi holding and feeder services	n/a	n/a
Check-in counters and related facilities	$/hour/min	Refer notes below
Aircraft light and emergency maintenance sites and buildings	$/m2	Various
Freight equipment storage sites and buildings	$/m2	Various
Cargo facility sites and buildings	$/m2	Various

Dates schedule effective from/to: at 30 June 2003

(a) Public car parking charges	
Domestic & international terminals public car parks	
First 30 minutes	$6
31-60 minutes	$12
1–2 hours	$17
2–3 hours	$19
3–4 hours	$22
4–5 hours	$27
5–24 hours	$35
First 30 minutes	$6
Long stay car park	
0–48 hours	$35
Each day thereafter	$13
Special super savings Offer up to 30 June 2003	
7 + days	$99 max
Staff car parking	
Based on various commercial agreements	
(b) Check in counters and service desk charges at 30 June 2003 are as follows (excl of GST)	
Check-in counters	$17 per hour
Service desks	$10 per hour
(c) Annual rentals for leased sites and buildings are based on a commercially agreed rate per square metre (m2).	