

2019-2020

# ANNUAL REPORT

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airservices



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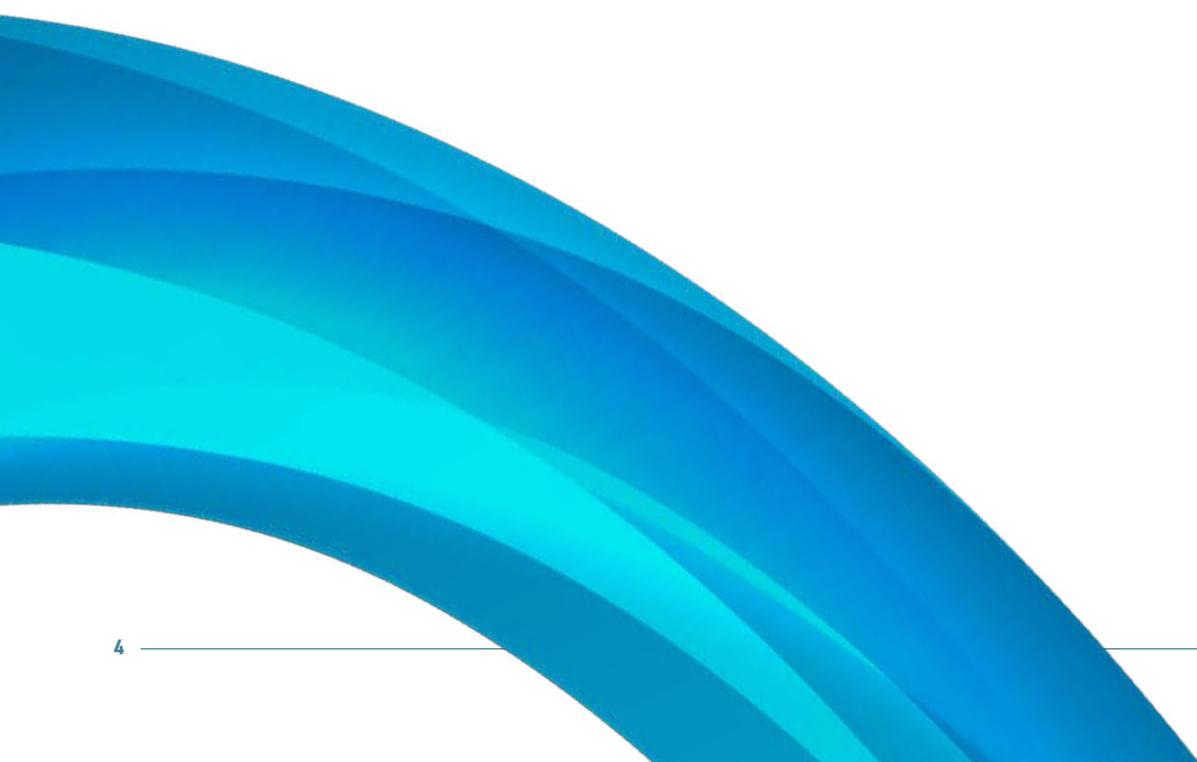
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# LETTER OF TRANSMITTAL





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

Dear Deputy Prime Minister

**Airservices Annual Report 2019–20**

On behalf of the Board of Airservices Australia, I am pleased to submit to you the Airservices Australia Annual Report for the financial year 2019–20 as required under section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

During 2019–20 we were accountable to the Australian Parliament and to the Australian Government through your portfolio as the Minister for Infrastructure, Transport and Regional Development. The Board, as the accountable authority of Airservices Australia, is responsible for preparing and submitting this report to you. It was endorsed at our meeting on 16 September 2020.

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

This report outlines the achievements and milestones met by Airservices, and includes a review of operations and financial statements for the year ending 30 June 2020.

The performance statement has been prepared to demonstrate our performance over the 2019–20 period against the Airservices 2019–20 Corporate Plan. It reports against our key performance measures and initiatives articulated within the Plan. The appropriateness of the performance statement was reviewed by Airservices Board Audit and Risk Committee at its meeting on 7 September 2020.

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

Yours sincerely

A handwritten signature in black ink, appearing to read "John Weber".

John Weber  
Chairman

16 September 2020

# CHAIRMAN'S REPORT

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The 2019-20 reporting period has been both historical and unique, a true exemplar of the notion that every great challenge brings equal opportunity.

Events such as a devastating bushfire season and the rapid spread of the COVID-19 pandemic across the globe will ensure this year is long remembered as a watershed moment for our organisation, the aviation industry and the nation we serve.

Just 12 months ago, a significant focus of the Airservices strategy was preparing for steady long-term growth in the commercial airline industry, with passenger movements expected to double by 2040.

Of course, these forecasts have now fundamentally shifted. As part of a suite of measures to manage the COVID-19 pandemic, Australia's international borders have been closed since March 2020, and at the time of writing were expected to remain shut until at least 2021. The states and territories have also introduced various domestic border closures and restrictions on movement. For the most part, the people of Australia are staying close to home.

The resulting 58.5 per cent decrease in traffic in Quarter 4 2019-20 compared to Quarter 4 2018-19, has had an immediate and devastating impact on our airline customers. Although an eventual return to the previous growth trajectory is expected, it may take some years given reduced discretionary spending and demand for business travel.

Therefore, it is essential Airservices continues its preparations for the future, even as we manage the immediate disruption. It is clear we have a leading role to play in supporting the recovery of the commercial airline industry as well as facilitating safe and efficient growth over the longer term.

Delivery of OneSKY, Australia's harmonised civil and military air traffic management system in partnership with Defence, remains on track. This world-leading program is expected to unlock more than \$1.2 billion in economic benefits for our customers and the aviation industry over the next 20 years.

Meanwhile, the very factors that have brought such significant disruption to one part of the industry are creating opportunity elsewhere.

The COVID-19 pandemic has only amplified demand for the services that could be provided by autonomous vehicles. One such forward-looking scenario is a drone delivering food and medical supplies to a person in mandated quarantine; another is where the risk of transmission during an outbreak is high, an essential worker travels to and from their workplace via unmanned aerial taxi rather than risk mass public transport.



Our work to integrate these new entrants into Australia's airspace continues at pace and will grow in focus over the next 12 months and beyond.

We also recognise the need to exercise exceptional financial stewardship as we work to deliver value to our customers, particularly amidst the current challenges. We have been continually improving the efficiency of our operations since 2016, culminating in our announcement on July 1 2019 of a 2 per cent reduction in airways service charges.

Early in the current reporting period we also returned a \$200m capital repayment to our shareholder, the Australian Government, for the benefit of the wider Australian community.

I am privileged to present the Airservices 2019-20 Annual Report. While the challenges of the past 12 months have been undeniable, we have risen to the occasion and stand ready to support the industry during its recovery from the impacts of the COVID-19 pandemic, and on the journey to the safe, efficient and prosperous future that lies beyond.



**John Weber**  
Chairman

**“It is essential  
Airservices continues  
its preparations for  
the future, even as we  
manage the immediate  
disruption”**

# CHIEF EXECUTIVE OFFICER'S REPORT



The Airservices mandate is a straightforward one. We are charged with ensuring the safe, reliable and efficient use of airspace for all users through the provision of services that are valued by the industry.

In 2019-20, we delivered on that mandate to a standard of excellence, every day, without exception. For the fourth year in a row we recorded zero significant attributable safety occurrences, further proving that Australia sets the global benchmark for aviation safety standards.

During a disruptive year, our air traffic management staff safely handled more than 3.5 million aircraft movements and our fire fighters saved 11 lives. Our Lost Time Injury Frequency Rate continued to trend downwards, returning the strongest result for Airservices in the past five years.

We achieved these exceptional safety outcomes despite the well-documented challenges in the external environment. We were proud to support Australia's co-ordinated response to the bushfire emergency of late 2019 and early 2020, committing 17 specialist vehicles and more than 200 fire fighters from across Australia to multi-agency fire control and recovery efforts.

Importantly, we provided this aid without any interruption to the exceptional day-to-day service delivery our airline customers have come to expect, both in the sky and on the ground.

Throughout the ongoing COVID-19 pandemic, we have maintained our dual focus on safe and continuous service provision and the protection of the health and wellbeing of our people. Critically, we have also moved quickly to reduce our operating costs to a minimal but sustainable level, identifying savings of more than \$30m in the final quarter of the reporting period alone.

These cost reduction initiatives and other efficiency measures are ongoing as we continue to provide our customers with value at a time when they need it the most.

Of course, our focus on financial sustainability is balanced with the work we need to prepare for the aviation ecosystem of the future. Our mandate is to facilitate safe and efficient airspace access for all users, a responsibility that starts at ground level and has no upper limit.

Demand for unmanned aerial vehicles (UAVs) and other new technologies for access to our airspace has never been higher, and we are working with government and industry partners to facilitate their safe and productive integration with conventional airspace users.

This reporting period, we successfully completed the first pilot of our UAV Integration and Management Services Program, which involved installing specialist

**“Our mandate is to facilitate safe and efficient airspace access for all users.”**





surveillance equipment at our 29 air traffic control towers around the country in conjunction with the Civil Aviation Safety Authority. This will act as the foundation for a sophisticated drone surveillance platform and allow us to improve safety outcomes around our airports as we welcome these new entrants to our skies.

Meanwhile, we reached several critical milestones in the OneSKY Program over the course of the reporting period as we work collaboratively with Defence to deliver Australia's air traffic management system of the future.

Construction of the two new air traffic service centres required to support OneSKY in Brisbane and Melbourne has progressed significantly over the past 12 months, despite the supply chain and logistical challenges posed by the bushfires and the COVID-19 pandemic.

This year we also made significant progress in our Airspace Modernisation Program, receiving regulatory approval to lower Class E airspace nationally and conduct a 12-month trial of Class E steps at Ayers Rock. This program will be key to unlocking the \$1.2 billion in benefits OneSKY will deliver to industry over the next 20 years.

The work we do to support the development of Australia's airports also yielded results in this reporting period. New runways were commissioned at Brisbane and Sunshine Coast Airports, marking the culmination of multi-year projects to design airspace and support other infrastructure requirements. This included the opening of a new fire station at Brisbane Airport.

Last but not least, this year, we made substantial progress toward our commitment to building a safe and inclusive workplace underpinned by a culture of trust, care, and accountability.

Most significantly, Elizabeth Broderick & Co delivered the final report into their review of Airservices workplace culture in May 2020. We are on track with the implementation of the subsequent action plan, which outlines the key steps we will take to achieve our target culture.

The 2019-20 Airservices Annual Report is a reflection of a challenging year for Australia's aviation industry. Nonetheless, we are proud of what we have achieved and the work we have completed to prepare for the road that lies ahead.

**Jason Harfield**

Chief Executive Officer

# OUR YEAR IN REVIEW

Australian skies remain some of the safest in the world, despite significant disruptions and increasing in complexity.



We delivered efficient and environmentally responsible services despite extensive disruptions to the flight network.



**54** SECOND  
MEDIAN ARRIVAL AIRBORNE DELAY WITH ONLY...

**12** SECOND  
INCREASE YOY WITH DISRUPTIONS

**<4.3** MINUTE  
ARRIVAL AIRBORNE DELAY EXPERIENCED BY 3 IN 4 AIRCRAFT WITH ONLY...

**30** SECOND  
INCREASE YOY WITH DISRUPTIONS



We continued to deliver high-quality service outcomes to the industry and community...



**2%**  
PRICE REDUCTION  
Introduced 1 July 2019



**2600**  
Low-volume general aviation operators

WERE PROVIDED SERVICES AT NO CHARGE



**\$3.3M**  
AEROMEDICAL FLIGHT FEES WAIVED  
32% increase YoY

We started the year in a strong financial position...

**\$200M** CAPITAL REPAYMENT TO GOVERNMENT

**2%** BELOW TARGET OPERATING COST PER INSTRUMENT FLIGHT RULES FLIGHT HOUR

Prior to March 2020



...And invested for the future.

**OneSKY AUSTRALIA \$1B+**

- ✔ FUEL SAVINGS **\$368M+**
- ✔ REDUCED CARBON EMISSIONS **\$36M+**
- ✔ PASSENGER TIME SAVINGS **\$303M+**
- ✔ AIRLINE SAVINGS **\$157M+**
- ✔ PRODUCTIVITY (CMATS) **\$140M+**

We kept our people safe and secure.

 **42.5%** YEAR ON YEAR IMPROVEMENT IN LTIFR

**2000+**  
OPERATIONAL EMPLOYEES MOVED TO RESILIENCE ROSTERS



**1000+**  
EMPLOYEES WORKING FROM HOME

Events of 2019-20 impacted the industry, and therefore our financial performance significantly. Yet, we remain committed to positioning ourselves to support the industry's recovery.

YOY CHANGE TO FEE PAYING CUSTOMER TRAFFIC



**24% BELOW BUDGET**  
AIRWAYS REVENUE

**\$25M NET LOSS**  
AFTER TAX

**\$30M IN SAVINGS**  
IDENTIFIED IN Q4

WE ARE PROUD OF

# OUR ACHIEVEMENTS



**ZERO**  
SIGNIFICANT ATTRIBUTABLE SAFETY OCCURRENCES IN OUR AIR TRAFFIC CONTROL AND AVIATION RESCUE FIRE FIGHTING SERVICES

**210**

FIRE FIGHTERS



**\$30K**

RAISED BY STAFF FOR BUSHFIRE APPEAL

SWIFT COVID-19 PANDEMIC RESPONSE TO PROTECT OUR SERVICE DELIVERY AND THE SAFETY OF OUR PEOPLE



2019

AND

STAFF MEMBERS WHO JOINED THE BUSH FIRE EFFORT AS VOLUNTEERS



**17** SPECIALIST FIRE FIGHTING VEHICLES

RESPONDED TO BUSHFIRES NATIONALLY IN 2020



**CLASS E**

INCREASE IN CLASS-E AIRSPACE TO IMPROVE SERVICE DELIVERY AND ENHANCE ACCESS TO AIRSPACE

WHITSUNDAY COAST ARFFS ESTABLISHED  
BRISBANE WEST FIRE STATION READY FOR OPERATION





WE SUPPORTED 2 NEW  
**RUNWAYS**  
BRISBANE AND SUNSHINE COAST

CONTROLLERS HANDLED OVER

**3.5**  
MILLION  
AIRCRAFT MOVEMENTS



**CIVIL & MILITARY AIR TRAFFIC  
MANAGEMENT SYSTEM**  
PRELIMINARY DESIGN COMPLETED FOR  
THE FIRST SYSTEM DEPLOYMENT TO  
SEVERAL SITES

2020

DRONE DETECTION EQUIPMENT  
INSTALLED ACROSS



**AIRPORTS**



MELBOURNE AIR TRAFFIC SERVICES  
CENTRE BUILDING READY FOR THALES  
HARDWARE INSTALLATION FOR CMATS

FIRE FIGHTERS  
RESPONDED TO



**5491**  
INCIDENTS  
NATIONALLY

WITH **11** LIVES SAVED

# OUR ROLE

## OUR PURPOSE

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

## OUR AMBITION

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

## OUR ROLE

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

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

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

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

We are funded through customer charges for our services and by capital raised from debt markets. The Airservices Board set our prices, after extensive consultation with industry and oversight by the Australian Competition and Consumer Commission (ACCC). The aviation industry was directly impacted by the COVID-19 pandemic, leading to a 91 per cent reduction in revenue. As a result, we have received government assistance to support the industry, which is outlined in this report.

We operate in accordance with the Act, the *Australian Airspace Policy Statement 2018*, the PGPA Act and the *Minister's Statement of Expectations*. A range of other legislation informs our operations. More information is available at [www.airservicesaustralia.com/acts-and-regulations](http://www.airservicesaustralia.com/acts-and-regulations).

## HOW WE DO OUR ROLE

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



### WE ARE PROUD OF OUR PEOPLE AND OUR CONTRIBUTION

We recognise, acknowledge and celebrate our achievements and milestones. We take pride in the contribution we make and are confident in the capability of our people. We speak up to ensure we are just as safe and secure tomorrow as we are today.



### WE BUILD RELATIONSHIPS ON TRUST AND RESPECT

We are professional in our work and interactions. We encourage diversity and value the difference it makes to our organisation. We actively listen to, communicate with and care for each other. We support each other to learn, grow, challenge and change.



### WE INNOVATE FOR CUSTOMER VALUE

We put our customers at the centre of services, and we work to deliver customer value. We empower our people to exercise good judgment and develop better ways of working. We are resilient, flexible and we learn from mistakes to find solutions for our customers.



### WE ACHIEVE MORE TOGETHER

Our collective efforts are more powerful than any individual. We cooperate across organisational boundaries to achieve the best outcome. We share knowledge through clear communication, foster collaboration and work towards a common goal.



### WE ARE AUTHENTIC IN OUR ACTIONS

We are committed to our vision. We act with integrity while delivering on our promises. We know our roles and accountabilities and how they contribute to our success. We take responsibility and are honest when making tough decisions.

# OUR LOCATIONS

Our head office is in Canberra, with our 3,655 employees dispersed across Australia. This includes:

- over 1,300 air traffic management employees, working from two air traffic services centres (Brisbane and Melbourne), two terminal control units (Perth and Sydney) and 29 towers at international and regional airports
- over 880 aviation rescue fire fighters supporting our service at 26 of Australia’s busiest airports.

Further detail on our workforce is included in our diversity profile section, and more information about our facilities is available at <https://www.airservicesaustralia.com/about-us/about-our-operations/facilities>.



## LEGEND

- Air Traffic Control Towers – 29 Locations
- ▲ Aviation Rescue Fire Fighting Stations – 26 Locations
- Terminal Control Units – 2 Locations
- ⬡ Air Traffic Services Centres – 2 Locations



# ANNUAL PERFORMANCE STATEMENT

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On behalf of the Airservices Board, I present Airservices 2019–20 Annual Performance Statement (APS) which has been prepared in accordance with section 39(1)(a) of the *Public Governance Performance and Accountability Act 2013* (PGPA Act). It is our opinion that the statement accurately presents Airservices performance in the reporting period and complies with subsection 39(2) of the PGPA Act.



John Weber  
Chairman



## OUR PERFORMANCE

While the aviation industry experienced significant disruption throughout 2019–20, we remained focused on delivering safe, secure, efficient and environmentally responsible services that are valued by our customers and the community.

This section provides a detailed assessment of our 2019 performance against our key performance indicators (KPIs) and corporate plan initiatives.

Our performance results provide a measure of our success in achieving our purpose. Case studies provide supporting information on the efforts that have influenced our performance outcomes. To ensure our decisions and outcomes align with our purpose and deliver value to our customers, we continue to be:

- **safe and secure:** our priority is to continue to optimise the safety and integrity of air navigation
- **valued and accountable:** we deliver services that are valued by our customers and community, and are environmentally responsible
- **efficient and commercial:** we make customer-centric and commercially rigorous decisions to provide affordable services and ensure capacity for future investment and growth
- **agile and innovative:** we remain agile and embrace innovation to build the Airservices of tomorrow.

# AIRSERVICES CORPORATE PLAN ON A PAGE



## OUR PURPOSE

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



Significant global traffic growth



Increasing airspace complexity



Value of data growing exponentially



Automation, digitalisation and intelligent systems



Evolving transportation ecosystem and value chain



Environmental and community consequences of aviation operations



## INDUSTRY LEADERSHIP

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



## SERVICE INNOVATION

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



## SERVICE EXCELLENCE

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



## ORGANISATIONAL AGILITY

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



## OUR VALUES



WE ARE PROUD OF OUR PEOPLE AND OUR CONTRIBUTION



WE INNOVATE FOR CUSTOMER VALUE



## OUR AMBITION

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



- Promoting industry growth
- Strategic partnerships
- Modernising airspace for complexity and growth

- **Fostering and Promoting Aviation**
- **International Capability Development Program**
- **Airspace Modernisation**

- Enhanced air traffic flow management services
- Low-level airspace integration
- Digital aerodrome services
- Low-level airspace traffic management services

- **Network Management Airport Collaborative Decision Making and Long Range Air Traffic Flow Management**
- **Digital Aerodrome Services**
- **Unmanned Aerial Vehicle Integration and Management Services**

- Delivering ATM and ARFF service excellence
- Community engagement
- Evolving satellite based surveillance and navigation systems
- Transition from navigation services to traffic management services
- Civil Military harmonisation

- **OneSKY**
- **Airport Development Support Program**
- **Aviation Rescue Fire Fighting Services Modernisation Program**
- **Air Navigation Services Readiness Program**

- People capability development
- Information strategy implementation
- Digital capability and cyber resilience
- Leveraging industry capabilities

- **People**
- **Digital and Information Capability**
- **Enterprise Network Modernisation Program**
- **Cyber Resilience**



**WE ACHIEVE  
MORE  
TOGETHER**



**WE ARE  
AUTHENTIC  
IN OUR ACTIONS**



**WE BUILD  
RELATIONSHIPS ON  
TRUST AND RESPECT**

# SAFETY PERFORMANCE

We are committed to keeping our skies and our people safe as the aviation industry faces ongoing disruption and increasing complexity. In 2019-20 we continued to provide Australia's aviation industry with world-class standards of safety.

## KPI RESULTS

		2017-18	2018-19	2019-20	
		Result	Result	Target	Result
<b>Significant Attributable Safety Occurrences</b>	<b>Air Navigation Services (ANS)</b> Any loss of separation or runway incursion where the Risk Assessment Tool score is Category A.	0	0	0	0
	<b>Aviation Rescue Fire Fighting Services (ARFFS)</b> Any aircraft incident on a runway in which the response did not meet the regulated response time of three minutes.	0	0	0	0
	<b>Lost time injury frequency rate (LTIFR)</b> A lost time injury is an occurrence that resulted in time lost from work as one day or shift, permanent disability or fatality. The rate measures the number of lost time injuries per million hours worked.	4.6	4.0	<1.5	2.3

Source: Airservices 2019-20 Corporate Plan, page 29.

## ANALYSIS

For the fourth year in a row, we achieved our target of no significant attributable safety occurrences recorded for our air navigation and aviation rescue and fire fighting services.

Our LTIFR decreased by 42.5 per cent year-on-year, continuing its positive trend downwards over the past five years. Although higher than target, this was a noteworthy outcome given our substantial involvement in fire fighting operations as part of the co-ordinated national bushfire response.

Our performance against these indicators demonstrates we continue to strive to be safe and secure.

## ACHIEVEMENTS

- Completed testing of drone surveillance technologies at our 29 air traffic control towers as part of our work to integrate new entrants into our airspace, safely and efficiently.
- Responded to more than 80 requests for mutual aid from state and territory fire agencies during the bushfire season, including assisting at various state incident control centres and redeploying crews and vehicles to support state and territory fire services. We also managed over 26,600 extra flights in November and December 2019 compared to the same period in 2018.
- At the onset of the COVID-19 pandemic, we moved quickly to protect the health and safety of our workforce and the integrity of our operations. This included segregating operational staff, transitioning nearly one-third of our workforce to remote working arrangements at short notice and implementing resilience rostering.

## CASE STUDY

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### AN AGILE APPROACH TO MANAGING THE COVID-19 PANDEMIC DISRUPTION

The onset of the COVID-19 pandemic in Q3 of this year, and the resulting decrease in air traffic as a result of efforts to contain the spread of the virus, has substantially disrupted the global aviation ecosystem.

The disruption to air travel, domestically and globally, resulted in Airservices revenue falling by 24 per cent in 2019–20. The initial wave of the COVID-19 pandemic in the April–June quarter resulted in an 80 per cent decrease in revenue year-on-year. Overall, traffic for 2019–20 decreased by 13.5 per cent year-on-year, with the greatest impact in Q4, when customer traffic reduced by 58.5 per cent.

Our foremost priority in response to the COVID-19 pandemic has been to protect both the continuity and integrity of our operations and the health and safety of our people. We moved quickly to adopt a suite of measures to achieve both, including restricting access to operational areas, transitioning over 1000 employees to

work remotely, and moving our operational staff to flexible resilience rosters.

We have also been proactive in managing the financial impact of the COVID-19 pandemic on our organisation, reviewing our operating costs and refocusing our investment program to prioritise the delivery of OneSKY and its enabling projects. These activities yielded savings of \$30m in the final quarter and are expected to deliver \$100m in savings in 2020–21.

Our proactive response to the COVID-19 pandemic is positioning us to continue to do what we do best, supporting our industry and providing continued safe access to those who use our skies. We are cognisant that the path to recovery for our customers is highly uncertain, so it is essential we provide an optimal level of support as the industry faces this ambiguous recovery phase.

## INDUSTRY OUTCOMES

As the air navigation service provider responsible for 11 per cent of the global airspace, we are uniquely positioned to work with our customers, the broader industry, government and our regional neighbours to support the industry in turbulent times.

### KPI RESULTS

	2017-18	2018-19	2019-20	
	Result	Result	Target	Result
<b>Arrival airborne delay (high-volume operations)*</b>	0.6	0.7	0.6	<b>0.9</b>
The median (and 75th percentile) excess time incurred during the arrival airborne phase of flight in reference to the estimated time of arrival for high-volume operations. Brisbane, Melbourne, Perth and Sydney are defined as high-volume operating environments.	3.5	3.8	3.3	<b>4.3</b>
<b>Customer satisfaction*</b>			≥70%	<b>On Hold</b>
<b>Industry advocacy score</b>				
Prior to 2019-20 we measured our customer advocacy as determined by the net promoter score.	-36	-25		

\*Source: Airservices 2019-20 Corporate Plan, page 29.

### ANALYSIS

Results for both the median and 75th percentile arrival airborne delay were higher than target, at 18 seconds and 1 minute respectively. This result reflects challenging environmental conditions at various times throughout the year, including significant weather events and smoke from the bushfires reducing visibility, leading to delays and flight diversions. Ongoing infrastructure works at major airports at times compounded delays during busy periods.

Given the intense disruption across the industry caused by the COVID-19 pandemic, we have deferred the annual customer satisfaction survey as we focus on working with our customers to ensure their needs are met during the recovery period and beyond.

Our performance against these indicators demonstrates we continue to strive to be valued and accountable.

### ACHIEVEMENTS

- Introduced price reduction of 2 per cent for airways service charges on 1 July 2019.
- Supported the commissioning of two new runways at Brisbane and Sunshine Coast Airports through airspace design and other infrastructure requirements, including the completion of a new fire station at Brisbane Airport. These are critical projects to support South-East Queensland's long-term economic growth.
- As part of our Airspace Modernisation Program, two airspace change proposals came into effect on 21 May 2020. The changes include lowering Class E airspace nationally and approval to conduct a twelve month trial of Class E steps at Ayers Rock. These changes will help to facilitate safer access to our airspace for all users.
- Completed contingency operation trials and the national deployment roadmap for the Digital Aerodrome Services, which will enhance service delivery and resilience and improve safety outcomes.

## CASE STUDY

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### SUPPORT OF CO-ORDINATED BUSHFIRE RESPONSE

The 2019-20 bushfire season was devastating for the Australian community. By November 2019, there were numerous fires nationwide, including two mega-fires, one of which was the largest bushfire ever recorded in Australia. These events led to the largest co-ordinated deployment of state, Commonwealth and international fire and emergency personnel in our nation's history.

Airservices was proud to support these efforts. We committed 17 specialist fire fighting vehicles and approximately 210 frontline fire fighters, or 22 per cent of our personnel, from across Australia. Our people were embedded in multi-agency incident management teams and control centres, which were responsible for fire control and recovery in Eastern Victoria.

Our air traffic controllers kept our skies safe, managing over 26,600 extra flights in November and December 2019 compared to the same period in 2018. This was amidst the challenging environmental conditions created by the bushfire season, with thick smoke and explosive storms frequently disrupting flight operations. In addition, 500 aircraft engaged in aerial fire fighting operations across Australia, adding to the complexity of the situation.

The various state and Commonwealth agencies involved in the response praised the effectiveness and professionalism of our fire fighting teams. Most importantly, our people remained safe throughout these efforts, with no significant injuries reported.

# BUSINESS OPERATIONS EFFICIENCY

As the aviation industry navigates a period of intense disruption, it is more important than ever that we maintain our focus on the efficiency and effectiveness of our operations. We are accelerating our automation and digitisation to optimise safety, service delivery and cost efficiency for our customers now and into the future.

## KPI RESULTS

	2017-18	2018-19	2019-20	
	Result	Result	Target	Result
<b>Productivity</b> The total operating cost per instrument flight rules (IFR) flight hour (\$/hour)	\$325	\$332	\$347	<b>\$367</b>

Source: Airservices 2019-20 Corporate Plan, page 29.

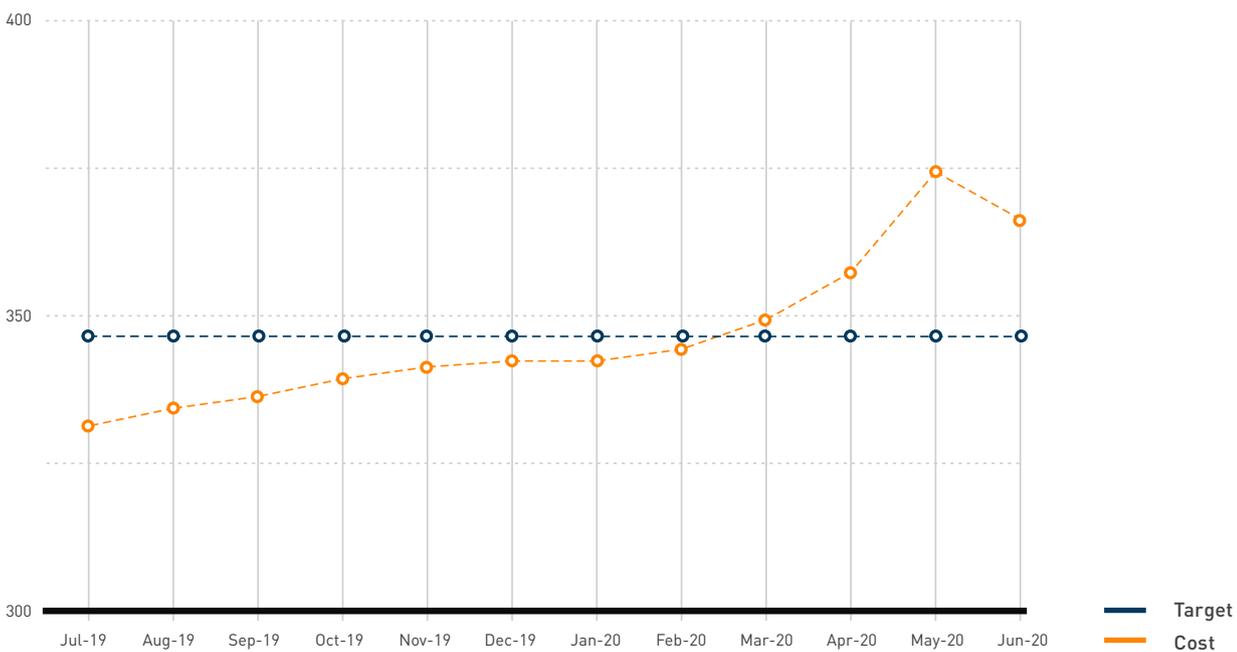
## ANALYSIS

Our cost per instrument flight rules (IFR) flight hour is unfavourable to target, driven by the significant reduction in air traffic from March 2020 due to the COVID-19 pandemic. The cost reductions in the last quarter of \$30m (3 per cent) could not match the steep reduction in IFR flight hours of 0.4m hours (17 per cent).

Our performance prior to March 2020 was favourable to target, with an average cost of \$339 per IFR hour.

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

### 2019-20 MONTHLY COST PER IFR FLIGHT HOUR TREND (\$)



## ACHIEVEMENTS

- Implemented a program of rigorous cost savings in response to the financial impacts of the COVID-19 pandemic on the industry. The various initiatives saved us \$30m in the final quarter of the year and will remain in place for the foreseeable future, with further measures to be introduced.
- Completed a digital simulation prototype of our air traffic network, which will improve the overall efficiency of the flight network when operational.
- Made significant progress in the OneSKY Program, which will enhance the efficiency of our air traffic resources and improve safety outcomes in the years to come, including:
  - completing the preliminary design review on the Civil and Military Air Traffic Management System (CMATS) platform.
  - progressing construction on the Air Traffic Service Centres (ATSCs) in Brisbane and Melbourne.

## CASE STUDY

### AUSTRALIA'S FUTURE AIR MANAGEMENT SYSTEM—ONESKY

Despite the disruption of 2019-20, work on the OneSKY Program continued at pace—bringing Australia closer to its air traffic management system of the future.

CMATS successfully passed the Preliminary Design Review in December 2019, clearing the way for an early release at four military sites and a new Joint Software Support Facility at our Melbourne centre.

Construction on the new Air Traffic Services Centres (ATSCs) required to house CMATS in Brisbane and Melbourne has progressed well, with Thales Australia granted access to the new Melbourne ATSC in July 2020. Design of the Perth ATSC has also concluded.

A new Contractor System Verification Facility was completed this financial year, for use in the development, testing, training and acceptance of CMATS.

Finally, design has commenced on a new regional tower solution with the appointment of Saab to evolve the Integrated Tower Automation Suite, which is in use at major national aerodrome towers. This solution will be leveraged to upgrade four Australian Defence Force air traffic control towers.

OneSKY remains on track to deliver an estimated \$1.2 billion of economic benefits to the industry over a 20-year period.

**\$365M+**

FUEL SAVINGS

**\$157M+**

AIRLINE SAVINGS

**\$303M+**

PASSENGER  
TIME SAVINGS

**\$65M+**

REDUCED CARBON  
EMISSIONS

**\$140M+**

PRODUCTIVITY  
(CMATS)

# ORGANISATIONAL CAPABILITY

An engaged workforce is fundamental to delivering our services to a standard of excellence and supporting the industry's future requirements. We are committed to building a culture of care, trust and accountability for our people as we lead the aviation industry through its recovery and beyond.

## KPI RESULTS

	2017-18	2018-19	2019-20	
	Result	Result	Target	Result
<b>Employee engagement index</b> Expressed as a percentage of satisfaction.	Pulse Survey Conducted	47%	>2018-19 result	<b>Independent Review*</b>
	73%	-	-	-
<b>Inclusion index</b> Expressed as a percentage of the extent to which employees feel that the work environment is inclusive of all employees.	Pulse Survey Conducted	38%	>2018-19 result	<b>Independent Review*</b>
	62%	-	-	-

Source: Airservices 2019-20 Corporate Plan, page 29.

Notes:

\* A thorough independent cultural review was conducted, therefore our usual internal survey was not conducted this year.

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

## ANALYSIS

In May 2020, we released the report *A Review of Culture at Airservices Australia*, following a broad and independent review of our workplace culture undertaken by Elizabeth Broderick & Co.

The report was prepared following extensive consultation with our people over the previous nine months, including the administration of an organisation-wide survey. Our people also participated in focus groups, interviews and provided written submissions.

The review team found a number of positive elements of our culture, including our commitment to a strong safety culture, the commitment of individuals to the jobs they perform, and the contributions they make daily to aviation safety.

However, the review team also found there are distinct areas of culture that require immediate action and reform.

Given the comprehensive nature of this review, we did not conduct the regular Employee Opinion Survey this year.

Our commitment to our people ensures we are safe and secure, valued and accountable, efficient and commercial, agile and innovative.

## ACHIEVEMENTS

- Committed to a comprehensive action plan in response to the independent review to drive the necessary reform of our culture. By the end of the reporting period a number of these actions had been achieved or substantially progressed, including:
  - establishing a Culture Reform Board to oversee the implementation of our commitments
  - launching a communications campaign to educate our people on the nature and impacts of unacceptable workplace behaviour
  - undertaking the design work on Airservices Safe Place—an independent unit designed to provide our people with a compassionate and human-centred response to negative workplace behaviours.
- Appointed a Chief People and Culture Officer to strengthen and support our Executive team.
- Established a dedicated Culture Program to drive longer-term cultural reform.
- Early in the COVID-19 pandemic, we moved our operational workforce to resilience rosters and the majority of our support functions to work remotely.
- Sustaining our focus on the health and wellbeing of our people during the COVID-19 pandemic, including conducting Weekly Wellbeing Checks of the workforce to gather data and shape the right support mechanisms for employees and their immediate families.

## CASE STUDY

### OUR COMMITMENT TO DELIVER A SAFE, DIVERSE AND INCLUSIVE WORKPLACE

In May 2020, Airservices released the report *A Review of Culture at Airservices Australia*, following a broad and independent review of our workplace culture undertaken by Elizabeth Broderick & Co. This report and our subsequent response have been the catalyst for significant change across our organisation.

Prior to the publication of the report, we had already undertaken a number of key steps to address unacceptable behaviours in our workplace and drive sustainable cultural reform. These included a renewed focus on culture, values and leadership; introducing a

standalone *Bullying, Harassment and Discrimination Policy*; and the appointment of a Chief People and Culture Officer.

We have since added several development programs to strengthen the capabilities of our leadership cohort and have defined a leadership standard, against which all leaders will be assessed on a regular basis.

Our newly established Cultural Reform Board will monitor our implementation of these commitments and we are regularly engaging with our people to update them on our progress.

## FINANCIAL STEWARDSHIP

Our rigorous focus on financial stewardship in the current operating environment ensures our resilience and readiness to support the industry's recovery and future growth. We are investing in infrastructure that will deliver value to our customers, while accommodating volatility safely and efficiently.

### KPI RESULTS

	2017-18	2018-19	2019-20	
	Result	Result	Target	Result
<b>Net Profit After Tax (NPAT)</b>				
Net profit after tax	\$74.5m	\$62.4m	\$55.7m	-\$25.0m
<b>Return on assets (RoA)</b>				
Airservices annual earnings as a percentage of assets	8.5%	8.2%	5.9%	-1.3%

Source: Airservices 2019-20 Corporate Plan, page 29.

### ANALYSIS

Our financial results were deeply impacted by the measures introduced by governments in response to the COVID-19 pandemic, including domestic and international border closures, and the subsequent 91 per cent reduction in revenues from the limited air traffic operations in the final quarter.

We recorded a net loss after tax of \$25.0m which represents a return on average equity of -4.0 per cent, compared to the planned target of 8.1 per cent. Return on regulated assets was also negative at -1.3 per cent compared to the planned target of 6.9 per cent. Prior to the COVID-19 pandemic, while there had been some softening of international airways activity in the first half of the year, we had anticipated making a net profit after tax of \$21.8m against the target of \$55.7m.

Our revenue from flight charges was \$270.7m (or 24 per cent) lower than the target for the year. The Australian Government provided relief to the Australian aviation industry through this time, and we received \$250m for the 2019-20 financial year which enabled us to waive \$92.5m in charges for domestic aircraft operations and offset some of our revenue loss to ensure we continued to provide critical air traffic and aviation rescue and fire fighting services.

Our performance against these indicators demonstrates we continue to strive to be efficient and commercial.

### ACHIEVEMENTS

- Despite these challenges, we took a number of steps to ensure our immediate and long-term financial sustainability, including:
  - identifying savings of \$30m in the final quarter of the year
  - against these savings, recording a non-cash provision for doubtful debts of \$22.3m for outstanding international debts at the end of the year.
- Early in the reporting period, we returned a \$200m capital repayment to our shareholder, the Australian Government, for the benefit of the wider Australian community and we reduced our prices by 2 per cent for the benefit of the whole aviation industry.
- Invested \$295m in new capital assets to support two new runway openings, a new fire service at Whitsunday coast, and in the delivery of Civil & Military Air Traffic Management System (CMATS)—demonstrating our commitment to supporting the recovery and long-term growth of Australian aviation, despite the current challenges.
- Waived \$3.5m in annual charges for Australia's not-for-profit aeromedical providers, which provide vital services in regional and remote Australia.



# OUR CORPORATE PLAN INITIATIVES

Our four strategic pillars—Service Excellence, Service Innovation, Industry Leadership and Organisational Agility—are the foundation of our value proposition to our customers, community and industry. This section provides our 2019–20 assessment against the service delivery and capability initiatives central to our performance.



## INDUSTRY LEADERSHIP

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

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

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

Initiatives	Deliverables	Status
<b>Fostering and Promoting Aviation</b>	2 per cent price reduction 1 July 2019	<b>Met</b>
<b>International Capability Development Program</b>	Indonesia Transport Safety Assistance Program	<b>On Hold</b> We delivered a number of our planned activities (including staff exchanges, workforce planning and rostering and improving runway and airspace capacity) prior to the suspension of the programme in February 2020 due to the COVID-19 pandemic.
	Papua New Guinea Memorandum of Understanding	
<b>Airspace Modernisation Program</b>	Increase and nationally standardise upper enroute Class C and Class E controlled airspace	<b>Met</b>

Source: Airservices 2019-20 Corporate Plan, page 16.



## SERVICE INNOVATION

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

To prepare for the future, we continually explore and identify ways to keep our skies safe and deliver distinctive value to our customers, the industry and the community. Our investment in this space during 2019–20 pivoted to focus on supporting industry growth into a different future.

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

Initiatives	Deliverables	Status
<b>Network Management —Airport Collaborative Decision Making (A-CDM) and Long Range Air Traffic Flow Management (LR-ATFM)</b>	A-CDM operational at Sydney and Brisbane airports	<b>On Hold</b> Key information system implementation milestones were completed and partner agreements signed with the possibility to restart in the future.
	LR-ATFM operational at Melbourne airport	
<b>Digital Aerodromes Services</b>	Trial of contingency operation completed	<b>Met</b>
	National deployment roadmap completed	<b>Met</b>
<b>Unmanned Aerial Vehicles (UAV) Integration and Management Services</b>	Pilot 1—detection, tracking and Unmanned Aerial Vehicle (UAV) surveillance trial completed	<b>Met</b>
	Pilot 2—UAV surveillance system integration trial completed	<b>Substantially Met</b> Timing of the deliverables has been adjusted to enable the findings from Pilot 1 to be incorporated.
	Pilot 3—Unmanned Traffic Management (UTM) ecosystem data integration trial completed	<b>Met</b>

Source: Airservices 2019-20 Corporate Plan, page 20.



## SERVICE EXCELLENCE

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

While the aviation industry operates in an environment of unprecedented change and complexity, we remain focused on delivering service excellence to our customers. Service excellence encompasses continuously improving all aspects of our business, cognisant of our environmental responsibilities and rewarding the trust placed in us by the communities and the government.

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

Initiatives	Deliverables	Status
OneSKY Program	Preliminary Design Review completed	<b>Met</b>
	Critical Design Review completed	<b>Substantially Met</b> The deliverable has been delayed in completion from June to Quarter 2 2020–21. However, there was no impact on the overall program critical path and it remains within the contractual timeframes.
	Melbourne Air Traffic Services Centre (ATSC) ready for installation	<b>Met</b>
Airport Development Support Program	Whitsunday Coast early Aviation Rescue Fire Fighting Services (ARFFS) in operation	<b>Met</b>
	Whitsunday Coast ARFFS Category 6 service in operation	<b>Met</b>
	Sunshine Coast runway programme completed	<b>Met</b>
	Brisbane new parallel runway infrastructure programme completed, including new ARFFS station west	<b>Met</b>
	Western Sydney Airport airspace preliminary design	<b>Substantially Met</b> Preliminary design work commenced in Jan 2020 in accordance with the Department of Infrastructure, Regional Development & Communications' timeline. The Department brought forward the requirement for the preliminary Airspace Design to August 2020. Work is continuing to support Airspace Preliminary Design facilitated by internal resources.
Air Navigation Services Readiness Program	Air Navigation Services (ANS) Readiness Program completed	<b>Met</b>

Source: Airservices 2019-20 Corporate Plan, pages 24-25.



## ORGANISATIONAL AGILITY

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

Our organisational capability and capacity underpin everything we do. We need to set the internal conditions for service delivery and innovation to thrive, as we develop our agility to respond to a rapidly changing and increasingly complex environment. This means continuing to foster a culture that is customer-centric and commercially focused, with processes and systems in place to support our people.

The outcomes of the initiatives below are a pre-requisite for our success in being safe and secure, valued and accountable, efficient and commercial and agile and innovative.

Initiatives	Deliverables	Status
<b>People Capability</b>	Implementation of people capability and engagement program commenced	<b>Substantially Met</b> Our people capability and engagement is continuing to transform in response to Elizabeth Broderick & Co's independent cultural review.
<b>Digital &amp; Information Capability</b>	Air traffic network simulation prototype developed	<b>Met</b>
<b>Enterprise Network Modernisation Program</b>	Programme transition stage commenced	<b>Met</b>
<b>Cyber Resilience</b>	Achievement of readiness baseline one	<b>Substantially Met</b> Implemented Essential Eight controls in the corporate IT environment, mitigating the majority of known adversary techniques and hardening of mission critical Operational Technology systems continuing.

Source: Airservices 2019-20 Corporate Plan, page 27.

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020



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# AUDIT REPORT

For the year ended 30 June 2020



## INDEPENDENT AUDITOR'S REPORT

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

#### Opinion

In my opinion, the financial statements of Airservices Australia ('the Entity') for the year ended 30 June 2020:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2020 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following statements as at 30 June 2020 and for the year then ended:

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

#### Basis for opinion

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

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

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

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

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38 Sydney Avenue FORREST ACT 2603  
Phone (02) 6203 7300 Fax (02) 6203 7777

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

Australian National Audit Office



Scott Sharp  
Executive Director  
Delegate of the Auditor-General  
Canberra  
18 September 2020

# STATEMENT BY CHAIRMAN, CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2020 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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

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



**JOHN WEBER**  
Chairman



**JASON HARFIELD**  
Chief Executive Officer



**PAUL LOGAN**  
Chief Financial Officer

Canberra, 16 September 2020

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# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>CONTINUING OPERATIONS</b>			
<b>INCOME</b>			
Airways revenues	1.1	745,743	1,093,958
Government assistance	1.1	250,000	-
Finance income	1.1	2,480	5,979
Reversal of previous asset write-down		485	955
Other business revenue		22,061	24,940
Net gain on disposal of non-current assets	1.1	-	710
Miscellaneous income		761	534
<b>TOTAL INCOME</b>		<b>1,021,530</b>	<b>1,127,076</b>
<b>EXPENSES</b>			
Employee benefits	1.2	642,098	644,538
Suppliers		218,532	219,516
Depreciation and amortisation	2.3	152,443	141,650
Finance costs	1.2	21,199	21,906
Impairment loss on financial instruments	1.2	20,290	618
Write-down and impairment of other assets	1.2	2,971	11,027
Net loss on disposal of non-current assets	1.2	497	-
<b>TOTAL EXPENSES</b>		<b>1,058,030</b>	<b>1,039,255</b>
<b>(LOSS)/ PROFIT BEFORE INCOME TAX</b>		<b>(36,500)</b>	<b>87,821</b>
Income tax (benefit)/ expense	1.3	(11,531)	25,414
<b>(LOSS)/ PROFIT AFTER INCOME TAX</b>		<b>(24,969)</b>	<b>62,407</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Changes in asset revaluation reserve		5,824	14,056
Actuarial loss on defined benefit fund	4.2	(47,783)	(39,090)
Income tax on items that will not be reclassified to profit or loss		12,588	7,510
<b>Items that may be reclassified subsequently to profit or loss</b>			
Loss on foreign exchange hedges		(1,161)	(150)
Income tax on items that may be reclassified to profit or loss		348	45
<b>TOTAL OTHER COMPREHENSIVE INCOME NET OF TAX</b>		<b>(30,184)</b>	<b>(17,629)</b>
<b>TOTAL COMPREHENSIVE (LOSS)/ INCOME</b>		<b>(55,153)</b>	<b>44,778</b>

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

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3.1	517,808	381,706
Trade and other receivables	2.1	32,743	126,662
Prepayments		36,253	32,436
Inventories		2,091	1,926
Assets classified as held for sale	2.2	445	3,272
Other current financial assets	2.6	4,024	338
<b>TOTAL CURRENT ASSETS</b>		<b>593,364</b>	546,340
<b>NON-CURRENT ASSETS<sup>1</sup></b>			
Property, plant and equipment	2.3	957,855	911,987
Intangible assets	2.3	87,373	94,630
Assets under construction	2.3	501,036	259,903
Deferred tax assets	1.3	15,743	-
Defined benefit fund asset	4.2	143,538	210,402
Other non-current financial assets	2.6	13,345	16,156
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,718,890</b>	1,493,078
<b>TOTAL ASSETS</b>		<b>2,312,254</b>	2,039,418
<b>CURRENT LIABILITIES</b>			
Trade and other payables	2.5	121,495	106,766
Employee provisions	4.1	215,712	221,311
Income tax payable		816	39,751
Other provisions	2.5	15,908	19,612
Borrowings	3.3	479,593	4,989
Other current financial liabilities	2.6	1,739	841
Other current liabilities	2.7	13,596	375
<b>TOTAL CURRENT LIABILITIES</b>		<b>848,859</b>	393,645
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	1.3	-	14,252
Employee provisions	4.1	39,129	42,617
Other provisions	2.5	74,976	62,813
Borrowings	3.3	671,599	672,354
Other non-current financial liabilities	2.6	19,105	14,890
Other non-current liabilities	2.7	161,880	89,125
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>966,689</b>	896,051
<b>TOTAL LIABILITIES</b>		<b>1,815,548</b>	1,289,696
<b>NET ASSETS</b>		<b>496,706</b>	749,722
<b>EQUITY</b>			
Retained earnings		355,798	408,317
Reserves		118,718	119,215
Contributed equity		22,190	222,190
<b>TOTAL EQUITY</b>		<b>496,706</b>	749,722

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

1. The Entity has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Retained earnings		Asset revaluation reserve	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Opening balance</b>				
Balance carried forward from previous period	408,317	367,313	120,118	122,482
Adjustment for changes in accounting policies	-	(1,410)	-	-
Adjustment on initial application of AASB 16	6,212	-	-	-
<b>Adjusted opening balance</b>	<b>414,529</b>	<b>365,903</b>	<b>120,118</b>	<b>122,482</b>
<b>Comprehensive income</b>				
Defined benefits actuarial gains-gross	(47,783)	(39,090)	-	-
Defined benefits actuarial gains-income tax effect	14,335	11,727	-	-
Net revaluation-gross	-	-	5,824	14,056
Net revaluation-income tax effect	-	-	(1,747)	(4,217)
Profit/(loss) for the period	(24,969)	62,407	-	-
<b>Total comprehensive income</b>	<b>(58,417)</b>	<b>35,044</b>	<b>4,077</b>	<b>9,839</b>
<b>Transactions with owners</b>				
Returns on capital				
Dividends	(5,400)	(9,800)	-	-
Capital returns	-	-	-	-
<b>Transactions with owners</b>	<b>(5,400)</b>	<b>(9,800)</b>	<b>-</b>	<b>-</b>
<b>Transfers between equity components</b>				
Revaluation reserve-disposals	5,372	17,363	(5,373)	(17,363)
Revaluation reserve-disposals (income tax effect)	(286)	(193)	1,612	5,209
Revaluation reserve-impairments (net of tax)	-	-	-	(49)
<b>Closing balance</b>	<b>355,798</b>	<b>408,317</b>	<b>120,434</b>	<b>120,118</b>

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

Foreign exchange hedge reserve		Total reserves		Contributed equity		Total equity	
2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
(903)	(798)	119,215	121,684	222,190	222,190	749,722	711,187
-	-	-	-	-	-	-	(1,410)
-	-	-	-	-	-	6,212	-
(903)	(798)	119,215	121,684	222,190	222,190	755,934	709,777
-	-	-	-	-	-	(47,783)	(39,090)
-	-	-	-	-	-	14,335	11,727
(1,161)	(150)	4,663	13,906	-	-	4,663	13,906
348	45	(1,399)	(4,172)	-	-	(1,399)	(4,172)
-	-	-	-	-	-	(24,969)	62,407
(813)	(105)	3,264	9,734	-	-	(55,153)	44,778
-	-	-	-	-	-	(5,400)	(9,800)
-	-	-	-	(200,000)	-	(200,000)	-
-	-	-	-	(200,000)	-	(205,400)	(9,800)
-	-	(5,373)	(17,363)	-	-	(1)	-
-	-	1,612	5,209	-	-	1,326	5,016
-	-	-	(49)	-	-	-	(49)
(1,716)	(903)	118,718	119,215	22,190	222,190	496,706	749,722

# CASH FLOW STATEMENT

For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Receipts from customers (inclusive of GST)		936,202	1,241,082
Government assistance		250,000	-
Interest received		3,492	4,975
<b>Total cash received</b>		<b>1,189,694</b>	<b>1,246,057</b>
<b>Cash used</b>			
Payments to employees		(618,957)	(612,029)
Payments to suppliers (inclusive of GST)		(333,629)	(292,043)
Borrowing costs		(14,782)	(19,033)
Interest payments on lease liabilities		(2,361)	-
Income tax paid		(45,800)	(1,048)
<b>Total cash used</b>		<b>(1,015,529)</b>	<b>(924,153)</b>
<b>Net cash flows from / (used by) operating activities</b>	3.2	<b>174,165</b>	<b>321,904</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant, equipment and intangibles		1,600	20,371
Proceeds from sales of assets held for sale		3,272	-
<b>Total cash received</b>		<b>4,872</b>	<b>20,371</b>
<b>Cash used</b>			
Purchase of property, plant, equipment and intangibles		(300,005)	(144,561)
<b>Total cash used</b>		<b>(300,005)</b>	<b>(144,561)</b>
<b>Net cash flows from / (used by) investing activities</b>		<b>(295,133)</b>	<b>(124,190)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from borrowings		495,000	-
<b>Total cash received</b>		<b>495,000</b>	<b>-</b>
<b>Cash used</b>			
Dividends paid		(5,400)	(9,800)
Capital returns		(200,000)	-
Repayments of borrowings		(20,000)	(5,000)
Principal payments of lease liabilities		(12,530)	-
<b>Total cash used</b>		<b>(237,930)</b>	<b>(14,800)</b>
<b>Net cash flows from / (used by) financing activities</b>		<b>257,070</b>	<b>(14,800)</b>
Net increase in cash and cash equivalents		136,102	182,914
Cash and cash equivalents at the beginning of the reporting period		381,706	198,792
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	<b>3.1</b>	<b>517,808</b>	<b>381,706</b>

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## Overview

### BASIS OF PREPARATION

Airservices is an Australian Government owned for-profit entity. The financial statements are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and are general purpose financial statements for the year ended 30 June 2020.

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

The financial statements were authorised for issue in accordance with a resolution of the Board on 16 September 2020.

#### Historical cost convention

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

#### Compliance with IFRS

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

### FOREIGN CURRENCY TRANSLATION

#### Functional and presentation currency

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

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Translation differences on financial assets and liabilities carried at fair value, and non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

### TAXATION

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

### USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the following notes:

– Recoverability of trade and other receivables	Note 2.1
– Valuation of property, plant, equipment and intangibles	Note 2.3
– Recoverable amount of other financial assets	Note 2.6
– Measurement of lease liabilities	Note 2.7
– Long Service Leave & Early Retirement Benefits	Note 4.1
– AvSuper defined benefits	Note 4.2

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## Impact of Coronavirus (COVID-19)

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. Measures to slow the spread of the virus have since had a significant impact on global economies and equity, debt and commodity markets. Airservices has considered the impact of the COVID-19 pandemic and other market volatility in preparing its financial statements.

While the specific areas of judgement has not changed, the impact of the COVID-19 pandemic has resulted in the application of further judgement within certain areas. Given the dynamic and evolving nature of the COVID-19 pandemic and limited recent experience of the economic and financial impacts of such a pandemic; Airservices has formed estimates based on information available as at 30 June 2020. The actual economic conditions are likely to be different from the estimates used. This may result in material differences between the accounting estimates applied and the actual results of Airservices for future periods.

## Processes applied

As a consequence of the COVID-19 pandemic and in preparing these financial statements, management has:

- re-evaluated whether there were any additional areas of judgement or estimation uncertainty beyond what has been disclosed below.
- updated its economic outlook—principally for the purposes of input to its Expected Credit Loss (ECL) model through the application of forward-looking information, but also for input into the impairment analysis of financial and non-financial asset classes and disclosures such as fair value disclosure of financial assets and liabilities.
- reviewed external market communications to identify other COVID-19 pandemic related impacts
- reviewed public forecasts and experiences from previous downturns
- conducted several internal processes to ensure consistency in the application of the expected impact of the COVID-19 pandemic across all asset classes
- assessed the carrying value of its assets and liabilities and determined the market impact thereon as a result of market inputs and variables impacted by the COVID-19 pandemic
- ran multiple stress testing scenarios, integral to the capital adequacy assessment process and going concern assumption
- considered the impact of the COVID-19 pandemic on Airservices financial statement disclosures

## Impact of COVID-19 on estimation uncertainty

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Airservices accounting policies. The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these financial statements. The estimation uncertainty is associated with:

- the extent and duration of the disruption to the travel and aviation sector arising from the actions by government, airlines, businesses and consumers to contain the spread of the virus
- the extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP, employment and house prices). This includes the disruption to increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other quarantining activities
- the effectiveness of government measures that have and will be put in place to support the domestic economy and the aviation industry through this disruption and economic downturn.

## Going concern

Airservices reported a net loss of \$25.0m in the financial year ended on 30 June 2020 compared to a net profit of \$62.4m in the previous financial year. Net current assets deficiency of \$255.5m (2019: \$152.6m net current assets) include borrowings and working capital facilities of \$479.6m (2019: \$5.0m).

This year's financial results were influenced by the downturn experienced by the aviation industry as a result of the COVID-19 pandemic quarantine measures enforced by governments restricting international and domestic airways activity. Nevertheless, the Board consider Airservices to be a going concern on the basis of the following:

- Continued funding and support from the Department of Infrastructure, Transport, Regional Development and Communications. To date, the entity has received \$250m by way of government financial assistance and a commitment of further funding of \$581.8m for the 2020-21 financial year. Refer to Note 1.1 Revenue for further details.
- In addition, Airservices has entered into a number of new short and long-term debt facility arrangements which will provide it with the ability to balance its short and long-term needs. As of 30 June 2020, the total uncommitted debt facilities is \$715m. Refer to Note 3.4 'Standby arrangements and unused credit facilities' for further details.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The Board considers Airservices to be a going concern, able to meet its debts and obligations as they fall due.

No adjustments have been made to the financial statements relating to the recoverability and classification of the recorded asset amounts or the amounts and classification of liabilities that might be necessary should Airservices not continue as a going concern.

## NEW ACCOUNTING STANDARDS

### Adoption of new Australian Accounting Standard requirements

Airservices applied AASB 16 Leases for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

AASB 16 applies to annual reporting periods beginning on or after 1 July 2019. Airservices has applied AASB 16 as of 1 July 2019. As a result, Airservices has changed its accounting policy for leases as detailed below. AASB 16 replaces existing lease accounting guidance and contains significant changes to the accounting treatment applied to leases. It requires a single accounting model to be applied to all types of leases, with the primary change being a requirement for lessees to recognise assets and liabilities for all leases, except for short-term leases (with a duration of less than twelve months) and leases of low-value assets.

To ensure consistency for Whole of Government reporting, Airservices will adopt the Department of Finance's position and apply AASB 16 on 1 July 2019 using the modified retrospective approach. Accordingly, comparative information has not been restated and continues to be reported under AASB 117 Leases and associated guidance.

Airservices has applied the practical expedient to not apply the new recognition requirements to short-term leases and leases of low-value assets. The lease payments under these contracts are generally recognised on a straight-line basis over the lease term as other expenses in the Statement of Comprehensive Income.

### Impact of new definition of a lease

The change in the definition of a lease mainly relates to the concept of control. AASB 16 defines a lease as an arrangement in which a customer obtains the right to control the use of an identified asset for a period in exchange for consideration. Airservices applies the definition of a lease, and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019.

### Impact on lessee accounting

As a lessee, Airservices previously classified leases as operating, or finance leases based on its assessment of

whether the lease transferred significantly all the risks and rewards incidental to the ownership of the underlying asset to Airservices.

Applying AASB 16, for all leases other than those that are short term or leases of low-value assets, Airservices:

- recognises a lease liability measured at the present value of future minimum lease payments, discounted using the incremental borrowing rates
- measures the right-of-use asset at its carrying amount as if AASB 16 had been applied since the commencement date, discounted using the incremental borrowing rates at the date of initial application
- recognises depreciation on right of use assets and interest on lease liabilities in the statement of comprehensive income
- separates the total amount of cash paid into a principal portion (financing activities) and interest (operating activities) in the statement of cash flows.

Payments made before the commencement date and incentives received from the lessor are also included in the carrying amount of the right-of-use asset.

Airservices applies the following practical expedients when applying AASB 16 to leases previously classified as an operating lease under AASB 117:

- Applies the modified retrospective model on initial application of AASB16.
- Recognises a right-of-use asset for leases previously classified as an operating lease at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease immediately before the date of initial application.
- Adjusts retained earnings for the de-recognition of lease incentive and straight-lining provisions recognised under AASB117 and Interpretation 115.
- Applies a single discount rate to a portfolio of leases with similar characteristics.
- Applies the exemption not to recognise right of use assets and liabilities for leases less than twelve months in duration.
- Adjusted the right of use assets by the amount of AASB 137 onerous contract provision immediately before the date of initial application, as an alternative to impairment review.
- Excludes initial direct costs from measuring right of use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

<b>Impact on Transition of AASB 16</b>	<b>1 July 2019</b>
Right-of-use assets - property, plant and equipment	126,269
Lease liabilities	(121,833)
Retained earnings	(8,874)

The following table reconciles Airservices minimum lease commitments disclosed in the entity's 30 June 2019 annual financial statements to the amount of lease liabilities recognised on 1 July 2019:

	<b>1 July 2019</b>
Minimum operating lease commitment as at 30 June 2019 (GST Inclusive)	219,512
Minimum operating lease commitment as at 30 June 2019 (GST Exclusive)	199,556
Less: non-lease components that do not meet recognition criteria of AASB 16 <sup>1</sup>	(9,629)
Less: commitments subject to variable payments under managed services <sup>2</sup>	(41,204)
Less: short-term leases not recognised under AASB 16	(754)
Less: low value leases not recognised under AASB 16	(11,349)
Plus: effect of extension options reasonable certain to be exercised	4,751
<b>Undiscounted lease payments</b>	<b>141,371</b>
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(25,024)
Plus: additional lease liabilities because of the initial application of AASB 16 at 1 July 2019	5,486
<b>Lease liabilities recognised at 1 July 2019</b>	<b>121,833</b>

Notes:

1. Non-lease components that do not meet recognition criteria of AASB16 including Software as a Service and other support services.
2. Operating lease commitments that were subject to variable payments under the managed services contract for Infrastructure as a Service.

Where the incremental borrowing rate is used, Airservices will reference a 30-year Australian Medium-Term Note (MTN) corporate bond yield curve which has been built to reflect our costs of borrowings. The curve can be used to represent the entity's borrowing rate across asset categories and tenures.

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 1. Our Financial Performance

This section analyses the financial performance of Airservices Australia for the year ended 2020.

### 1.1 REVENUE

	2020 \$'000	2019 \$'000
<b>Airways revenue</b>		
Airways Revenue <sup>1</sup>	745,743	1,093,958

1. Airways revenue is net of waivers for domestic aviation charges under the Government's COVID-19 pandemic relief package (\$92.5m YTD).

#### Domestic Flight Waivers

On 18 March 2020, the Minister for Infrastructure, Transport and Regional Development announced a relief package for the Australian aviation industry to refund and waive a range of charges including Airservices charges on domestic airline operations. These measures were effective from 1 February 2020 and are in response to an unprecedented and likely sustained period of falling international and domestic aviation demand related to the impact of the COVID-19 pandemic. As at 30 June, domestic flight waivers totalling \$92.5m have been recognised.

#### Economic dependency

Airservices is dependent on airline activity in the Australian aviation industry, of which the Qantas and Virgin Groups are the dominant operators. Of the airways revenue earned during the year 34 per cent (2019: 35 per cent) related to the Qantas Group including the Jetstar Group, and 16 per cent (2019: 18 per cent) related to the Virgin Group (including Tiger Airways Australia). In lieu of revenue foregone from waiving domestic aviation charges and in support of critical operating costs that would have otherwise have been funded through debt facilities, the Government has provided Airservices with funding of \$831.8m until June 2021 to ensure that air navigation services continue to be provided as the industry recovers. Of this balance, \$250m has been received as at the year ended 30 June 2020. Refer Government Assistance note below for further details.

### ACCOUNTING POLICY

#### Airways Revenues

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

	2020 \$'000	2019 \$'000
<b>Government Assistance</b>	250,000	-
Government Grant	250,000	-

#### Government Assistance Package

Airservices will receive a total grant of \$831.8m from the Government's COVID-19 pandemic relief packages that will enable the waiving of domestic aviation charges for the period February to December 2020 and support Airservices critical operating costs. The first instalment of \$250m has been received for the 2019-20 financial year with another \$581.8m to be received during the 2020-21 financial year.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2020 \$'000	2019 \$'000
<b>Finance income</b>		
Deposits	2,154	5,393
Cash at bank	240	445
Other	86	141
<b>Total finance income</b>	<b>2,480</b>	<b>5,979</b>

## ACCOUNTING POLICY

### Finance income

Finance income is recognised using the effective interest method as set out in AASB 9 Financial Instruments. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

	2020 \$'000	2019 \$'000
<b>Net gain on disposal of non-current assets</b>		
Property, plant and equipment:		
Proceeds from sale	-	20,371
Written down value of scrapped assets	-	(19,661)
<b>Net gain on disposal of non-current assets</b>	<b>-</b>	<b>710</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 1.2 EXPENSES

	2020 \$'000	2019 \$'000
<b>Employee benefits</b>		
Wages and salaries	452,771	441,935
Superannuation (defined contribution funds)	51,557	49,507
Leave and other entitlements	115,138	138,863
Separation and redundancies - other	3,255	542
<b>Employee benefits (excluding defined benefit superannuation expense)</b>	<b>622,721</b>	<b>630,847</b>
<b>Net defined benefit superannuation expense recognised in employee benefits</b>		
Current service cost	25,621	24,681
Net interest expense	(6,244)	(10,990)
<b>Defined benefit superannuation expense</b>	<b>19,377</b>	<b>13,691</b>
<b>Total employee benefits</b>	<b>642,098</b>	<b>644,538</b>
<b>Finance Costs</b>		
Borrowing costs	15,760	20,232
Interest rate swap fair value loss	3,078	1,674
Interest on lease liabilities	2,361	-
<b>Total finance costs</b>	<b>21,199</b>	<b>21,906</b>
<b>Impairment loss on financial instruments</b>		
Impairment on trade and other receivables	20,020	(1,138)
Bad debts written off	270	1,756
<b>Total impairment loss on financial instruments</b>	<b>20,290</b>	<b>618</b>
<b>Write-down and impairment of other assets</b>		
Impairment of property, plant and equipment	2,994	6,405
Revaluation (increments)/decrements	(23)	4,622
<b>Total write-down and impairment of other assets</b>	<b>2,971</b>	<b>11,027</b>
<b>Net loss on disposal of non-current assets</b>		
Proceeds from disposal of non-current assets	(1,600)	-
Written-down value of disposed non-current assets	2,097	-
Proceeds from disposal of assets held for sale	(3,272)	-
Written-down value of disposed assets held for sale	3,272	-
<b>Net loss on disposal of non-current assets</b>	<b>497</b>	<b>-</b>
<b>Other expenses</b>		
Operating lease rentals <sup>1</sup>	2,020	14,966
Short-term leases	676	-
Low value leases	4,426	-
Variable lease payments	652	-
	<b>7,774</b>	<b>14,966</b>

1. The Entity has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117. For the 2019-20 financial year, the 'operating lease rentals' line item includes any non-lease components not included in the measurement of the lease liability.

The above lease disclosures should be read in conjunction with the accompanying note 2.3, 2.7.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## ACCOUNTING POLICY

### Employee Benefits

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

### Short-term leases and leases of low-value assets

The Entity has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (less than \$10,000). The Entity recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## 1.3 TAXATION

	2020 \$'000	2019 \$'000
<b>Income tax expense</b>		
Current tax expense	6,863	39,666
Deferred tax expense	(18,394)	(14,252)
<b>Income tax expense attributable to profit from continuing operations</b>	<b>(11,531)</b>	25,414
<b>Reconciliation of income tax expense to prima facie tax payable</b>		
Profit from continuing operations before income tax expense	(36,500)	87,821
Prima facie income tax expense at 30%	(10,949)	26,346
Tax effect of amounts which are not deductible/assessable in calculating taxable income:		
Non-deductible legal costs	2	25
Prior year over provision of tax	(661)	792
Other non-deductible/(assessable) expenditure	77	(1,749)
<b>Income tax expense</b>	<b>(11,531)</b>	25,414

## ACCOUNTING POLICY

### Income tax

The income tax expense for the year is the tax payable on the current year's taxable income based on the notional income tax rate. It is then adjusted for any changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2020 \$'000	2019 \$'000
<b>Deferred tax liability</b>		
<b>The balance comprises temporary differences attributable to:</b>		
<i>Amounts recognised in the statement of comprehensive income</i>		
Depreciation for accounting purposes	(1,341)	(8,970)
Allowance for impairment	6,689	684
Employee benefits	60,056	57,828
Provision for revenue to be returned to customers	187	182
Provision for legal costs	386	548
Other provisions	27,318	24,721
Accruals	1,759	1,670
	<b>95,054</b>	<b>76,663</b>
<i>Amounts recognised directly in equity</i>		
Foreign exchange hedge reserve	735	387
Revaluation of land, buildings, plant and equipment	(52,093)	(51,676)
Defined benefit (asset)/liability	(25,291)	(39,626)
Transition to AASB 16	(2,662)	-
	<b>(79,311)</b>	<b>(90,915)</b>
<b>Net deferred tax (liability) / assets</b>	<b>15,743</b>	<b>(14,252)</b>
<b>Movements:</b>		
Opening balance at 1 July	(14,252)	(41,246)
Charged to the statement of comprehensive income	18,391	14,252
Credited to equity	11,604	12,742
<b>Closing balance as at 30 June</b>	<b>15,743</b>	<b>(14,252)</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## Tax losses

Airservices has capital losses of \$4.9m (\$5.0m) that are available indefinitely for offset against future capital gains. Deferred tax assets have not been recognised in respect of these losses as management has evaluated and concluded that it is not probable that future capital gains will be available, against which Airservices can utilise these losses in the foreseeable future.

## ACCOUNTING POLICY

### Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting or taxable profit or loss.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## 1.4 DIVIDENDS

### Dividends paid

A final dividend of \$5.4m for the year ended 30 June 2019 was paid on 3 March 2020 (2019: a \$5.0m final dividend for the year ending 30 June 2018 was paid on 28 February 2019). No interim dividend for the year ending 30 June 2020 was paid (2019: a \$4.8m interim dividend for the year ending 30 June 2019 was paid on 15 June 2019).

### Franking credits

Franking credits available for subsequent financial years based on a tax rate of 30 per cent (30 June 2019: 30 per cent) are \$339.9m (30 June 2019: \$294.1m).

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

## ACCOUNTING POLICY

### Dividends

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 2. Our Asset Base

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

### 2.1 RECEIVABLES

	2020 \$'000	2019 \$'000
<b>Trade and other receivables</b>		
Trade receivables, net of waivers (a)	49,952	124,854
Less impairment loss allowance (b)	(22,298)	(2,278)
	<b>27,654</b>	122,576
Accrued revenue and interest	2,969	3,908
Other receivables	2,120	178
<b>Total current receivables</b>	<b>32,743</b>	126,662
<b>(A) AGEING ANALYSIS OF TRADE RECEIVABLES</b>		
Current	19,823	95,781
<b>Overdue by:</b>		
1 to 30 days	4,521	25,688
31 to 60 days	1,648	1,524
61 to 90 days	10,892	881
90 + days	13,068	980
<b>Total trade receivables</b>	<b>49,952</b>	124,854
<b>Trade and other receivables (net) expected to be recovered</b>		
No more than 12 months	49,952	124,854
<b>Total trade and other receivables (net)</b>	<b>49,952</b>	124,854
<b>(B) RECONCILIATION OF THE IMPAIRMENT LOSS ALLOWANCE</b>		
Opening balance	2,278	3,416
Increase recognised in net profit/(loss)	20,020	(1,138)
Closing balance	<b>22,298</b>	2,278
The provision for impairment of receivables is aged as follows:		
Current	1,260	151
<b>Overdue by:</b>		
1 to 30 days	1,118	356
31 to 60 days	666	283
61 to 90 days	8,184	390
90 + days	11,070	1,098
<b>Total provision for impairment of receivables</b>	<b>22,298</b>	2,278

Credit terms for goods and services are 28 days.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## NOTES:

### Domestic Flight Waivers

On 18 March 2020, the Minister for Infrastructure, Transport and Regional Development announced a relief package for the Australian aviation industry to refund and waive a range of charges including Airservices charges on domestic airline operations. The trade receivables balance as at 30 June 2020 is net of domestic flight waivers totalling \$6.2m. Refer to Note 1.1 Revenue for further information.

### Provisions for expected credit losses (ECL)

The COVID-19 pandemic has had a significant impact on global and domestic economies and as such, many of Airservices customers. The current and prospective rapid deterioration in the economy, particularly within the aviation industry due to the COVID-19 pandemic has resulted in a significant increase in the provision for Expected Credit Loss (ECL) to \$22.3m (30 June 2019: \$2.3m).

### Modelled provision for ECL

The modelled provision for ECL is a probability weighted estimate of multiple scenarios using the roll-rate approach based on historical analysis of receivable balances, provisioning and delinquencies. A further Standard & Poors average probability of default measurement for our key customers' receivables of 1.49 per cent was applied. Together this is representative of Airservices view of the forward-looking distribution of potential loss outcomes. The increase in provisions as a result of changes in modelled ECL are reflected through the line item "increase recognised in net loss".

### The COVID-19 pandemic overlay

While the impacts on the economy and travel sector generally are included in the assumptions used in the model and the weightings applied to the scenarios, the general wide impacts will not reflect the specific impact on individual customers. As the full impact of the COVID-19 pandemic is yet to be felt at the balance to date, Airservices is still to see the anticipated increase in delinquencies, downgrades and defaults. As these likely future downgrades are not currently captured in the modelled outcome, Airservices has considered the likely industry impacts and raised a \$1.4m overlay in addition to the modelled provision of \$20.9m.

Airservices will reassess this treatment as the situation evolves and the longer term impacts of the COVID-19 pandemic become clearer. Beyond the specific COVID-19 pandemic government support packages it is likely some airline customers will move into general hardship arrangements and thus will represent an increased credit risk.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 2.2 ASSETS CLASSIFIED AS HELD FOR SALE

Five land assets have been identified as surplus to the requirements of Airservices and have been classified as assets held for sale. Disposal is expected to be completed within the 2020-21 financial year.

The carrying amount of the asset amounts is \$0.4m (30 June 2019: \$3.3m).

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 2.3 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

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

	Land \$'000	Buildings \$'000	Plant and equipment \$'000
<b>As at 1 July 2019</b>			
Gross book value	25,950	410,144	731,775
Accumulated depreciation and impairment	-	(57,439)	(198,443)
<b>Net book value 1 July 2019</b>	<b>25,950</b>	<b>352,705</b>	<b>533,332</b>
Recognition of right of use asset on initial application of AASB 16	44,122	79,455	2,693
<b>Adjusted total as at 1 July 2019</b>	<b>70,072</b>	<b>432,160</b>	<b>536,025</b>
Additions	-	-	2,535
Right-of-use assets additions	171	131	7,762
Revaluations and impairments recognised in other comprehensive income	-	508	-
Revaluations recognised in profit and loss	(73)	5,897	-
Revaluations and impairments recognised in other comprehensive income for right-of-use assets	-	-	-
Impairments - recognised in profit and loss	-	-	-
Impairments - recognised in other comprehensive income	-	-	-
Impairments on right-of-use assets recognised in net cost of services	-	-	-
Commissioned assets under construction	-	18,310	20,485
Depreciation/amortisation expense	-	(31,267)	(85,318)
Depreciation on right-of-use assets	(3,405)	(9,411)	(4,245)
Other movements of ROU assets	-	-	-
Disposals - other	(1,539)	(31)	(470)
Transferred to assets held for sale	(445)	-	-
Transfers - other	3	233	(233)
<b>Net book value 30 June 2020</b>	<b>64,784</b>	<b>416,530</b>	<b>476,541</b>
<b>Net book value as of 30 June 2020 represented by:</b>			
Gross book value	68,189	490,665	755,625
Accumulated depreciation and impairment	(3,405)	(74,135)	(279,084)
	<b>64,784</b>	<b>416,530</b>	<b>476,541</b>
Carrying amount of right-of-use assets	<b>40,888</b>	<b>70,175</b>	<b>6,210</b>

#### Notes:

- Total Assets under Construction includes \$314.6m of intangible assets which is mainly comprised of the OneSKY - Civil Military Air Traffic Control System and \$186.5m of property, plant and equipment.
- Total property, plant and equipment includes right-of-use assets leased to third-parties as an operating lease of \$0.3m as at 30 June 2020.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Total property, plant and equipment <sup>2</sup> \$'000	Internally developed software \$'000	Other intangible assets \$'000	Total intangibles \$'000	Assets under construction <sup>1</sup> \$'000	Total \$'000
1,167,869	344,675	83,301	427,976	259,903	1,855,748
(255,882)	(252,735)	(80,611)	(333,346)	-	(589,228)
911,987	91,940	2,690	94,630	259,903	1,266,520
126,270	-	-	-	-	126,270
1,038,257	91,940	2,690	94,630	259,903	1,392,790
2,535	-	-	-	294,521	297,056
8,064	-	-	-	-	8,064
508	-	-	-	-	508
5,824	-	-	-	-	5,824
-	-	-	-	-	-
-	-	-	-	(2,994)	(2,994)
-	-	-	-	-	-
-	-	-	-	-	-
38,795	9,267	2,330	11,597	(50,394)	(2)
(116,585)	(15,640)	(3,157)	(18,797)	-	(135,382)
(17,061)	-	-	-	-	(17,061)
-	-	-	-	-	-
(2,040)	-	(57)	(57)	-	(2,097)
(445)	-	-	-	-	(445)
3	-	-	-	-	3
957,855	85,567	1,806	87,373	501,036	1,546,264
1,314,479	353,749	82,330	436,079	501,036	2,251,594
(356,624)	(268,182)	(80,524)	(348,706)	-	(705,330)
957,855	85,567	1,806	87,373	501,036	1,546,264
117,273	-	-	-	-	117,273

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 2.3 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES CONTINUED

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

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

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## (A) REVALUATION OF LAND, BUILDINGS, PLANT AND EQUIPMENT

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

Airservices engaged accredited valuers Marsh to value its land and buildings. The effective date of the revaluation was 30 June 2020.

### Property valuation uncertainty

Market uncertainty comes about when a market, as at the valuation date, is disrupted by current or very recent events such as a sudden economic or political crisis. The event(s) that cause market uncertainty may be macroeconomic, for example the current COVID-19 pandemic, or microeconomic such as a change to a law or regulation which resets or disrupts a market sector.

In the real estate market, macroeconomic event(s) may result in valuation uncertainties as the only evidence available to be considered by the valuer is most likely to have taken place before the event occurred, the impact of which will not be reflected in market evidence. The impact on sale prices and volumes will not be known until the market has stabilised and a new normal has been established.

Accordingly, the valuation undertaken for reporting purposes has attached less weight to previous market evidence for comparison purposes to inform opinions of value. The market the property/assets(s) are being transacted in or assessed in is impacted by the uncertainty that the COVID-19 pandemic has caused. Market conditions are changing daily, and the current response to the pandemic means that an unprecedented set of circumstances was faced on which to base a judgement. In the event impacts are more material or prolonged than anticipated, this may have a material impact on the fair value of Airservices property portfolio and the future prices achieved if any properties are sold.

## (B) CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Capital commitments for property, plant, equipment and intangibles was \$923.9m (2019: \$1.2bn) and includes GST where relevant.

## (C) IMPAIRMENT

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

## (D) CARRYING AMOUNTS THAT WOULD HAVE BEEN RECOGNISED IF LAND, PLANT AND EQUIPMENT WERE MEASURED USING THE COST MODEL:

	2020 \$'000	2019 \$'000
<b>Land</b>		
At cost	2,065	2,271
	<b>2,065</b>	<b>2,271</b>
<b>Buildings</b>		
At cost	583,413	565,340
Accumulated depreciation	(271,824)	(249,283)
Net book amount	<b>311,589</b>	<b>316,057</b>
<b>Plant and Equipment</b>		
At cost	1,350,581	1,357,994
Accumulated depreciation	(839,748)	(786,567)
Net book amount	<b>510,833</b>	<b>571,427</b>

## (E) BORROWING COSTS

The total borrowing costs capitalised as at 30 June 2020 is \$18.2m (2019: \$9.3m) of which \$10.6m (2019: \$5.1m) were capitalised during the year. As Airservices borrows money generally to fund both operating and capital expenditure, the weighted average cost of borrowings of 3.88 per cent (2019: 3.71 per cent) was used as the capitalisation rate.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## ACCOUNTING POLICY

### Asset recognition threshold

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

### Cost and valuation

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

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

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

### Revaluations

Following initial recognition at cost, property, plant and equipment (excluding ROU Assets) are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Independent valuations are performed with sufficient regularity to ensure the carrying amount does not differ materially from the asset's fair value at the reporting date. Revaluations are conducted by an independent qualified valuer.

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

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

### Lease Right of Use (ROU) Assets

At inception of a contract, Airservices assesses whether an arrangement is, or contains a lease. An arrangement contains a lease if a customer has the right to control the use of an identified asset for a period in exchange for consideration. Airservices is a party to lease contracts for the following ROU asset classes – land, building, plant and equipment as at 30 June 2020.

The entity has elected not to separate non-lease components and account for its lease and non-lease components as a single lease component only if immaterial, as allowed by the Department of Finance. Leased ROU assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

If the lease transfers ownership of the underlying asset to Airservices by the end of the lease term or if the costs of the ROU asset reflects that Airservices will exercise a purchase option, the asset will be depreciated from the commencement date to the end of the useful life of the underlying asset.

These assets are accounted for as separate asset classes to corresponding assets owned outright, but included in the same column as where the corresponding underlying assets would be presented if they were owned.

On initial adoption of AASB 16, Airservices has adjusted the ROU assets at the date of initial application by the amount of any provision for onerous leases recognised immediately before the date of initial application. Following initial application, an impairment review is undertaken for any ROU lease asset that shows indicators of impairment and an impairment loss is recognised against any ROU lease asset that is impaired. Lease ROU assets continue to be measured at cost after initial recognition in Airservices and Whole of Government financial statements.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## ACCOUNTING POLICY CONTINUED

### De-recognition and disposal

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

### Impairment of non-financial assets

The carrying values of property, plant and equipment (including ROU assets) are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable, and, as a minimum, at least annually. All assets were assessed for impairment as at 30 June 2020.

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

### Recoverable amount of non-current assets

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

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

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

### Depreciation

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

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

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

	2020	2019 <sup>1</sup>
Buildings (e.g. control towers, fire stations, commercial property)	10-45 years	10-45 years
Building equipment	1-40 years	2-40 years
Other Assets (e.g. airways technical equipment, vehicles)	2-40 years	2-40 years

1. Comparatives have been updated to reflect actual useful lives applied in depreciation rates. This was previously disclosed using standard useful lives.

The depreciation rates for ROU assets are based on the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## ACCOUNTING POLICY CONTINUED

### Spare parts

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

### Decommissioning and site rehabilitation

Where Airservices has an obligation to incur site rehabilitation costs and the requirements outlined below in Note 2.5 Other Provisions and Payables, have been met, the estimated cost to make good the site has been recorded as a provision.

The net present value of the make-good obligation is measured by discounting using market yields at the reporting date on high quality corporate bonds (AA and AAA rated bonds only) with terms to maturity that match, as closely as possible the estimated future cash-flows of the related make-good obligation.

### Intangible assets

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

Research costs associated with in-house developed intangible assets are expensed as incurred. Costs incurred on development projects (relating to the design and testing of new, improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its cost can be measured reliably. The carrying value of development costs is reviewed for impairment annually or more frequently if there is evidence to suggest that the carrying value may not be recoverable. All intangibles were assessed for indicators of impairment as at 30 June 2020.

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

### Borrowing costs

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 2.4 FAIR VALUE DISCLOSURE

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

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

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

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

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

### Fair value measurements

#### Fair value measurements as at 30 June 2020 by hierarchy for assets and liabilities

	Fair value measurements at the end of the reporting period				
	2020 \$'000	2019 \$'000	Category (Level 1, 2, or 3)	Valuation technique	Inputs used
<b>Financial assets</b>					
Forward exchange contracts	681	709	2	ADCF	[1]
Foreign currency receivable	-	-	2	ADCF	[1]
Interest rate swaps	16,688	15,785	2	ADCF	[2]
<b>Total financial assets at fair value</b>	<b>17,369</b>	<b>16,494</b>			
<b>Non-financial assets</b>					
Land	23,896	25,950	2	DC	[3]
Buildings	346,355	352,705	3	DRC	[4]
Plant and equipment	470,331	533,332	3	DRC	[5]
Assets held for sale	445	3,272	2	DC	[3]
<b>Total non-financial assets at fair value</b>	<b>841,027</b>	<b>915,259</b>			
<b>Total fair value measurements of assets</b>	<b>858,396</b>	<b>931,753</b>			
<b>Financial liabilities</b>					
Forward exchange contracts	3,169	1,974	2	ADCF	[1]
Interest rate swaps	17,675	13,757	2	ADCF	[2]
<b>Total financial liabilities at fair value</b>	<b>20,844</b>	<b>15,731</b>			
<b>Total fair value measurements of liabilities</b>	<b>20,844</b>	<b>15,731</b>			
<b>FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE IN THE STATEMENT OF FINANCIAL POSITION</b>					
Medium Term Notes	994,600	712,458	1	DC	[6]
Commercial Paper	134,905	4,991	1	DC	[6]
<b>Total financial liabilities not measured at fair value</b>	<b>1,129,505</b>	<b>717,449</b>			

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## NOTES:

DC - Direct Comparison

DRC - Depreciated Replacement Cost (Cost Approach)

DCF - Discounted Cash Flows

ADCF - Adjusted Discounted Cash Flows

WA - Weighted Average

[1] Current foreign exchange market rates.

[2] Current market interest rates.

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

[4] Historical capitalised costs adjusted to current date by the application of specific indices (range used: +1.5 per cent - +3.75 per cent)

[5] Asset class subject to high level review only. Historical capitalised costs adjusted to current date by the application of specific indices considered appropriate to particular asset categories (range used: -4 per cent +2 per cent). Indices adopted have no material movement compared to 2019.

[6] Medium term note and commercial paper fair values reflect the price that an existing investor is prepared to receive if they were to sell their investment in the secondary market.

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

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

### Land

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

### Buildings

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

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

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

### Plant and Equipment

These assets represent a specialised group of assets integrated to perform the control, monitoring and safety requirements' of air and ground movement of commercial aircraft and airport support vehicles within Australia. Generally, the plant and equipment assets are typical at each airport and only vary subject to the operational requirements of each airport. Airservices assets include navigational aids, en-route surveillance systems, airport infrastructure and fire and rescue vehicles. As such, all plant and equipment assets are considered to be specialised and are valued using the Cost Approach (depreciated replacement cost). For the current assessment year, cost indices were reviewed and indicated there has been no material movement in costs to current date. As such, net book values are considered to reflect fair value.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## **Financial assets and liabilities**

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## Reconciliation for recurring Level 3 fair value measurements

### Recurring Level 3 fair value measurements - reconciliation for assets

	Non-financial assets		
	Buildings 2020 \$'000	Plant and equipment 2020 \$'000	Total 2020 \$'000
<b>Opening balance</b>	352,705	533,332	886,037
Total gains/(losses) recognised in Statement of Comprehensive Income <sup>1</sup>	-	485	485
Total gains/(losses) recognised in Other Comprehensive Income <sup>2</sup>	508	(485)	23
Purchases	233	2,302	2,535
Commissioned	18,310	20,485	38,795
Disposals	(31)	(470)	(501)
Depreciation	(31,267)	(85,318)	(116,585)
<b>Closing balance</b>	<b>340,458</b>	<b>470,331</b>	<b>810,789</b>

Notes:

1. These gains/(losses) are presented in the Statement of Comprehensive Income under Reversal of previous asset write-down.
2. These gains/(losses) are presented in the Statement of Comprehensive Income under Changes in asset revaluation reserve.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 2.5 OTHER PROVISIONS AND PAYABLES

	2020 \$'000	2019 \$'000
<b>Current payables and other provisions</b>		
<b>Current trade and other payables</b>		
Trade payables	13,361	14,927
Employees		
Salaries and wages	15,385	12,695
Superannuation	1,648	1,594
Tax payables		
Accrued payroll tax	9,483	2,847
Net goods and services tax payable	-	13,267
Group tax payable	5,784	6,149
Revenue received in advance	678	1,153
Interest payable	3,775	2,806
Other accrued expenses	71,381	51,328
<b>Total current trade and other payables</b>	<b>121,495</b>	<b>106,766</b>
<b>Current other provisions</b>		
Revenue to be returned to customers	622	607
ARFFS decontamination	11,892	15,743
Litigation and legal costs	1,288	1,825
Makegood on leasehold assets	213	614
Other	1,893	823
<b>Total current other provisions</b>	<b>15,908</b>	<b>19,612</b>
<b>Total current provisions and payables</b>	<b>137,403</b>	<b>126,378</b>
<b>Non-current other provisions</b>		
ARFFS decontamination	47,417	38,781
Makegood on leasehold assets	27,559	24,032
<b>Total non-current provisions</b>	<b>74,976</b>	<b>62,813</b>

### Description of provisions

#### Aviation Rescue and Fire Fighting Services (ARFFS) decontamination

The provision relates to the assessment, management and containment of possible contaminated ARFFS training sites as outlined in Note 5.1 Contingent liabilities.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## ACCOUNTING POLICY

### Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the obligation is measured using a discount rate which reflects current market assessments and the risks specific to the liability. Increases in the provision due to the passage of time (unwinding of the discount) are then recognised as an expense.

## ACCOUNTING JUDGEMENTS AND ESTIMATES

### Other provisions

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

	2020 \$'000	2019 \$'000
<b>Movements in provisions</b>		
<b>(i) Revenue to be returned to customers (Current)</b>		
Carrying amount at start of period	607	505
Additional provisions made	15	102
Carrying amount at end of period	622	607
<b>(ii) ARFFS decontamination (Current/Non-current)</b>		
Carrying amount at start of period	54,524	56,177
Additional provisions made	14,441	4,191
Payments	(9,656)	(5,844)
Carrying amount at end of period	59,309	54,524
<b>(iii) Litigation and legal costs (Current)</b>		
Carrying amount at start of period	1,825	844
Additional provisions made	1,288	1,825
Payments	(1,825)	(844)
Carrying amount at end of period	1,288	1,825
<b>(iv) Makegood on leasehold assets (Current/Non-current)</b>		
Carrying amount at start of period	24,646	22,629
Additional provisions made	3,394	2,161
Payments	(268)	(144)
Carrying amount at end of period	27,772	24,646
<b>(v) Restructuring costs (Current)</b>		
Carrying amount at start of period	-	7,260
Amounts reversed	-	(5,200)
Payments	-	(2,060)
Carrying amount at end of period	-	-
<b>(vi) Other (Current)</b>		
Carrying amount at start of period	823	1,413
Additional provisions made	1,160	-
Payments	(90)	(590)
Carrying amount at end of period	1,893	823

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 2.6 OTHER FINANCIAL ASSETS AND LIABILITIES

	2020 \$'000	2019 \$'000
<b>Other current financial assets</b>		
Interest rate swaps	3,608	-
Forward exchange contracts	416	338
Foreign currency receivable	-	-
<b>Total other current financial assets</b>	<b>4,024</b>	<b>338</b>
<b>Other non-current financial assets</b>		
Interest rate swaps	13,080	15,785
Forward exchange contracts	265	371
<b>Total other non-current financial assets</b>	<b>13,345</b>	<b>16,156</b>
<b>Other current financial liabilities</b>		
Interest rate swaps	944	506
Forward exchange contracts	795	335
<b>Total other current financial liabilities</b>	<b>1,739</b>	<b>841</b>
<b>Other non-current financial liabilities</b>		
Interest rate swaps	16,731	13,251
Forward exchange contracts	2,374	1,639
<b>Total other non-current financial liabilities</b>	<b>19,105</b>	<b>14,890</b>

Refer to Note 2.4 for basis of fair value measurement.

## 2.7 OTHER ASSETS AND OTHER LIABILITIES

	2020 \$'000	2019 \$'000
<b>Other current liabilities</b>		
Lease liability <sup>1</sup>		
Land	2,733	375
Buildings	6,753	-
Plant and equipment	4,110	-
<b>Total other current liabilities</b>	<b>13,596</b>	<b>375</b>
<b>Other non-current liabilities</b>		
Lease liability <sup>1</sup>		
Land	35,169	4,063
Buildings	66,538	-
Plant and equipment	1,710	-
Other <sup>2</sup>	58,463	85,062
<b>Total other non-current liabilities</b>	<b>161,880</b>	<b>89,125</b>

Notes:

- The Entity has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117. Total cash outflow for leases for the year ended 30 June 2020 was \$14.8m.
- This represents the excess of amounts received from the Department of Defence under the On-Supply Agreement, over Defence's share of work conducted by Thales under the Civil-Military Air Traffic Management System (CMATS) acquisition contract.

The above lease disclosures should be read in conjunction with the accompanying notes 1.2, 2.3.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## ACCOUNTING POLICY

### Lease liabilities

The lease liability is measured at the present value of future lease payments, discounted using the implicit interest rate (IIR), if available, otherwise the incremental borrowing rates (IBR) is used. The discount rate represents Airservices borrowing rate with the asset portfolio adjusted for the profile of the underlying asset (and its securitisation), currency and the tenure.

Where the incremental borrowing rate is used, Airservices will reference a 30-year Australian Medium-Term Note (MTN) corporate bond yield curve which has been built to reflect our costs of borrowings. The curve can be used to represent the entity's borrowing rate across asset categories and tenures.

Lease payments to be included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments) less any lease incentives; variable lease payments that depend on an index or a rate; the exercise price of a purchase option if reasonably certain of exercise; amounts expected to be payable under a residual value guarantee; and any payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

Lease payments not included in the initial measurement of the lease liability are recognised directly in profit and loss. Overall, the variable payments constitute up to 3 per cent of Airservices entire lease payments as at 30 June 2020. Airservices expects this ratio to remain constant in the future years. Refer to Note 1.2 Expenses for further detail.

The lease term determined comprises the non-cancellable period of lease contracts, periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

After the commencement date, Airservices measures the lease liability by reducing the carrying amount to reflect any lease payments made, and increasing the carrying amount to reflect interest on the lease liability.

Airservices remeasures the lease liability whenever there is a change in future lease payments arising from change in an index or rate, if there is a change in the entity's estimate of the amount expected to be payable under a residual value guarantee, or if the entity changes its assessment of whether it will exercise a purchase, extension or termination option. Any remeasurement is generally adjusted against the ROU asset.

Refer to the Overview section for accounting policy on transition to AASB16 Leases and Note 2.3 Property, plant and equipment and Intangibles for the accounting policy for ROU assets.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 3. Our Funds Management

This section identifies Airservices Australia's funding structure.

### 3.1 CASH AND CASH EQUIVALENTS

	2020 \$'000	2019 \$'000
<b>Cash and cash equivalents</b>		
Cash at bank and in hand	43,608	36,006
Deposit at call	264,200	80,700
Term deposits	210,000	265,000
<b>Total cash and cash equivalents</b>	<b>517,808</b>	<b>381,706</b>

#### (A) CASH AT BANK AND IN HAND

Cash at bank has a floating interest rate of 0.45 per cent (30 June 2019: 1.45 per cent) for balances up to \$25m. For balances greater than \$25m, the interest rate is 0.25 per cent (30 June 2019: 1.25 per cent). Cash in hand and some non-interest bearing bank accounts have a zero interest rate.

#### (B) DEPOSITS AT CALL

The deposits at call have a floating interest rate of 0.25 per cent (30 June 2019: 1.25 per cent). These 11am cash deposits are rolled over on a daily basis.

#### (C) TERM DEPOSITS

This represents \$35m maturing on 28 July 2020, \$40m maturing on 16 September 2020, \$60m maturing on 22 September 2020, \$35m maturing on 14 October 2020 and \$40m maturing on 28 October 2020. Term deposits have a weighted average interest rate of 0.75 per cent.

## ACCOUNTING POLICY

### Cash and cash equivalents

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 3.2 RECONCILIATION OF CASH AND CASH EQUIVALENTS

	2020 \$'000	2019 \$'000
<b>Reconciliation of net profit/(loss) after income tax to net cash flows from operations</b>		
Net profit/(loss) after income tax	(24,969)	62,407
Adjustments for:		
Depreciation expense	152,443	141,650
Impairment recognised for property, plant and equipment	2,994	6,405
Reversal of previous asset write-downs	(485)	(955)
Net gain on sale/write-down of non-current assets	-	(710)
Net loss on sale/write-down of non-current assets	790	2,258
Fair value adjustments to derivatives	-	(1,410)
AvSuper defined benefit contributions movement (after tax)	(33,448)	(27,363)
Change in assets		
(Increase)/decrease in gross receivables	73,899	(1,312)
(Increase)/decrease in inventories	(165)	(99)
(Increase)/decrease in prepayments	620	923
(Increase)/decrease in other assets	(875)	(6,733)
(Increase)/decrease in deferred tax	(29,995)	(27,095)
Change in liabilities		
Increase/(decrease) in employee benefits	60,521	61,134
Increase/(decrease) in allowance for impairment	20,020	(1,138)
Increase/(decrease) in legal provisions	(537)	981
Increase/(decrease) in other liabilities	(57,470)	100,658
Increase/(decrease) in other provisions	5,587	(226)
Increase/(decrease) in creditors and accruals	5,220	12,427
Increase/(decrease) in revenue to be returned to customers provision	15	102
<b>Net cash flow from operating activities</b>	<b>174,165</b>	<b>321,904</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 3.3 BORROWINGS

	2020 \$'000	2019 \$'000
<b>Unsecured borrowings</b>		
Current <sup>1</sup>	479,593	4,989
Non-current <sup>2</sup>	671,599	672,354
<b>Total borrowings</b>	<b>1,151,192</b>	<b>677,343</b>

Notes:

- This represents amounts issued under a \$975m medium term note program, a \$300m commercial paper program and two committed standby cash advance facilities. It includes a \$275m medium term note tranche maturing 19 November 2020, a \$10m commercial paper tranche maturing 8 July 2020, a \$25m commercial paper tranche maturing 23 July 2020, a \$5m commercial paper tranche maturing 21 August 2020, a \$20m commercial paper tranche maturing 30 September 2020, a \$75m commercial paper tranche maturing 5 October 2020, a \$60m cash advance maturing on 23 September 2020 and a \$10m cash advance maturing on 24 September 2020.
- This represents amounts issued under a \$975m medium term note program and includes a \$200m tranche maturing on 15 May 2023, a \$200m tranche maturing on 15 May 2026 and a \$275m tranche maturing on 15 May 2030.

## 3.4 STANDBY ARRANGEMENTS AND UNUSED CREDIT FACILITIES

	2020 \$'000	2019 \$'000
<b>Unused credit facilities - bank overdraft</b>	<b>5,000</b>	<b>5,000</b>
Borrowing facilities		
Commercial paper program	300,000	300,000
Medium term note program	975,000	975,000
Committed standby cash advance facilities	535,000	180,000
Uncommitted 11am borrowing	60,000	60,000
<b>Total borrowing facilities</b>	<b>1,870,000</b>	<b>1,515,000</b>
Amount utilised	(1,155,000)	(680,000)
<b>Unused borrowing facilities</b>	<b>715,000</b>	<b>835,000</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 3.5 FINANCIAL INSTRUMENTS

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

### FINANCIAL ASSETS AND LIABILITIES – CLASSIFICATION AND MEASUREMENT

#### Cash and cash equivalents

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

#### Trade and other receivables

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

#### Committed standby cash advances

Airservices standby cash advances are short term bank loans that are held to maturity and have cash flows that solely represent principal and interest. All committed standby cash advances are classified under AASB 9 as financial liabilities at amortised cost.

#### Medium term notes and commercial papers

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

#### Trade and other payables

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

#### Derivative financial instruments

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

### DERIVATIVE FINANCIAL INSTRUMENTS - HEDGE ACCOUNTING UNDER AASB 9

Airservices uses derivative financial instruments, such as Forward Exchange Contracts (FECs) and Interest Rate Swaps (IRSs) to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value on reporting date. Derivatives are carried as current or non-current financial assets when the fair value is positive and as current and non-current financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion, which is recognised in other comprehensive income.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## Fair value measurements

The fair values of Airservices FECs and IRSs are calculated using a credit adjusted discounted cash-flow methodology. FEC and IRS contracted rates are compared to current market rates to calculate future cash flows which are then discounted to arrive at a present value.

Airservices uses only observable market data as inputs. This has not changed as a result of the COVID-19 pandemic.

Airservices does not apply netting to the fair values of its financial assets and liabilities. The Statement of Financial Position separates the fair values into current and non-current financial assets and liabilities. However, as at 30 June 2020, if netting was applied to the FEC portfolio, then FEC financial assets of \$681,128 would have reduced by FEC financial liabilities of \$3,169,301 to the net liability amount of \$2,488,173 (30 June 2019: FEC financial assets of \$709,022 would have been reduced by FEC financial liabilities of \$1,973,853 to the net liability amount of \$1,264,831).

If netting was applied to the IRS portfolio, then IRS financial assets of \$16,687,904 would have been reduced by IRS financial liabilities of \$17,675,456 to the net liability amount of \$987,552 (30 June 2019: IRS financial assets of \$15,784,746 would have been reduced by IRS financial liabilities of \$13,756,379 to the net asset amount of \$2,028,367).

Medium-term note and commercial paper fair values reflect the price that an existing investor is prepared to receive if they were to sell their investment in the secondary market. These prices are provided by independent secondary market traders.

There is no secondary market for committed standby cash advances as they are executed under bilateral agreements with bank counterparties. As a result, their fair value is equal to the carrying amount. Refer to Note 2.4 for the fair value measurement basis of these instruments.

	AASB 9 accounting classification	Carrying amount 2020 \$'000	Fair value 2020 \$'000	Carrying amount 2019 \$'000	Fair value 2019 \$'000
<b>Assets</b>					
Forward exchange contracts	FVTPL	681	681	709	709
Cash and cash equivalents	AC	517,808	517,808	381,706	381,706
Receivables	AC	32,743	32,743	126,662	126,662
Interest rate swaps	FVTPL	16,688	16,688	15,785	15,785
<b>Total assets</b>		<b>567,920</b>	<b>567,920</b>	<b>524,862</b>	<b>524,862</b>
<b>Liabilities</b>					
Forward exchange contracts	FVTPL	3,169	3,169	1,974	1,974
Interest rate swaps	FVTPL	17,675	17,675	13,756	13,756
Medium Term Notes	AC	946,378	994,600	672,354	712,458
Trade and other payables	AC	121,495	121,495	106,766	106,766
Commercial Paper	AC	134,814	134,905	4,989	4,991
Standby cash advances	AC	70,000	70,000	-	-
<b>Total liabilities</b>		<b>1,293,531</b>	<b>1,341,844</b>	<b>799,839</b>	<b>839,945</b>

## NOTES:

AC – Amortised Cost

FVTPL – Fair Value Through Profit and Loss

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## Financial risk

The financial risk management policy is aligned to Airservices risk appetite statement. The policy identifies financial risks and provides effective guidance on how Airservices manages the risks faced by the organisation. It sets the risk limits, identifies the controls and determines the process for monitoring and adhering to limits. The policy is designed to add value without adding to the overall risks of the organisation.

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

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

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

## Credit risk

Credit risk represents the risk that one party to a transaction will fail to discharge an obligation and cause the other party to suffer a financial loss. Airservices invests money and enters into financial derivative contracts with authorised counterparties whose long-term credit rating is at, or above, A- (Standard and Poor's) or A3 (Moody's). There are currently only four approved counterparties. The maximum credit limit for each approved counterparty is currently \$200m. Counterparty credit exposure is assessed using the principles of the 'Current Exposure Method'. As at 30 June 2020, the maximum risk exposure to all authorised counterparties after applying the Current Exposure Method was \$548.1m (30 June 2019: \$471.8m).

Airservices is exposed to credit risk arising from potential default of debtors. This is equal to the total amount of trade and other receivables (2020: \$32.7m and 2019: \$126.7m). Airservices has assessed the risk of default on payment and has allocated \$22.3m in 2020 (2019: \$2.3m) as an allowance for impairment.

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

## CREDIT RISK OF FINANCIAL INSTRUMENTS NOT PAST DUE OR INDIVIDUALLY DETERMINED AS IMPAIRED.

	Not past due nor impaired 2020 \$'000	Not past due nor impaired 2019 \$'000	Past due or impaired 2020 \$'000	Past due or impaired 2019 \$'000
Loans and receivables	19,283	95,781	30,129	29,073
<b>Total</b>	<b>19,283</b>	<b>95,781</b>	<b>30,129</b>	<b>29,073</b>

Airservices is exposed to concentration of risk with respect to trade receivables. 50 per cent of revenues earned are from the following dominant operators: Qantas Group (including Jetstar), Virgin Group (including Tiger Airways Australia).

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## Liquidity risk

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

The primary objectives of short-term liquidity risk management are to ensure sufficient funds are available to meet daily cash requirements, while ensuring that cash surpluses in low interest bearing accounts are minimised.

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

2020	Average interest rate %	Floating interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000	Non- interest bearing \$'000	Total \$'000
<b>Financial liabilities</b>							
<b>Non-derivative</b>							
Trade and other payables	-	-	-	-	-	121,495	121,495
Standby cash advances	0.96	-	70,337	-	-	-	70,337
Commercial paper	0.63	135,000	-	-	-	-	135,000
Medium term notes	3.42	-	299,581	261,200	511,750	-	1,072,531
<b>Derivative</b>							
Interest rate swaps <sup>1</sup>	-	-	(7,371)	(9,899)	526	-	(16,744)
Interest rate swaps <sup>2</sup>	-	-	5,899	11,537	602	-	18,038
<b>Net financial liabilities</b>		<b>135,000</b>	<b>368,446</b>	<b>262,838</b>	<b>512,878</b>	<b>121,495</b>	<b>1,400,657</b>

Notes:

1. Weighted average interest rates as at 30 June were pay float at 0.15% and receive fixed at 2.84%.

2. Weighted average interest rates as at 30 June were pay fixed at 2.52% and receive float at 0.15%.

2019	Average interest rate %	Floating interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000	Non- interest bearing \$'000	Total \$'000
<b>Financial liabilities</b>							
<b>Non-derivative</b>							
Trade and other payables	-	-	-	-	-	106,766	106,766
Commercial paper	1.61	5,000	-	-	-	-	5,000
Medium term notes	3.89	-	25,063	524,031	213,000	-	762,094
<b>Derivative</b>							
Interest rate swaps <sup>3</sup>	-	-	(6,604)	(8,655)	(870)	-	(16,129)
Interest rate swaps <sup>4</sup>	-	-	3,717	9,837	638	-	14,192
<b>Net financial liabilities</b>		<b>5,000</b>	<b>22,176</b>	<b>525,213</b>	<b>212,768</b>	<b>106,766</b>	<b>871,923</b>

Notes:

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

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## Market Risk

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

Interest rate sensitivity analysis is calculated on a 'reasonably possible' basis with reference to the key drivers of interest rates, market expectations and historical data. In analysing interest rate sensitivities Airservices has adopted to vary actual interest rates by +/- 0.09 per cent (2019: +/- 0.20 per cent).

Airservices has adopted a simplified approach to calculate market risk sensitivities for foreign exchange contracts. A standard sensitivity variable of 8.41 per cent (2019: 8.70 per cent) has been applied to all currencies. Airservices acknowledges that it is necessary to monitor annual movements in currencies to ensure the relevance of using a single constant rate.

2020	Carrying amount \$'000	Change in risk variable +/-%	Effect of positive movement		Effect of negative movement	
			Profit and loss \$'000	Equity \$'000	Profit and loss \$'000	Equity \$'000
<b>Currency risk</b>						
Buy USD	180	8.41	-	(1,145)	-	1,338
Buy EUR	(2,668)	8.41	(101)	(3,062)	119	3,431
<b>Interest rate risk</b>						
Cash and cash equivalents	517,808	0.09	452	-	(452)	-
Medium term notes	946,378	-	-	-	-	-
Interest rate swaps	(988)	0.09	19	-	-	-
Commercial paper	134,814	0.09	(122)	-	122	-

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## Forward exchange contracts

Airservices uses Forward Exchange Contracts (FECs) to hedge foreign currency exchange rate risk arising from committed transactions, primarily relating to capital expenditure program undertakings. Airservices accounts for all of its FECs as cash flow hedges. Airservices policy is to achieve 100 per cent hedge effectiveness. All foreign currency exposures have a greater than 95 per cent certainty of occurring, as all exposures are committed. As a result of the COVID-19 pandemic, Airservices conducted a review of its capital expenditure program and where foreign currency exposures were no longer identified as having a greater than 95 per cent certainty of occurring, all applicable FECs were cancelled and cash flow hedge accounting for those hedge relationships was terminated.

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

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

	Sell Australian Dollars		Average Exchange Rate	
	2020 \$'000	2019 \$'000	2020 EURO/\$1	2019 EURO/\$1
<b>Buy EUROS</b>				
<b>Maturity</b>				
3 months or less	5,855	5,944	0.5961	0.6131
Greater than 3 months but less than 1 year	6,492	16,407	0.5896	0.6011
Greater than 1 year	30,262	34,389	0.5519	0.5550

	Sell Australian Dollars		Average Exchange Rate	
	2020 \$'000	2019 \$'000	2020 US/\$1	2019 US/\$1
<b>Buy US Dollars</b>				
<b>Maturity</b>				
3 months or less	4,889	2,189	0.7068	0.7382
Greater than 3 months but less than 1 year	6,801	2,820	0.6711	0.7582
Greater than 1 year	2,797	5,814	0.7394	0.7590

## Capital management

Airservices is a price regulated government-owned corporate commonwealth entity with a capital management strategy that currently targets a long-term gearing ratio of 40-50 per cent with short term buffers of +/-15 per cent. This target is aligned to Airservices risk appetite statement and provides for a minimum investment grade credit rating of 'BBB'.

When managing capital structure, Airservices considers its current and forecast net debt and shareholder's equity positions to develop funding and liquidity strategies that achieve the longer term optimal capital structure and provide a balance between cost and risk. These strategies are then incorporated into the annual planning cycles.

Airservices reviews its longer term optimal capital structure on a regular basis and there were no changes to Airservices approach to capital management during the year.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 4. Our People

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

### 4.1 EMPLOYEE PROVISIONS

	2020 \$'000	2019 \$'000
<b>Current employee provisions</b>		
Employee benefits		
Recreation leave	53,708	62,212
Long service leave	142,623	137,639
Separations and redundancies	7,117	9,023
On-costs associated with employee benefits	11,992	12,124
Workers compensation	272	313
<b>Total current employee provisions</b>	<b>215,712</b>	<b>221,311</b>
<b>Non-current employee provisions</b>		
Employee benefits		
Long service leave	33,532	36,000
Separations and redundancies	1,377	2,273
On-costs associated with employee benefits	2,106	2,257
Workers compensation	2,114	2,087
<b>Total non-current employee provisions</b>	<b>39,129</b>	<b>42,617</b>

#### Description of provision

##### Employee benefits:

##### Workers compensation

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

##### Separations and redundancies

This includes \$6.7m (30 June 2019: \$7.7m) in early retirement benefits which have been elected to be taken by employees as a lump sum on retirement, and \$1.8m (30 June 2019: \$3.6m) for redundancy provisions.

The provision for early retirement benefits includes \$6.3m (30 June 2019: \$7.2m) for ATC employees who were employed by Airservices on 1 July 1998 and continue to meet the eligibility requirements under the relevant enterprise agreement.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## ACCOUNTING POLICY

### Employee benefits

#### Salaries, wages and termination benefits

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

#### Recreation leave

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

#### Long service leave and early retirement benefit

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

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, using the projected unit credit method. A liability for early retirement benefit is recognised within the provision for separations and redundancies in accordance with the applicable Enterprise Agreement and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds (AA and AAA rated bonds only) with terms to maturity that match, as closely as possible, the estimated future cash outflows.

On-costs associated with recreation leave and long service leave are classified as separate provisions from employee benefits, in accordance with section 24 of the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR)

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 4.2 DEFINED BENEFIT FUND ASSET

### Superannuation plan

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

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

	2020 \$'000	2019 \$'000
<b>Benefit asset</b>		
The amounts recognised in the statement of financial position are determined as follows:		
Present value of the defined benefit obligation	(698,840)	(710,657)
Fair value of defined benefit plan assets	842,378	921,059
<b>Net benefit asset - non-current</b>	<b>143,538</b>	<b>210,402</b>
<b>Categories of plan assets</b>		
The major categories of plan assets are as follows:		
Cash	101,875	173,896
Equity instruments	399,877	381,595
Debt instruments	133,358	148,935
Other assets	207,268	216,633
	<b>842,378</b>	<b>921,059</b>
<b>Reconciliations</b>		
<i>Reconciliation of the present value of defined benefit obligation:</i>		
Balance at the beginning of the year	710,657	659,384
Current service cost	25,621	24,681
Contribution by members	9,142	9,372
Interest cost	19,936	26,098
Remeasurements		
Effect of changes in financial assumptions	(13,416)	56,694
Effect of experience adjustments	2,081	(9,306)
Benefits paid	(55,181)	(56,266)
Balance at the end of the year	<b>698,840</b>	<b>710,657</b>
<i>Reconciliation of the fair value of plan assets:</i>		
Balance at the beginning of the year	921,059	922,223
Interest Income	26,180	37,088
Remeasurements		
Return on plan assets (excluding interest income)	(59,118)	8,298
Contribution by Airservices	295	344
Contribution by members	9,142	9,372
Benefits paid	(55,180)	(56,266)
Balance at the end of the year	<b>842,378</b>	<b>921,059</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## Net amount recognised in the Statement of Comprehensive Income

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

	2020 \$'000	2019 \$'000
<b>i. Defined benefit cost recognised in profit or loss</b>		
Current service cost	25,621	24,681
Interest on the net defined benefit asset	(6,244)	(10,990)
Total included in employee benefits expense	19,377	13,691
<b>ii. Remeasurements (recognised in Other Comprehensive Income)</b>		
Effect of changes in financial assumptions	(13,416)	56,694
Effect of experience adjustments	2,081	(9,306)
Return on plan assets (excluding interest income)	59,118	(8,298)
Total remeasurements included in Other Comprehensive Income	47,783	39,090
<b>iii. Total defined benefit income recognised in the Statement of Comprehensive Income</b>	<b>67,160</b>	52,781
Actual return on plan assets	(11,139)	47,954

## Principal actuarial assumptions

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

	2020	2019
Discount rate	2.70%	2.90%
Future salary increases	3.10%	3.50%

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

- a discount rate of 2.70 per cent p.a. derived by applying the yield curve reported by Milliman to the expected cashflows of AvSuper and equating this to a single equivalent rate.
- the salary increase rate assumption is equivalent to a liability weighted single rate assumption of 3.1 per cent p.a.

## Sensitivity analysis

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

2020	Increase \$'000	Decrease \$'000
Discount rate (0.5% movement)	38,843	(35,826)
Future salary increases (0.5% movement)	(33,430)	36,987
2019	Increase \$'000	Decrease \$'000
Discount rate (0.5% movement)	43,818	(38,217)
Future salary increases (0.5% movement)	(35,627)	41,832

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## Maturity profile

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

	2020 \$'000	2019 \$'000
<b>Undiscounted Benefit Payments</b>		
1 year or less	47,541	42,538
2 to 5 years	227,503	214,034
5 to 10 years	244,318	255,328
Greater than 10 years	744,749	883,377
<b>Total expected payments</b>	<b>1,264,111</b>	<b>1,395,277</b>

The average duration of the defined benefit plan obligation at the end of the reporting period is 9 years (2019: 10 years).

## Employer contributions

Employer contribution rates are reviewed by the Employer as required under the Trust Deed. The Trustee receives advice on contribution rates with each actuarial investigation of the Plan undertaken for the Trustee. The Employer also reviews contributions rates as required if the financial position of the plan deteriorates. An actuarial investigation of the Plan is made each year (current practice), and the last such assessment was made as at 30 June 2019. This disclosed a surplus of \$240m.

For the year ended 30 June 2020 the employer contribution rate was:

- 3 per cent of gross salary for those employees who remain members of the Commonwealth Superannuation Scheme (CSS category) (2018-19: 3 per cent).
- From 1 July 2018 contributions ceased for other Airservices employees (FULL category) under a contribution holiday.

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

The objectives in setting the contribution rate are to ensure:

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

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

Employer contributions expected to be paid by Airservices for the year ending 30 June 2021 are \$0.3m due to the contribution holiday for FULL members, not including any additional contributions required.

## Net Financial position of the plan

In accordance with AAS 25 Financial Reporting by Superannuation Plans, the Plan's net financial position is determined as the difference between the present value of the accrued benefits and the net market value of Plan assets. This was determined as at the date of the most recent financial report of AvSuper (30 June 2019), when a surplus of \$240.3m was reported. Last year in these financial statements, Airservices recognised a defined benefit asset of \$210.4m as at 30 June 2019. The difference between the amounts is due to the different accounting treatment of the net financial position for the employer under AASB 119, and the Plan under AAS 25.

As at 30 June 2020, these financial statements disclose a defined benefit asset of \$145.5m (30 June 2019: \$210.4m). AvSuper's net financial position for the Plan under AAS 25 will not be available until after these financial statements have been signed.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## ACCOUNTING POLICY

### Superannuation

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

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

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

## ACCOUNTING JUDGEMENTS AND ESTIMATES

### AvSuper defined benefit plan

Various actuarial assumptions are required when determining Airservices obligations under the AvSuper defined benefit plan. The assumptions relied on for the period to 30 June 2020 are discussed above.

### Long Service Leave and Early Retirement Benefits

Various actuarial assumptions are required when determining Airservices obligations for long service leave and the early retirement benefit scheme. The assumptions relied on for the period to 30 June 2020 are based on enterprise agreements that were applicable during the financial year. These include a 2.2 per cent annual salary increase for the first four years and 3.2 per cent p.a. thereafter, staff turnover rates ranging from 7 per cent to 19 per cent (depending on period of service), and average long service leave taken of 0.23 months per annum. The Discount Rate is derived from a yield curve based on interpolation of high-quality corporate bonds (AA and AAA rated bonds only) based on the durations to reflect the estimated mean term of the liabilities, they are as follows:

Liability	Mean term	Corporate Bonds	Discount Rate
Defined Benefits	9.0 years	Discount rate derived by applying Milliman's yield curve to expected cashflows of AvSuper and equating this to a single rate	2.7% p.a.
Long Service Leave	6.4 years	6 year and 7 year	1.9% p.a.
Early Retirement Benefit	4.2 years	3 year and 5 year	1.1% p.a.
Recreation leave	0.8 years	1 year and 2 year	0.6% p.a.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 4.3 KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Airservices, directly or indirectly, including any Board member. Airservices has determined the key management personnel to be the Board members, Chief Executive Officer and 7 Executive General Managers. Key management personnel remuneration is reported in the table below:

	2020 \$'000	2019 \$'000
<b>Key executive remuneration expense for the reporting period</b>		
<b>Board</b>		
Short-term employee benefits:		
Salary	660	542
Allowances and other benefits	33	92
<b>Total short-term employee benefits</b>	<b>693</b>	634
Post-employment benefits:		
Superannuation (post-employment benefits)	64	59
<b>Total post-employment benefits</b>	<b>64</b>	59
<b>Total Board remuneration</b>	<b>757</b>	693

The information about non-executive Board members included in the table above relates to 10 individuals (2019: 8 individuals)

<b>Key Executive Management</b>		
Short-term employee benefits:		
Salary <sup>1</sup>	2,977	3,056
Allowances and other benefits	119	58
At risk component <sup>2</sup>	-	242
<b>Total short-term employee benefits</b>	<b>3,096</b>	3,356
Post-employment benefits:		
Superannuation (post-employment benefits)	294	293
<b>Total post-employment benefits</b>	<b>294</b>	293
Other long-term benefits:		
Long service leave	43	69
<b>Total other long-term benefits</b>	<b>43</b>	69
<b>Total Key Executive Management remuneration</b>	<b>3,433</b>	3,718
<b>Total key management personnel remuneration<sup>3</sup></b>	<b>4,190</b>	4,411

The information about executives included in the above table relates to 7.1 Full Time Equivalents (FTEs) (2019: 7.3 FTEs).

Notes:

- Salary includes recreation leave paid and the net movement in recreation leave balance in the current reporting period. Prior year comparative for recreational leave has moved from other long-term benefits to short-term employee benefits.
- Executive remuneration packages include an at risk element that is awarded based on executives meeting or exceeding objectives and key performance measures, which are linked to specific annual business objectives.
- The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 4.4 RELATED PARTY TRANSACTIONS

### (A) BOARD MEMBERS

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

	Status	Commenced	Finished
<b>Chairman</b>			
John Weber	On-going	3 June 2018	Current
<b>Deputy Chairman</b>			
Mark Binskin	On-going	13 September 2018	Current
<b>Board members</b>			
Fiona Balfour	Ceased	3 June 2013	2 September 2020
Samantha Betzien	Ceased	4 June 2012	3 September 2019
Anne Brown	On-going	4 December 2019	Current
Sue-Ellen Bussell	On-going	4 December 2019	Current
Marlene Kanga	On-going	4 September 2017	Current
David Marchant	On-going	21 July 2014	Current
John McGee	Ceased	4 September 2015	3 December 2019
Tim Rothwell	On-going	21 July 2014	Current
<b>Chief Executive Officer</b>			
Jason Harfield	On-going	11 August 2015	Current

### (B) EXECUTIVES

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

	Title	Commenced	Finished
<b>Executives</b>			
Peter Curran	Executive GM Air Navigation Services	6 May 2019	30 August 2020
Peter Curran	Chief Customer Experience & Strategy Officer	31 August 2020	Current
Michelle Bennetts	Executive GM Customer Service Enhancement	16 April 2018	30 August 2020
Michelle Bennetts	Chief Service Delivery Officer	31 August 2020	Current
Lucinda Gemmell	Chief People & Culture Officer	1 June 2020	Current
Paul Logan	Chief Financial Officer	2 July 2015	Current
Mark Hind	A/g Chief Information Officer	27 April 2020	30 August 2020
Mark Hind	A/g Chief Technology Enablement Officer	31 August 2020	Current
Chris Seller	Chief Information Officer	1 July 2016	24 April 2020
Claire Marrison	Executive GM Safety & Assurance	3 November 2018	30 August 2020
Claire Marrison	Chief Safety & Risk Officer	31 August 2020	Current
Rob Porter	Executive GM Aviation Rescue Fire Fighting Services	7 January 2019	31 August 2020

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## (C) TRANSACTIONS WITH RELATED PARTIES

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

### 2020

- Airservices received professional services from Klynveld Peat Marwick Goerdeler under a standing panel arrangement amounting to \$304,544 for the period 1 July 2019 to 30 June 2020 during which time Sue Bussell was a board member of Airservices Australia and held a contract with KPMG to undertake work on an ad hoc basis through her own business, DAIS.
- Airservices provided rent payments to Sydney Water Corporation amounting to \$21,167 for the period 1 July 2019 to 30 June 2020 during which time Dr Marlene Kanga was both a Board member of Airservices Australia and a Board member of the Sydney Water Corporation.
- Airservices provided rent payments to Queensland Rail Limited amounting to \$70,476 for the period 1 July 2019 to 30 June 2020 during which time David Marchant was both a Board member of Airservices Australia and a Chair of the Queensland Rail Limited.
- Airservices provided air navigation services to BAE Systems Flight Training amounting to \$48,404 for the period 1 July 2019 to 30 June 2020 during which time Mark Binskin was both Deputy Chair of the Airservices Board and Non-Executive Director of BAE Systems Australia.
- Airservices entered into a contract with PrimeNext Consulting to receive IT consulting services from Chris Seller which amounted to \$27,720 for 2019-20. Chris Seller was Chief Information Officer of Airservices until his resignation on 24 April 2020. The contract with PrimeNext Consulting was executed on 15 April 2020.

### 2019

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

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

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 5. Managing Uncertainties

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

### 5.1 CONTINGENT LIABILITIES

Airservices had contingent liabilities in respect of:

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

Airservices has identified a number of sites around the country that may have been contaminated with chemicals contained in certain fire fighting foams formerly used by Airservices. Airservices has been managing issues arising from the use of these fire fighting foams, now known to have contained per- and poly- fluorinated alkyl substances (PFAS), since it became aware of concerns about PFAS in the early 2000s. These foams were widely used around the world because of their superior performance and to meet regulatory requirements. Airservices and its predecessors used them from approximately 1978 until 2010.

Significant investment has been made to enable site investigations, site specific management actions including research and development, and stakeholder engagement activities. The focus of the 2019-20 financial year has been to continue to progress site investigations to understand the extent of potential PFAS contamination due to Airservices past operations; to conduct research and development activities to identify potential practicable solutions to manage existing contamination for which Airservices is responsible; and to continue working with Commonwealth and State/Territory agencies and regulators to consistently manage PFAS contamination at airports within Australia at which Airservices operates.

To facilitate this work and continued PFAS related activity, a sum of \$59.3m has been provided as at 30 June 2020 (2019: \$54.5m).

As site investigations progress and jurisdictional requirements mature, further investigations and site specific management actions may be required to mitigate specific risks. While uncertainty remains in relation to the regulatory environment, these actions may include implementation of containment strategies, stakeholder communications and engagement activities. These actions cannot be quantified at this time as the extent of any Airservices obligation is not known or otherwise cannot be estimated with sufficient reliability to be provisioned.

#### **Legal claims**

Brisbane Airport Corporation (BAC) has commenced proceedings against Airservices in the Queensland Supreme Court seeking compensation for alleged Per- and Poly- Fluorinated Alkyl Substances (PFAS) contamination by Airservices at Brisbane Airport from the historical use of fire fighting foams containing PFAS. Airservices disputes BAC's claim and has filed its defence. The matter is in its early stages, and Airservices is not in a position to quantify any potential liability at this stage.

### ACCOUNTING POLICY

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

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 6. Other Information

### 6.1 AGGREGATE ASSETS AND LIABILITIES

	2020 \$'000	2019 \$'000
<b>Aggregate assets and liabilities</b>		
Assets expected to be recovered in:		
No more than 12 months	565,488	503,777
More than 12 months	1,746,766	1,535,641
<b>Total ASSETS</b>	<b>2,312,254</b>	<b>2,039,418</b>
Liabilities expected to be settled in:		
No more than 12 months	840,225	397,708
More than 12 months	975,323	891,988
<b>Total Liabilities</b>	<b>1,815,548</b>	<b>1,289,696</b>

### 6.2 REMUNERATION OF AUDITORS

	2020 \$	2019 \$
<b>Remuneration of auditors</b>		
Auditing services provided by the Australian National Audit Office	341,000	337,000

### 6.3 MONIES HELD ON BEHALF OF THIRD PARTIES

Airservices has been contracted by the Solomon Islands Civil Aviation Authority and the Republic of Nauru to provide airspace management and accounts receivable services. The contracts require Airservices to retain cash received and to remit funds at a later date to the Solomon Islands and Nauru Governments as required under the respective agreements. At balance date, the money held on behalf of third parties totalled \$0.3m (2019: \$0.6m) for the Solomon Islands and \$0.6m (2019: \$0.1m) for Nauru.

### 6.4 EVENTS AFTER THE REPORTING DATE

On 13 July 2020, the CEO announced a restructuring program known as the One Airservices Plan to respond to the disruption caused by COVID-19 to the aviation industry, and to reposition the organisation to support industry growth into the future. The One Airservices Plan includes short-term cost savings and efficiency measures, and a realignment of the operating model. These will be implemented during the course of the 2020-21 financial year.

# GOVERNANCE AND ACCOUNTABILITY

## OUR BOARD

The Airservices Australia Board is responsible, under the *Air Services Act 1995* (the Act), for deciding the objectives, strategies and policies followed by Airservices, and ensuring that Airservices performs its functions in a proper, efficient and effective manner. The functions of the Board are set out in Section 21 of the Act. The Board is the 'accountable authority' as per the *Public Governance, Performance and Accountability Act 2013*.

The following information outlines the Board and Board Committees memberships, the functions of Board Committees, meeting attendance for 2019–20, and other governance and accountability arrangements. Further information about corporate governance at Airservices is also available on the Airservices website at [www.airservicesaustralia.com/about-us/our-governance/](http://www.airservicesaustralia.com/about-us/our-governance/).



## JOHN WEBER

**Non-Executive Board Member  
Chairman**  
LLB, MAICD

John Weber has been a member of Airservices Board since April 2017 and was appointed as Chairman on 3 June 2018. His current term expires on 2 June 2021.

Mr Weber served as the Australian managing partner of DLA Piper, one of the world's largest law firms, from 2014 to 2017. He was also a member of DLA Piper's international executive. Prior to that, he was chief executive of Minter Ellison, a leading Australian law firm, for six years and a member of its executive management team for 11 years. He has worked extensively in the transport sector (rail and aviation), health, financial services and defence/security sectors for both industry and government.

Mr Weber is a Board member of the Western Sydney Airport Corporation, director of the global advisory board of Elevate Services, director of the Australian Maritime Systems Group and a director of the Dimeo group.

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



## AIR CHIEF MARSHAL MARK BINSKIN, AC (RET'D)

**Non-Executive Board Member  
Deputy Chair**  
GAICD, FRAeS

Air Chief Marshal Mark Binskin (Ret'd) was appointed Deputy Chair of the Board on 13 September 2018. He serves as a member of the Board Remuneration and Human Resources Committee, the Safety Committee and the Technology and Investment Committee. His current term expires on 13 September 2021. Air Chief Marshal Binskin (Ret'd) was on an extended leave of absence from February 2020 to Commission and Chair the Royal Commission into National Natural Disaster Arrangements.

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

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

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

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

## BOARD MEMBERSHIP



### FIONA BALFOUR

**Non-Executive Board Member**  
**Chair, Board Safety Committee**

BA (Hons), GradDipIM, MBA, FAICD, Fellow of The University – Monash University, FRAeS.

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

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

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



### ANNE BROWN

**Non-Executive Board Member**  
BA CA GAICD

Anne Brown was appointed to the Board on 4 December 2019 and is a member of the Board Audit and Risk Committee, the Safety Committee and the Environment and Community Committee. Her current term expires on 3 December 2022.

Ms Brown has substantial knowledge and practical experience of Australian and international exchange traded financial markets, risk management, related infrastructure, governance and regulatory environments. She was previously Chief Risk Officer with ASX Limited, following its merger with SFE Corporation Limited (SFE), and her role included group executive oversight of enterprise-wide risk management, compliance and audit. She directed risk management policy development and execution for the ASX's two central counterparty clearing houses and led key regulatory stakeholder relationships.

Ms Brown also represented the ASX as the Chair and executive committee member of CCP12, an influential global industry association involving all major international clearing houses. Prior to the ASX-SFE merger, she was a general manager with SFE, and previously worked with KPMG in both Edinburgh and Sydney.

Ms Brown is member of the Board of the Clean Energy Regulator, the Chair of the Australian Life Code Compliance Committee, a member of the Finance and Risk Committee of Monte Sant' Angelo Mercy College Ltd and a member of the Markets Disciplinary Panel, Australian Securities and Investments Commission.

She holds a double major degree in accountancy and computer science from Heriot-Watt University, Edinburgh. She is a member of the Institute of Chartered Accountants of Scotland and a graduate member of the Australian Institute of Company Directors.



### **SUE-ELLEN BUSSELL AM**

**Non-Executive Board Member  
Chair, Board Remuneration and  
Human Resources Committee**

BA (Sociology), FAHRI, GAICD

Sue-ellen Bussell was appointed to the Board on 4 December 2019. She is Chair of the Board Remuneration and Human Resources Committee and a member of the Safety Committee and the Environment and Community Committee. Her current term expires on 3 December 2022.

Ms Bussell was a partner at KPMG from January 2017 to January 2020, where she led the Workplace Advisory practice.

Prior to KPMG, Ms Bussell was a senior executive at Qantas Airways and held positions including HR, Commercial and was for many years Executive Manager Industrial Relations, responsible for industrial relations for the Qantas Group. Prior to Qantas, she was a commissioner in the Victorian Industrial Relations Commission, a consultant with the Australian Industry Group and held a management position with Ansett Airlines. She has strong strategic capabilities and a proven ability to deliver business results and manage business outcomes in difficult environments.

Ms Bussell is an Honorary Associate at Sydney University Business School and was a member of the Work and Organisational Studies Advisory Board, 2011 to 2019. She was a Board Member of Odyssey House, 2006 to 2008, and the Macquarie University Faculty of Business and Economic Industry Advisory Board, 2009 to 2017. Ms Bussell was awarded a member of the Order of Australia in 2014 for significant service to industrial relations, as a supporter of women in business, and to the aviation sector.



### **DR MARLENE KANGA AM**

**Non-Executive Board Member  
Chair, Board Environment and  
Community Committee**

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

Marlene Kanga was appointed to the Board on 4 September 2017. She is Chair of the Board Environment and Community Committee and a member of the Board Technology Committee, the Safety Committee, the Remuneration and Human Resources Committee and the Audit and Risk Committee. Her current term expires on 3 September 2024.

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

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

## BOARD MEMBERSHIP



**DAVID MARCHANT AM**  
**Non-Executive Board Member**  
**Chair, Board Technology and**  
**Investment Committee**  
 GAICD

David Marchant was appointed to the Board on 21 July 2014. He is Chair of the Board Technology and Investment Committee and a member of the Remuneration and Human Resources Committee and the Audit and Risk Committee. His current term expires on 20 July 2021.

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

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

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



**TIM ROTHWELL**  
**Non-Executive Board Member**  
**Chair, Board Audit and Risk Committee**  
 BA (Hons), FCA, MAICD

Tim Rothwell was appointed to the Board on 21 July 2014. He is Chair of the Board Audit and Risk Committee, and a member of the Remuneration and Human Resources Committee, the Technology and Investment Committee and the Environment and Community Committee. His current term expires on 20 January 2021.

Mr Rothwell retired as Chief Financial Officer of Brisbane Airport Corporation in 2013, after 20 years with the organisation, and is now a consultant to industry. He is a Member of the Council of the University of the Sunshine Coast and a former Board member of the Cross River Rail Development Authority. Mr Rothwell mentors Queensland University of Technology Executive MBA students.

He holds a Bachelor of Arts in Economics and Accounting, is a Fellow of the Institute of Chartered Accountants and the Australian Institute of Company Directors.



## **JASON HARFIELD**

**Executive Board Member**

**Chief Executive Officer**

MBA, DipAv (ATS), FAICD, FRAeS

Jason Harfield was appointed Chief Executive Officer on 9 March 2016, beginning his career with Airservices as a flight data officer in Adelaide in 1989.

With over 30 years of experience in aviation and the air traffic management industry, Jason has been a core member of the Airservices Executive Leadership Team since 2005. His executive leadership roles included leading the safety and future services functions as well as leading and transforming the air traffic services operations.

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

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

## FORMER BOARD MEMBERSHIP

The terms of the following Board members concluded during 2019–20:

### SAMANTHA BETZIEN

BA, LLB (Hons), MAICD

Samantha Betzien was appointed to the Board on 4 June 2012. Her most recent term expired on 3 September 2019. At the conclusion of her term, she was serving as Chair of the Remuneration and Human Resources Committee, and a member of the Safety Committee.

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

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

Ms Betzien holds a Bachelor of Laws (Honours) from the Queensland University of Technology and a Bachelor of Arts (Double Major in Psychology) from the University of Queensland.

### JOHN MCGEE

John McGee was appointed to the Board on 4 September 2015. His most recent term expired on 3 December 2019. At the conclusion of his term, he was serving as a member of the Board Audit and Risk Committee, the Technology and Investment Committee and the Safety Committee.

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

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

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

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



## BOARD COMMITTEES

In 2019–20 there were five standing committees of the Board:

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

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

**The Environment and Community Committee** assists the Board in overseeing organisational strategy to address the impact of operations on the environment and the community, environmental obligation compliance, community engagement, and the activities and recommendations of the Aircraft Noise Ombudsman. The Committee has at least four non-executive Board members, plus the Chairman and CEO, both of whom are ex-officio committee members.

**The Technology and Investment Committee** assists the Board in overseeing Airservices technology, systems engineering and information technology (IT) strategies and policies. It also oversees the strategic direction and policies of business systems, operational technology and IT security, and monitors development and delivery of the capital investment programme. It has responsibility for overseeing execution of the OneSKY Program. The Committee has at least four non-executive Board members, plus the Chairman and CEO, both of whom are ex-officio committee members.

**The Remuneration and Human Resources Committee** assists the Board in reviewing the performance, remuneration and succession plans for the CEO and the Executive team. It also considers other strategic human resources issues. The Committee has at least four non-executive Board members, plus the Chairman and CEO, both of whom are ex-officio committee members.

Each Board committee has been established with its charter available on our website [www.airservicesaustralia.com/about-us/our-governance/](http://www.airservicesaustralia.com/about-us/our-governance/).

# MEETING ATTENDANCE

The number of meetings of the Board and Board Committees held during the period ended 30 June 2020, along with the corresponding attendance by each Board member, are shown in the tables below:

**TABLE 1: BOARD MEMBERS**

Board members	No. of possible meetings	No. of meetings attended
Mr John Weber	12	12
Air Chief Marshal Mark Binskin AC (Ret'd)	6	6
Mr Jason Harfield	12	12
Ms Fiona Balfour	12	12
Ms Samantha Betzien	2	1
Ms Anne Brown	7	7
Ms Sue-Ellen Bussell AM	7	7
Dr Marlene Kanga AM	12	12
Mr David Marchant AM	12	12
Mr John McGee	5	4
Mr Tim Rothwell	12	11

Notes:

1. The term of Samantha Betzien expired on 3 September 2019.
2. The term of John McGee expired on 3 December 2019.
3. The term of Anne Brown commenced on 4 December 2019.
4. The term of Sue-Ellen Bussell commenced on 4 December 2019.
5. Mark Binskin was granted leave of absence for the period 20 February to 30 September 2020, due to his appointment a Chair of the Royal Commission into National Natural Disaster Arrangements.

**TABLE 2: AUDIT AND RISK COMMITTEE**

Committee members	No. of possible meetings	No. of meetings attended
Mr Tim Rothwell	4	4
Ms Fiona Balfour	4	4
Ms Anne Brown	2	2
Dr Marlene Kanga AM	2	2
Mr David Marchant AM	4	4
Mr John McGee	2	0

Notes:

1. Tim Rothwell served as Committee Chair from 1 July 2019 to 30 June 2020.
2. The membership of John McGee expired on 3 December 2019.
3. The membership of Marlene Kanga expired on 4 December 2019.
4. The membership of Anne Brown commenced on 4 December 2019.

**TABLE 3: SAFETY COMMITTEE**

<b>Committee members</b>	<b>No. of possible meetings</b>	<b>No. of meetings attended</b>
Ms Fiona Balfour	7	7
Air Chief Marshal Mark Binskin AC (Ret'd)	4	4
Ms Samantha Betzien	2	2
Ms Anne Brown	3	3
Ms Sue-Ellen Bussell AM	3	3
Mr Jason Harfield	7	7
Dr Marlene Kanga AM	7	6
Mr David Marchant AM	3	3
Mr John McGee	3	3
Mr John Weber	7	6

## Notes:

1. Fiona Balfour served as Committee Chair from 1 July 2019 to 30 June 2020.
2. The membership of Samantha Betzien expired on 3 September 2019.
3. The membership of John McGee expired on 3 December 2019.
4. The membership of David Marchant expired on 4 December 2019.
5. The membership of Anne Brown commenced on 4 December 2019.
6. The membership of Sue-Ellen Bussell commenced on 4 December 2019.
7. The membership of Mark Binskin expired on 13 February 2020.

**TABLE 4: ENVIRONMENT AND COMMUNITY COMMITTEE**

<b>Committee members</b>	<b>No. of possible meetings</b>	<b>No. of meetings attended</b>
Dr Marlene Kanga AM	4	4
Ms Fiona Balfour	1	1
Air Chief Marshal Mark Binskin AC (Ret'd)	1	0
Ms Anne Brown	3	3
Ms Sue-Ellen Bussell AM	3	3
Mr Jason Harfield	4	4
Mr Tim Rothwell	4	4
Mr John Weber	4	3

## Notes:

1. The Committee was established with effect from 2 July 2019.
2. Marlene Kanga served as Committee Chair from 2 July 2019 to 30 June 2020.
3. The membership of Fiona Balfour expired on 4 December 2019.
4. The membership of Mark Binskin expired on 4 December 2019.
5. The membership of Anne Brown commenced on 4 December 2019.
6. The membership of Sue-Ellen Bussell commenced on 4 December 2019.

**TABLE 5: REMUNERATION AND HUMAN RESOURCES COMMITTEE**

<b>Committee members</b>	<b>No. of possible meetings</b>	<b>No. of meetings attended</b>
Ms Samantha Betzien	2	2
Air Chief Marshal Mark Binskin AC (Ret'd)	2	2
Ms Sue-Ellen Bussell AM	3	3
Mr Jason Harfield	5	5
Dr Marlene Kanga AM	3	3
Mr David Marchant AM	5	5
Mr Tim Rothwell	5	5
Mr John Weber	5	4

## Notes:

1. David Marchant served as Committee Chair from 1 July 2019 to 30 June 2020.
2. The membership of John McGee expired on 3 December 2019.
3. The membership of Tim Rothwell expired on 4 December 2019 and resumed on 13 February 2020.
4. The membership of Mark Binskin expired on 13 February 2020.

**TABLE 6: TECHNOLOGY AND INVESTMENT COMMITTEE**

<b>Committee members</b>	<b>No. of possible meetings</b>	<b>No. of meetings attended</b>
Mr David Marchant AM	5	5
Ms Fiona Balfour	5	5
Air Chief Marshal Mark Binskin AC (Ret'd)	2	2
Mr Jason Harfield	5	5
Dr Marlene Kanga AM	5	5
Mr John McGee	2	0
Mr Tim Rothwell	4	4
Mr John Weber	5	5

## Notes:

1. David Marchant served as Committee Chair from 1 July 2019 to 30 June 2020.
2. The membership of John McGee expired on 3 December 2019.
3. The membership of Tim Rothwell expired on 4 December 2019 and resumed on 13 February 2020.
4. The membership of Mark Binskin expired on 13 February 2020.

## BENEFITS AND INTERESTS IN CONTRACTS WITH AIRSERVICES AUSTRALIA

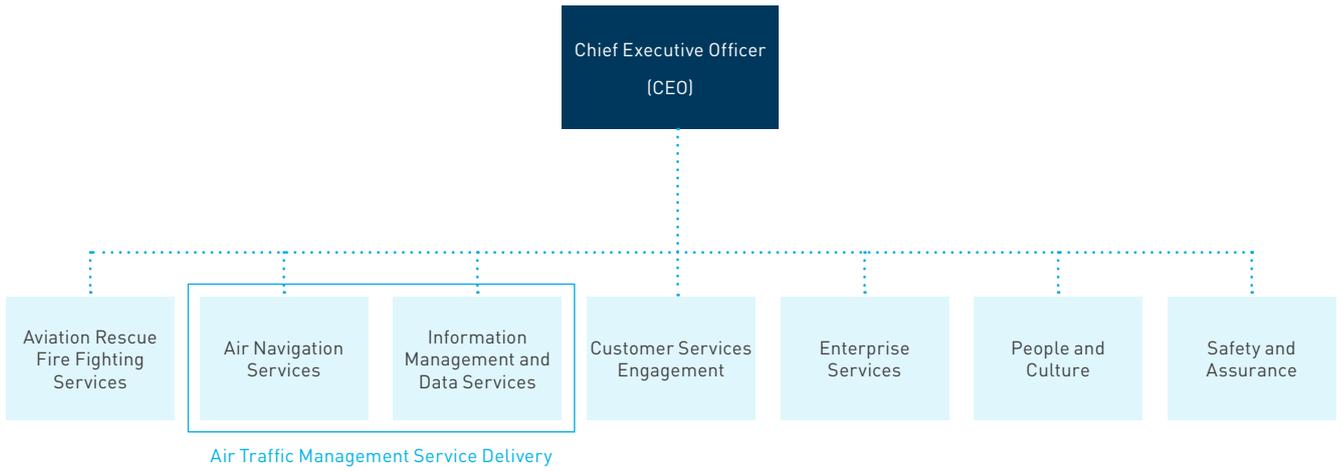
Details of directors' benefits and interests in contracts with Airservices are set out in notes 4.3 and 4.4 of the financial statements.

## DIRECTORS' AND OFFICERS' INDEMNITIES AND INSURANCE

In 2019–20, Airservices held a Directors' and Officers' liability insurance policy. It is a condition of this policy that the nature of the Directors' and Officers' indemnities and insurance, including the limits of liability and the premium payable—are not disclosed to third parties except to the extent required by law or if the insurer consents in writing to such disclosure.

## OUR BUSINESS ORGANISATIONAL STRUCTURE

The below shows our organisational structure as of 30 June 2020.



# OUR GOVERNANCE

As a corporate Commonwealth entity, we comply with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), to ensure the effective, efficient, economical and ethical use of our resources. The Board articulates its expectations through key organisational policies that are operationalised through 16 established governance frameworks. These governance frameworks embed legal and regulatory obligations aligned to better practice frameworks and work together to support the delivery of our corporate objectives.

The overarching Governance, Risk and Compliance (GRC) Framework directs our GRC accountabilities and actions and promotes continuous improvement across all our governance frameworks. Assurance is provided to the Board and senior management that GRC accountabilities are being effectively and appropriately applied. Key activities this year have included a focus on process design, reduction in red tape, automation, digitisation, and alignment of assurance activities.

## RISK MANAGEMENT

We support a culture of proactive risk management by ensuring sound GRC practices are embedded in our business activities. Our risk management practices meet the requirements of Section 16 of the PGPA Act 2013 and are aligned to *ISO 31000:2018 Risk Management Guidelines* and the *Commonwealth Risk Management Policy*.

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

## COMPLIANCE MANAGEMENT

As an organisation operating in the complex global aviation industry, ongoing compliance with applicable legal and regulatory obligations is fundamental to achieving our objectives. Our compliance management approach is aligned to *ISO 19600:2015 Compliance Management Systems Guidelines* and is operationalised through comprehensive compliance obligation registers that are supported by legislation monitoring processes and active compliance management activities. The Three Lines of Defence Model assurance continues to direct and inform our GRC insights and performance.

## ETHICAL STANDARDS AND FRAUD CONTROL

We promote the highest standards of ethical behaviour and do not tolerate fraudulent conduct, including corruption and bribery. We maintain strong and effective

fraud control arrangements consistent with Section 10 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Fraud Rule).

The Executive Ethics and Fraud Committee monitors, advises and provides assurance on the maintenance and implementation of our Ethics and Fraud Framework.

Our Fraud Control and Bullying, Harassment and Discrimination policies, supported by the Code of Conduct Standard, inform employees, contractors and consultants about ethical standards and our approach to fraud control. All alleged incidents of fraud, corruption and bribery including 'disclosable conduct' under the *Public Interest Disclosure Act 2013* are managed in accordance with this framework and these policies. This covers investigations and any actions undertaken, including reporting alleged wrongdoing that is potentially criminal or illegal, to the appropriate law enforcement agency. We continually review fraud risks and monitor controls for effectiveness. All reasonable measures are undertaken to prevent, minimise and investigate incidents of fraud, with the recovery of fraud losses also occurring wherever possible.

One complaint was received by the Commonwealth Ombudsman, regarding a Public Interest Disclosure (PID) investigation. Although the Commonwealth Ombudsman deemed a further review was not required, we identified an opportunity to improve our processes. We have committed to providing further training of our PID Authorised Officers, and all our PID requirements will be aligned within the new investigation and support function created by the Safeplace initiative. This will ensure all communication with complainants remains consistent and timely.

## RESILIENCE

Organisational resilience is defined within *ISO 22316:2017 Security and Resilience-Organisational Resilience-Principles and Attributes* as “the ability of an organisation to absorb and adapt in a changing environment”. The COVID-19 pandemic provided the opportunity to stress test our business continuity plans to respond to significant industry disruption. We established a Corporate Response Team to facilitate leader communication and actions in response to the COVID-19 pandemic’s impact on our people and services. Through this real-time response, we successfully adapted our service delivery, and introduced new virtual platforms and working from home arrangements for a significant number of our people.

## SECURITY

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

During 2019–20, we established an enterprise security plan, which details our security goals, strategic objectives and actions for 1 July 2020 to 30 June 2022. The plan demonstrates how we address the PSPF’s core requirement for security planning and risk management, which requires Commonwealth entities to have a security plan in place to manage the entity’s security risks.

We manage our security threats using a threat and risk-based, outcomes-focused approach. We actively monitor our threat level and control environment to mitigate emerging threats and risks.

As an aviation industry participant, we maintain a Transport Security Program and associated Aviation Security Identification Card (ASIC) Program. The programmes are approved by the Aviation and Maritime Security Division, Department of Home Affairs, as required under the *Aviation Transport Security Act 2004* and the *Aviation Transport Security Regulations 2005*. During 2019-20, the Essential 8 Project successfully achieved Maturity Level 3 compliance for our ASIC environment. We are compliant with the cybersecurity directive from the Department of Home Affairs, as an ASIC Issuing Body.

We are active participants in various government and industry security forums, including local airport security committees, personnel security forums, PSPF Communities of Practice and working groups. We actively engage with both law enforcement and intelligence agencies to ensure our threat intelligence is current and commensurate with our National Security Alert Plan.

“We manage our security threats using a threat and risk-based, outcomes-focused approach.”

## OUR INTERNAL AUDITS

Internal audit’s role is to provide independent assurance that our risk management, governance, and internal control processes are operating effectively. It is the third line in the Three Lines of Defence Model, which we use to monitor the operation of controls and risk mitigation activities to assure the effective and efficient performance of our business processes.

During 2019–20, our internal audit team performed 20 business audits, of which four were supported by external subject matter experts and six were conducted by external independent contractors. Additionally, 13 *Civil Aviation Safety Regulations 1998* (CASR) site location audits were performed.

All corrective actions arising from our internal audits are tracked, and their implementation progress is overseen by the Board’s Audit and Risk Committee.

## EXTERNAL AUDITS

During 2019–20, we were **not** the subject of any external audits.

## PRIVACY

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

These steps include:

- the establishment of an ongoing privacy training programme, to continue to enhance our people’s awareness of privacy obligations and requirements. The programme includes introductory privacy training as part of new employee induction and refresher training for existing employees and follow-up privacy training to increase people’s understanding of the *Privacy Act 1988*. The training programme addresses the privacy obligations of our people and provides information on best practice methods when undertaking activities that involve the handling of personal information
- the continued use of our Privacy Threshold and Impact Assessments, so we can identify, manage and mitigate any privacy concerns that may arise in our proposed projects and activities

- the regular update of our Register of Privacy Impact Assessments on our website, setting out all projects for which a Privacy Impact Assessment has been undertaken
- the implementation and continuous improvement of our Data Breach Response Plan, to ensure optimal responses to manage and mitigate data breaches and to minimise the risk of similar breaches. This plan is overseen by our Data Breach Response Team, which comprises relevant specialists from across the business
- regular communication to all employees about privacy matters, including working collaboratively with the Office of the Australian Information Commissioner (OAIC) to remind our people of the importance of privacy during Privacy Awareness Week.

During 2019–20, we identified one privacy breach. We assessed this breach to have met the NDBS criteria, and therefore we informed the OAIC.

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

## FREEDOM OF INFORMATION (FOI)

We are required to publish information as part of the Information Publication Scheme (IPS) in accordance with the Freedom of Information Act 1982 (FOI Act).

During 2019–20, we received 40 FOI requests and completed 39 requests. One of the completed requests was received prior to 1 July 2019.

Our FOI Disclosure Log lists information that has been released in response to FOI access requests. The Disclosure Log and IPS are available at: <https://www.airservicesaustralia.com/about-us/freedom-of-information>.

Information is not published on the Disclosure Log or the IPS if it:

- contains personal or business details, rendering it unreasonable to publish

- is exempt from release under the FOI Act
- has been published or released outside the FOI Act.

To ensure our people's continuing awareness of FOI requirements, ongoing training has been established, including introductory FOI training as part of the new employee induction and refresher training for existing employees, with follow-up FOI training to increase our people's understanding of the operation of the FOI Act.

During 2019–20, there were no requests made to the OAIC to review any of our decisions made under the FOI Act.

## COMMONWEALTH OMBUDSMAN ACTIVITY

During 2019–20, the Office of the Commonwealth Ombudsman received one formal complaint about a Public Interest Disclosure (PID) investigation. Information about this is given under our ethical standards and fraud control section. A further review of the complaint was not required.

## FAIR WORK COMMISSION (FWC)

The FWC reviewed and approved the *Airservices Australia (Air Traffic Control and Supporting Air Traffic Services) Enterprise Agreement 2020–2023* on 14 April 2020.

It came into effect on 21 April 2020.

## JUDICIAL DECISIONS AND REVIEWS BY OUTSIDE BODIES

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

## ADVERSE EFFECT OF NON-COMMERCIAL COMMITMENTS

**No** non-commercial commitments were recorded in 2019–20.

# OUR WORK HEALTH AND SAFETY PERFORMANCE

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

## WORK HEALTH AND SAFETY—EXECUTIVE COMMITMENT

Throughout 2019–20, our Board and Executive continued their ongoing commitment to Work Health and Safety (WHS), with the health and wellbeing of our people being critical to Airservices continued success. Our priorities have centred on improving assurance over our suite of WHS controls and minimising our risk exposure in line with the Board’s Risk Appetite Statement. Supporting the mental health and protecting the physical health of our people during the ongoing COVID-19 pandemic has been a key focus.

## WORK HEALTH AND SAFETY INITIATIVES

### ONGOING SUPPORT DURING THE COVID-19 PANDEMIC

Since the beginning of the COVID-19 pandemic, our primary focus has continued to be the safety of our people and the travelling public. In actively monitoring the COVID-19 pandemic, we have continued to respond in line with the latest advice from the Department of Health and have sought additional guidance from our medical services provider as needed. As the COVID-19 pandemic continues to have an extensive impact on our organisation and wider society, supporting the mental health and wellbeing of our people is a key focus in the ongoing development of our COVID-19 pandemic Response Plan, Business Continuity Plans and the COVIDSafe Roadmap. These plans and roadmap are helping us design and transition to a ‘new normal’ suite of working arrangements.

In response to the immediate impacts of the COVID-19 pandemic, we swiftly implemented multiple initiatives to maintain the overall wellbeing of our people, be it working from home or transitioning to resilient rosters. The success of these initiatives was possible with the joint efforts of our people and WHS experts, along with relevant external contributions from our Employee Assistance Programme (EAP) partners. Some initiatives included:

- instigating the use of various mediums to ensure all our people remained connected to our organisation and their leaders, such as Facebook and regular check-ins
- wellbeing phone applications (Wellteq)
- weekly COVID Wellbeing surveys, to ensure any concerns or trends could be swiftly addressed
- EAP support mechanisms and presentations for our people and leaders
- targeted programmes to motivate our people to stay active and engaged while working from home or between their rostered shifts.

### SUPPORT DURING AUSTRALIAN BUSHFIRES

Supporting our people throughout the 2019–20 bushfires was a key focus throughout the bushfire season. We implemented all key recommendations from Australian health authorities to minimise the impacts of exposure to the resulting poor air quality, including customising air conditioning systems where appropriate and developing contingency measures for several 24-hour roles. We provided additional support to our people who may have been directly or indirectly impacted with the provision of:

- additional leave and flexible working arrangements
- access to additional EAP sessions
- targeted guidance for leaders
- a dedicated information hub detailing preparedness information
- external links to up-to-date information on nearby fires
- advice from Comcare.

**“We swiftly implemented multiple initiatives to maintain the overall wellbeing of our people”**

## EMERGENCY PLANNING

We have taken significant steps to improve the awareness of, support for, and assurance over, emergency planning activities across the organisation. There has been a substantial increase in the emergency planning and management support provisions delivered to our Emergency Planning Organisations (EPOs), Emergency Planning Committees (EPCs) and their Chairs. The outputs have improved the effectiveness and timeliness of annual emergency planning committee meetings, evacuation drills and exercises, as well as delivered significant improvements to our 104 Emergency Management Plans. A refreshed Fire Evacuation Training Program (FEP) was released during 2019–20 and will continue to be enhanced in 2020–21.

## HAZARD MANAGEMENT

Significant effort continues to be invested in improving hazard identification and reporting across the organisation, particularly within our operational areas. This focus has resulted in a substantial improvement in the quality of hazard reporting, while the significant gains in hazard reduction of 2018–19 have been maintained. In 2019–20, several supporting initiatives were implemented. An example is the implementation of the AirHook system for operational training; a portable fall protection system that has been proven across multiple industries to reduce the risk of injury to people working at heights. Demonstrating a commitment by all our people to everyone's safety. There has been an increased focus on reporting and management of workplace hazards and incidents. This has led to significantly reducing our workplace injury occurrences, especially within our operational areas.

## ELECTRICAL SAFETY

Drawing on the outcomes from an external review, a new programme to improve our electrical safety performance and assurance commenced this year. This programme focused on embedding continuous improvement by increasing our people's engagement and reinforcing a safety culture. Progress to date has included enhancements to Safe Work Method Statements and electrical safety procedures training, as well as the launch of a new key hazard and control booklet within our vocational trade teams.

## EMPLOYEE HEALTH AND WELLBEING

Initiatives to support our people's health and wellbeing throughout 2019–20 included specific events during Safe Work Month and RUOK Day. With the advent of the COVID-19 pandemic and decreased social contact in the workplace, we launched a digital health app, designed to support the mental and physical health of our people through engagement, education, and team-based challenges.

## WORK HEALTH AND SAFETY REPORTING

Our Lost Time Injury Frequency Rate (LTIFR) performance is the strongest it has been in the last five years. Continuing a strong downward trend year-on-year, we achieved a 42.5 per cent improvement in this reporting period. Importantly, this was achieved while our aviation rescue and fire fighting team had a significant involvement in coordinated operations to provide frontline support in the Australian Bushfires. Our continued LTIFR improvement reflects our priority on people's wellbeing where we have early intervention programs, and targeted hazard and risk reduction activities.

## CONSULTATION AND HEALTH AND SAFETY COMMITTEES

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

## WORKERS COMPENSATION PREMIUM

The Comcare premium for 2019–20 was 0.76 per cent of payroll as compared to 0.81 in 2018–19, delivering a 6.2 per cent reduction, while continuing to remain lower than the Commonwealth's scheme average. We attribute this improvement to a reduction in claims submitted and overall costs, including one significant mental disease claim no longer affecting the premium which represented 58 per cent of costs per year over the previous four years. There have been improvements in two other areas, being:

- a reduction in the average number of weeks for return to work activities to commence
- the average time taken to lodge a Comcare claim from the date of receipt has decreased.

## IMPROVEMENT NOTICES AND COMCARE INVESTIGATIONS

During 2019–20, we received no improvement notices and were not the subject of any investigations.

**TABLE 7: WORK HEALTH AND SAFETY OCCURRENCES AND HAZARDS 2015-16 TO 2019-20**

Incident category	2015-16	2016-17	2017-18	2018-19	2019-20
Reported work-related WHS occurrences	267	221	250	251	<b>167</b>
Reported work-related WHS hazards	155	197	335	1,368	<b>1,203</b>
Workplace fatality	0	1 <sup>1</sup>	0	0	<b>0</b>
Serious Injury or Illness requiring Comcare notification	3	2 <sup>2</sup>	3 <sup>3</sup>	3	<b>1</b>
Dangerous Incidents requiring Comcare notification	11	11 <sup>4</sup>	18 <sup>5</sup>	11	<b>8</b>

Notes:

1. Reported to Comcare based on historical claim for cancer related death. Subsequently Comcare rejected claim, recoded as non-work related.
2. One reported serious injury or illness was recoded as non-work related based on further information.
3. One reported serious injury or illness was recoded as non-work related based on a pre-existing health condition.
4. Four reports recoded to non-dangerous incidents based on further information received.
5. Five reports recoded to non-dangerous incidents based on further information received.



**“We have taken significant steps to improve the awareness of, support for, and assurance over, emergency planning activities across the organisation”**



## OUR EQUITY AND DIVERSITY APPROACH

We are committed to having a genuinely inclusive workforce, which fosters diversity and supports our workers' physical and psychological safety.

In a rapidly changing environment, we need people of different genders, backgrounds, cultures, and work and life experiences across all areas of our business, to support our ability to anticipate, innovate and respond to change.

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

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

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

**TABLE 8: EQUITY AND DIVERSITY REPORTING**

EEO Act (1987)	2019–20 Activities
<p><b>Informing employees–S.6 (a)</b> Without limiting the generality of the definition of program in subsection 3(1), the program of a relevant authority shall provide for action to be taken:</p> <ul style="list-style-type: none"> <li>– to inform employees of the contents of the program and of the results of any monitoring and evaluation of the program under paragraph (h).</li> </ul>	<p>Our People Strategy has a clear focus on building an inclusive, healthy and supported workforce and supporting the physical and psychological wellbeing of our people. We embed core organisational messages about our diversity and inclusion agenda in:</p> <ul style="list-style-type: none"> <li>– employee induction, mandatory training and other development activities available to our people</li> <li>– communication about internal and external awareness events conveying important messages on inclusion, support and diversity</li> <li>– a dedicated inclusion and support intranet page</li> <li>– our annual report and quarterly workforce report, accessible to all our people.</li> </ul>
<p><b>Conferring responsibility–S.6 (b)</b> To confer responsibility for the development and implementation of the programme (including a continuous review of the programme), on a person or persons having sufficient authority and status within the management of the relevant authority to enable the person or persons properly to develop and implement the programme.</p>	<p>In 2019–20, our Chief Executive Officer and Executive held overall accountability for our <i>Diversity and Inclusion Action Plan</i>, with regular reporting aligned to the Inclusive, Healthy and Supported Workforce pillar in our <i>People Strategy</i>. Our Diversity and Inclusion Council, comprising representatives from across the organisation, helped us set our direction for diversity and maintain oversight of initiatives within, and progress against, our <i>Diversity and Inclusion Action Plan</i>.</p> <p>Our leaders are responsible for creating a safe and inclusive environment for their teams where everyone is treated with respect and dignity. We offer them training on unconscious bias and leading inclusive teams, teaching leaders to mitigate the risks of cognitive bias and to build a shared identity within their teams. This, in turn promotes inclusiveness, wellbeing and positive performance in the workplace.</p> <p>All our employees have a responsibility to ensure their behaviour complies with the <i>Airservices Code of Conduct</i>, which sets the standard for treating our people with dignity, respect, courtesy, fairness and equity at all times.</p>

## TABLE 9: EQUITY AND DIVERSITY REPORTING

EEO Act (1987)	2019–20 Activities
<p><b>Consultation with trade unions—S.6 (c)</b> To consult with each trade union having members affected by the proposal for the development and implementation of the programme in accordance with this Act.</p>	<p>We consult with our people and their representative organisations prior to the implementation of new policies and procedures relating to employment matters. These organisations are Professionals Australia, the Communications, Electrical and Plumbing Union, Civil Air, the Community and Public Sector Union and the United Firefighters Union.</p> <p>Our National Consultative Council provides a mechanism for ongoing dialogue about specific employee-related issues with our employee organisations.</p>
<p><b>Consultations with employees—S.6 (d)</b> To consult with employees of the relevant authority, particularly employees who are women or persons in designated groups.</p>	<p>Our senior leaders regularly consult with all our employees, including women and persons in designated groups, and we conduct regular employee opinion surveys. In addition, this year findings from a survey conducted during the Review of Culture at Airservices Australia by Elizabeth Broderick &amp; Co provided further insight into matters that should be considered in the development of diversity and inclusion initiatives. Our Diversity and Inclusion Council provided an additional key avenue for consultation with employees about diversity and inclusion matters.</p>
<p><b>Collection of statistics—S.6 (e)</b> For the collection and recording of statistics and related information concerning employment by the relevant authority, including the number of, and the types of jobs undertaken by, or job classifications of:</p> <ul style="list-style-type: none"> <li>— employees of either sex</li> <li>— persons in designated groups.</li> </ul>	<p>Please refer to Tables 12-18 for more information on our employee diversity profile, including employee numbers by gender, demographic group and job family. In addition to capturing demographic data through our Human Resource Information Management system, we collect attitudinal data on perceptions of diversity and inclusion practices through our employee surveys.</p>
<p><b>Consideration of policies, examination of practices—S.6 (f)</b> To consider policies, and examine practices, of the relevant authority, in relation to employment matters to identify:</p> <ul style="list-style-type: none"> <li>— any policies or practices that discriminate against women or persons in designated groups</li> <li>— any patterns (whether ascertained statistically or otherwise) of lack of equality of opportunity in respect of women or persons in designated groups</li> </ul>	<p>Following the Review of Culture at Airservices Australia in 2019–20, we have updated our people policies and processes to maintain inclusive, fit-for-purpose and contemporary working principles, processes and standards. This includes the introduction of the <i>Bullying, Harassment and Discrimination Policy</i> and publication of a refreshed code of conduct standard.</p>

TABLE 10: EQUITY AND DIVERSITY REPORTING

EEO Act (1987)	2019–20 Activities
<p><b>Setting objectives and selecting indicators—S.6 (g)</b></p> <p>To set:</p> <ul style="list-style-type: none"> <li>the particular objectives to be achieved by the programme</li> <li>the quantitative and other indicators against which the effectiveness of the programme is to be assessed.</li> </ul>	<p>In 2019–20, we reinforced our commitment to building an inclusive culture based on trust, care and compassion through the Review of Culture at Airservices Australia and the development of our action plan in response to the review. We have also initiated a refresh of our Reconciliation Action Plan (RAP). Our newly formed Cultural Reform Board, comprising members of diverse backgrounds, experience and perspectives from across our organisation, will have oversight responsibility for monitoring our progress in this cultural reform journey.</p>
<p><b>Monitoring and evaluation—S.6 (h)</b></p> <p>To monitor and evaluate the implementation of the programme and:</p> <ul style="list-style-type: none"> <li>to assess the achievement of those objectives</li> <li>to assess the effectiveness of the programme by comparing statistics and information collected and recorded under paragraph (e) with the indicators against which the effectiveness of the programme is to be assessed.</li> </ul>	<p>We have a programme of regular reporting to our Executive and Board on diversity and inclusion matters, including quantitative and qualitative indicators of progress. This includes demographic workforce data, progress against gender targets for specific workforce segments, evaluation data and information about our people's experience of inclusion and culture.</p>

## ENQUIRIES AND COMPLAINTS

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

TABLE 11: ENQUIRIES AND COMPLAINTS 2015–2020 (MAY INCLUDE EQUITY AND DIVERSITY)

	2015–16	2016–17	2017–18	2018–19	2019–20
Employee numbers	4,468	3,711	3,534	3,584	3,655
Ethics Hotline enquiries	5	8	4	6	1
Ethics Hotline disclosures	16	12	11	24	38
Formal complaints <sup>1</sup>	27	6	2	0	0

1. From 2017–18, only complaints escalated to the Grievance Board were recorded. Prior to 2017–18, complaints made via the Process Review Procedure were also recorded in addition to those escalated to the Grievance Board. These complaints related to primarily to our systems, policies or procedures.

## PROGRESS UPDATE ON DIVERSITY AND INCLUSION ACTIVITIES

In 2019–20, we made significant progress on a broad range of key actions which included:

- Engaging Elizabeth Broderick and Co. to conduct an independent, expert review to examine and make recommendations on workplace culture issues including inclusion, bullying, sexual harassment and employees' readiness to report incidents, with a public commitment to accepting all of the report's recommendations.
- Appointing a Chief People and Culture Officer to strengthen and support our Executive team.
- Introducing our stand-alone *Bullying, Discrimination and Harassment Policy* and a refreshed code of conduct standard, which set clear behavioural expectations for our employees, board members, contractors, consultants and volunteers, particularly on bullying and harassment matters.
- Introducing *Fostering Respectful Team Environments* training for all our people to ensure that everyone understands our code of conduct and all individuals are treated with respect and dignity.
- Increasing our leaders' capacity to build a shared social identity within their teams in ways that value diversity and promote inclusiveness through our *Leading Inclusive Teams* programme and continuing unconscious bias training into our learning and development curriculum.
- Cross-industry celebration of International Women's Day 2020 celebrated in collaboration with WIA and industry partners.
- A rapid and supported move to flexible work arrangements for large segments of our workforce in response to the COVID-19 pandemic, accompanied by a weekly wellbeing check and leader check-ins to support our people through this transition.
- Developing our *Reconciliation Action Plan 2020-22*, which sets out our commitment to reconciliation, to strengthen our connections with Aboriginal and Torres Strait Islander peoples.
- Establishing a standing calendar of key days of celebration and acknowledgement of diversity within our workforce, including Harmony Day, National Reconciliation Week and NAIDOC Week.

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

## DIVERSITY PROFILE

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

There has been a slight increase in the percentage of people with a disability (to 0.9 per cent) as well as people from culturally and linguistically diverse backgrounds (to 6.1 per cent).

The number of women in our workforce has increased to 17.8 per cent, with women in leadership sitting at 20 per cent.

A significant proportion of our workforce is mature-aged with 46.4 per cent of employees aged 45 or over.

**TABLE 12: ENQUIRIES AND COMPLAINTS 2015–2020 (MAY INCLUDE EQUITY AND DIVERSITY)**

Designated groups*	2015–16	2016–17	2017–18	2018–19	2019–20
Indigenous Australians	1.2%	1.4%	1.6%	1.7%	<b>1.7%</b>
People with a disability	1.1%	0.8%	0.9%	0.7%	<b>0.9%</b>
People from a culturally or linguistically diverse background	6.8%	6.5%	6.3%	6.0%	<b>6.1%</b>
Female employees	19.3%	16.9%	16.9%	17.7%	<b>17.8%</b>

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

**TABLE 13: EMPLOYEES IN DIVERSITY GROUPS BY JOB ROLE CLASSIFICATION AS AT 30 JUNE 2020\***

Job family	Aboriginal and Torres Strait Islander	Culturally and Linguistically Diverse	Disability
Air Traffic Management	13	57	11
Aviation Rescue Fire Fighting Services	35	13	6
Engineering	1	31	2
Technical and Trade	3	34	4
Information and Communications Technology	2	21	0
Enabling Professions	7	55	10
Senior Leadership	2	12	1
Total by diversity groups	63	223	34
<b>Percentage of workforce</b>	<b>1.7%</b>	<b>6.1%</b>	<b>0.9%</b>

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

**TABLE 14: GENDER BY JOB ROLE CLASSIFICATION AS AT 30 JUNE 2020**

Job family	Female by percentage	Female by number	Male by number
Air Traffic Management	14.6%	202	1,182
Aviation Rescue Fire Fighting Services	3.7%	33	853
Engineering	15.2%	25	139
Technical and Trade	6.3%	17	254
Information and Communications Technology	16.8%	19	94
Enabling Professions	48.7%	320	337
Senior Leadership	20.0%	36	144
<b>Total by gender</b>	<b>17.8%</b>	<b>652</b>	<b>3,003</b>

**TABLE 15: EMPLOYEE AGE PROFILE AS AT 30 JUNE 2020**

Age range	Under 25	25-34	35-44	45-54	55-64	65+
Number of employees	69	785	1,106	1,024	617	54
Percentage of employees	1.9%	21.5%	30.3%	28%	16.9%	1.5%

**TABLE 16: AVERAGE RETIREMENT AGE**

Data as at 30 June 2020	2015-16	2016-17	2017-18	2018-19	2019-20
Average Retirement Age	60.9	61.9	61.0	61.3	<b>60.2</b>

**TABLE 17: PART-TIME EMPLOYEES BY AGE BRACKET**

Flexibility	Under 25	25-34	35-44	45-54	55-64	65+	Total
Permanent part-time	0	26	57	68	48	9	<b>208</b>
Temporary part-time	0	0	2	1	0	1	<b>4</b>
Casual	3	0	0	0	4	4	<b>11</b>

**TABLE 18: EMPLOYEE LOCATION**

	Male				Female				Total
	Full-time	Part-time	Casual	Total Male	Full-time	Part-time	Casual	Total Female	
NSW	327	13	5	<b>345</b>	25	9	0	<b>34</b>	<b>379</b>
Qld	963	28	1	<b>992</b>	156	33	2	<b>191</b>	<b>1,183</b>
SA	100	2	0	<b>102</b>	10	2	0	<b>12</b>	<b>114</b>
Tas	66	0	0	<b>66</b>	3	0	0	<b>3</b>	<b>69</b>
Vic	822	33	2	<b>857</b>	144	39	0	<b>183</b>	<b>1,040</b>
WA	254	0	0	<b>254</b>	16	2	0	<b>18</b>	<b>272</b>
ACT	299	5	0	<b>304</b>	163	46	1	<b>210</b>	<b>514</b>
NT	83	0	0	<b>83</b>	1	0	0	<b>1</b>	<b>84</b>
<b>Total</b>	<b>2,914</b>	<b>81</b>	<b>8</b>	<b>3,003</b>	<b>518</b>	<b>131</b>	<b>3</b>	<b>652</b>	<b>3,655</b>



## ENVIRONMENTAL MANAGEMENT AND PERFORMANCE

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

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

### ENVIRONMENTAL MANAGEMENT APPROACH

#### ENVIRONMENTAL OVERSIGHT AND ACCOUNTABILITY

We have defined specific role-based accountabilities for those senior managers who hold key environmental obligations under legislation and the Airservices Environmental Management System (EMS). These roles include the CEO and Executive Committee.

#### ENVIRONMENTAL POLICY

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

#### ENVIRONMENTAL MANAGEMENT SYSTEM

We maintain and continually improve our EMS, in line with *ISO 14001:2015 Environmental Management*. All Airservices sites and operations at Gold Coast Airport and Canberra Airport are ISO 14001 certified.

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

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

Key potential environmental impacts arising from our activities, and the way these are managed under the EMS are outlined in the following table.

**TABLE 19: KEY POTENTIAL ENVIRONMENTAL IMPACTS AND ASSOCIATED EMS CONTROL MEASURES AND ASSURANCE MECHANISMS**

Potential Impact	Environmental Management System (EMS) control measures	Assurance Mechanism
Aircraft noise and emissions impacts from flight path changes (includes community, wildlife, and social amenity impacts)	<ul style="list-style-type: none"> <li>– Application of mandatory management standard <i>Environmental Management of Changes to Aircraft Operations</i>, which requires:               <ul style="list-style-type: none"> <li>• targeted environmental impact and risk assessment of proposed changes</li> <li>• seeking the Commonwealth Environment Minister’s advice under the EPBC Act for changes deemed to trigger potential ‘significant impact’</li> <li>• iterative flight path design to minimise impacts, using ‘environment by design’ principles.</li> </ul> </li> <li>– Social impact analysis and community engagement for proposed changes.</li> <li>– Provision of a Noise Complaint Information Service, which:               <ul style="list-style-type: none"> <li>• receives and responds to complaints through a dedicated call centre</li> <li>• investigates and actions complaints</li> <li>• reports complaints statistics to senior management.</li> </ul> </li> <li>– Environmental awareness training.</li> <li>– Investigation of community suggested noise improvements.</li> </ul>	<p>Internal assurance reviews and audits undertaken by Airservices:</p> <ul style="list-style-type: none"> <li>– safety and assurance function</li> <li>– audit function.</li> </ul> <p>External reviews/audits undertaken by:</p> <ul style="list-style-type: none"> <li>– ISO 14001 auditors</li> <li>– external stakeholders as required (including the Aircraft Noise Ombudsman and Civil Aviation Safety Authority).</li> </ul>
Impacts from on-ground changes—including construction projects (includes soil, water and biodiversity impacts)	<ul style="list-style-type: none"> <li>– Application of mandatory standard <i>Environmental Management of Changes to On-Ground Activities</i>, which requires:               <ul style="list-style-type: none"> <li>• targeted environmental impact and risk assessment of proposed changes</li> <li>• investigation and acquittal of all approval and permitting requirements</li> <li>• documentation and implementation of specific project controls (including construction environmental management plans).</li> </ul> </li> <li>– Application of other subsidiary EMS standards and procedures (including our infrastructure management standard, incident management standards, environmental occurrence response procedures and chemical management procedures).</li> <li>– Environmental awareness training, including the rollout of a new programme for our people involved in on-ground activities.</li> </ul>	<p>Internal assurance reviews and audits undertaken by Airservices:</p> <ul style="list-style-type: none"> <li>– safety and assurance function</li> <li>– audit function</li> <li>– environmental subject matter experts and consultants.</li> </ul> <p>External reviews/audits undertaken by:</p> <ul style="list-style-type: none"> <li>– ISO 14001 auditors</li> <li>– stakeholders as required (e.g. Airport Environment Officers).</li> </ul>

Potential Impact	EMS control measures	Assurance Mechanism
Legacy contamination from the historic use of fire fighting foams containing PFAS	<ul style="list-style-type: none"> <li>— Implementation of the <i>Per-and poly-fluoroalkyl substances (PFAS) Program Management Plan</i>, including: <ul style="list-style-type: none"> <li>• detailed and targeted site assessments to better understand the extent and level of historic PFAS residues</li> <li>• undertaking research and development activities to better understand PFAS and associated issues</li> <li>• trialling new technologies in the field aimed at containing PFAS migration</li> <li>• working with relevant government authorities to develop regulatory guidance required to better address these issues.</li> </ul> </li> <li>— Application of environmental management procedures and instructions.</li> <li>— Development and implementation of PFAS management plans at specific airport locations.</li> <li>— Application of other subsidiary EMS standards and procedures (including incident management standards, environmental occurrence response procedures and chemical management procedures).</li> <li>— Environmental awareness training, including the rollout of a new programme for our people involved in on-ground activities.</li> </ul>	<p>Internal assurance reviews and audits undertaken by Airservices:</p> <ul style="list-style-type: none"> <li>— safety and assurance function</li> </ul>
Impacts from on-ground changes—including construction projects (includes soil, water and biodiversity impacts)	<ul style="list-style-type: none"> <li>— Development and implementation of Operational Environment Management Plans (OEMPs), detailing the management of environmental risks associated with activities, for Airservices assets and operations at 36 airports across Australia (including all federally leased airports).</li> <li>— Application of environmental management procedures and instructions.</li> <li>— Application of mandatory standard <i>Environmental Performance Requirements and Controls for Airservices Infrastructure</i>, which prescribes the objectives and key controls for managing each lifecycle stage of infrastructure development (including the operational phase).</li> <li>— Application of other subsidiary EMS standards and procedures (including fuel and hazardous materials storage procedures, environmental occurrence response procedures, chemical management procedures and weed and pest control guidelines).</li> <li>— Environmental awareness training, including the rollout of a new programme for our people involved in on-ground activities.</li> </ul>	<ul style="list-style-type: none"> <li>— audit function.</li> </ul> <p>External reviews/audits undertaken by:</p> <ul style="list-style-type: none"> <li>— ISO 14001 auditors</li> <li>— external stakeholders as required (including the Aircraft Noise Ombudsman and Civil Aviation Safety Authority)</li> </ul>
Resource usage (including energy waste, water)	<ul style="list-style-type: none"> <li>— Application of mandatory standard <i>Environmental Performance Requirements and Controls for Airservices Infrastructure</i>, which requires: <ul style="list-style-type: none"> <li>• incorporation of resource-efficient and sustainable technologies in the development and refurbishment of infrastructure</li> <li>• identification of resource sustainability opportunities and incorporation into asset management programmes.</li> </ul> </li> <li>— Monitoring and metering of emissions, water, waste, energy and fuel usage through ENVIZI (integrated software platform) to enable reporting in accordance with the <i>National Greenhouse and Energy Reporting Act 2007</i>.</li> </ul>	

## ACCORDANCE WITH ECOLOGICALLY SUSTAINABLE DEVELOPMENT PRINCIPLES

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

Key improvements and management initiatives for 2019–20, which accord with ESD principles under the EPBC Act, are described in the table below.

**TABLE 20: KEY ESD ALIGNED ACTIVITIES IN 2019-20**

Ecologically Sustainable Development Principles	Activities
<p><b>Integration principle:</b> Decision-making processes should effectively integrate both long-term and short-term economic, environmental, social and equitable considerations</p>	<p>Our flight path change management processes have integrated and embedded social and environmental impact assessment methodologies that inform the delivery of effective community engagement activities and environmentally responsible flight path design.</p> <p>Key improvements enacted included:</p> <ul style="list-style-type: none"> <li>— functional alignment of flight path design, environmental assessment, community engagement and aircraft noise complaint management</li> <li>— national stakeholder consultation to develop new Flight Path Design Principles that will guide the design, development and implementation of future flight path changes and consider environmental and social impacts, in addition to safety and operational requirements</li> <li>— expansion of the Engage Airservices website to support community engagement for all flight path changes and to enable consideration of community feedback to inform flight path design</li> <li>— development of the Community Engagement Framework that provides a contemporary approach, and includes improved engagement timing, information provision and engagement methods.</li> </ul> <p>To support the environmental efficiency of our customers' operations (both short and long term), we continued to:</p> <ul style="list-style-type: none"> <li>— provide efficient aircraft routing options</li> <li>— implement continuous descent operations (CDO) and continuous climb operations (CCO)</li> <li>— implement Required Navigation Performance procedures.</li> </ul> <p>Our planned implementation of the Airport Collaborative Decision Making (A-CDM) and Long Range Air Traffic Flow Management (LR-ATFM) platforms have been placed on hold following the dramatic downturn in aviation activity due to the COVID-19 pandemic. A-CDM is a form of smart airport technology that allows Airservices, airports and airlines to share data and synchronise operations. LR-ATFM allows greater scheduling and control of aircraft airport arrivals, which avoids holding patterns and associated landing delays. Expected improved environmental outcomes through reduced fossil fuel use and emissions will not be realised until aircraft arrival demand at airports recovers, and we will plan restart criteria for the two initiatives in conjunction with our industry partners.</p>
<p><b>Precautionary principle:</b> If there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation</p>	<p>We continued to progress implementation of the Per- and poly-fluoroalkyl substances (PFAS) Program Management Plan. This includes:</p> <ul style="list-style-type: none"> <li>— continuing site assessments to better understand the extent and level of PFAS residues</li> <li>— undertaking research and development activities to better understand the issues</li> <li>— trialling new technologies in the field aimed at containing PFAS migration</li> <li>— working with relevant government authorities to develop the regulatory guidance required to better address these issues.</li> </ul> <p>Key milestones of the plan delivered this reporting period:</p> <ul style="list-style-type: none"> <li>— Finalisation of the transition to PFAS-free foam at Darwin and Townsville airports in agreement with the Department of Defence.</li> <li>— Completion of a longitudinal study by the University of Queensland to assess the effectiveness of PFAS exposure controls for communities and fire fighters.</li> </ul>

## Ecologically Sustainable Development Principles

### Activities

#### Intergenerational principle:

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

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

Key EMS improvements made in 2019-20 include:

- revised on-ground change management suite, including updated on-ground change management standard, Corporate Integrated Reporting and Risk Information System (CIRRIS) Management of Change (MOC) module, and development of a template for conducting an environmental impact assessment (EIA).
- revised Air Traffic Management (ATM) change management suite, including the ATM change National Operating Standard (NOS), and ATM CIRRIS MOC module
- revised risk management methodologies and processes for operational processes
- revised environmental occurrence management standard to ensure improved external reporting timeframes and responsibilities are reflected.

Our EMS at our two representative sites-Gold Coast Airport and Canberra Airport- was audited by an independent external body to gain re-certification against the requirements within ISO 14001:2015, *Environmental Management Systems*. The audit concluded the organisation fulfils ISO 14001 standard requirements and considers the management system continues to achieve its intended outcomes. We continued to promote environmental awareness and train key people on environmental issues, while undertaking a targeted audit and assurance programme to check on, and improve our performance. This includes the rollout of a new programme for our people involved in on-ground activities, to ensure the appropriate environmental management of approximately 700 of our sites across Australia. We worked with the Civil Aviation Historical Society and other stakeholders to preserve Australia's aviation history. We continued our support for the Connecting the Nation portal, sponsorship of the Airways Museum based at Essendon Airport, and industry partnership with the Australian Research Council for the Heritage of the Air Project (a research project investigating how aviation has transformed Australian society over the last 100 years). We also sponsored the Women in Aviation International (WAI) Australian Chapter in 2019, as well as providing media and social media support at the WAI Emerging Leaders Forum. Our fire fighters have provided active support to the bushfire response in both New South Wales and Queensland. In January 2019, we revised our Heritage Strategy for the period 2018-2020, in accordance with Section 341ZA of the EPBC Act. In accordance with this strategy, we updated Heritage Management Plans for six air traffic control towers on the Commonwealth Heritage List and started digital recording work for four of our navigational aids with known heritage values (that will soon be transferred). Our former International Transmitter Station (ITS) site at Llandilo in western Sydney will be transferred to the NSW Office of Environment and Heritage, to create a new regional park, conserving the site's natural, Indigenous and historic heritage values. Rectification and ratification of resource usage data are progressing. We reported in accordance with *National Greenhouse and Energy Reporting Act 2007* requirements for 2018-19.

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

The protection of biodiversity values is a key requirement of the EMS with associated controls built into the management of all our activities (from flight path changes to on-ground operations). Our revised requirements for flight path change management include additional quantitative and qualitative measures for assessing biodiversity impacts. Our internal standards for infrastructure development include targeted controls to protect flora and fauna values throughout projects and operational activities. Our former International Transmitter Station (ITS) site at Llandilo in western Sydney, will be transferred to the NSW Office of Environment and Heritage to create a new regional park. The site has large strands of the Cumberland Plain Woodland endangered ecological community, and a number of associated threatened species. At our Doppler Very High-Frequency Omnidirectional Range (DVOR) and Non-Directional Beacon (NBD) sites at Canberra Airport, we produced and implemented a new guide for the management of the natural temperate grassland ecological community (and a number of associated threatened species), to better align with the landowner's (Department of Defence) management practices on adjoining properties.

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

We continue to build and manage our asset base through the implementation of our Asset Management and Portfolio, Program and Project Management (P3M) Frameworks. Under P3M, investment initiatives are strategically prioritised to ensure we deliver value and innovation to our customers and ensure the sustainment of our ageing asset base.

## NOISE COMPLAINTS AND INFORMATION SERVICE

The number of residents contacting the Noise Complaints and Information Service (NCIS) in 2019–20 was 3,464. This was 360 less than in 2018–19.

The number of residents concerned about activities at the 10 major airports was 40 per cent lower than 2018–19 and was also lower than those seen in previous years. At major airports, the most frequently raised issue continued to be the use of standard flight path corridors. Concerns included the frequency of movements, a perception that something had changed the location of the flight path, and questions about the altitudes of aircraft on arrival and departure. While we investigate concerns about standard flight paths, few opportunities exist to mitigate noise for residential areas in proximity to the major airports.

Table 21 shows during 2019–20, most major airports had a decrease in number of residents making complaints of around 50 percent on average. The exceptions were Darwin and Brisbane Airports which both saw a slight increase and Melbourne Airport, which had a more significant increase.

The far-reaching impact of the COVID-19 pandemic on the aviation industry in the first half of 2020 resulted in the reduction of scheduled flight operations, contributing to the overall decrease in complainants. Due to increased access to airspace, flight training activities at most secondary airports increased significantly during the COVID-19 pandemic, resulting in an increase of complainant numbers at these airports.

Gold Coast Airport complainant numbers decreased by 40 per cent in 2019–20. We continue to monitor the application of Noise Abatement Procedures that restrict the use of the instrument landing system (ILS) for Runway 14 to periods of increased cloud coverage or reduced visibility, or where operationally required or necessary for an emergency.

In 2019–20 complainants decreased by 77 per cent for Hobart Airport, following broad consultation for the Hobart Airspace Design Review and subsequent flight path implementation on 7 November 2019, and reduced scheduled flight operations.

Melbourne Airport recorded a 38 per cent increase in complainants in 2019–20. This was attributed to the increased use of arrivals and departures to and from the north/south runway because of a mix of strong seasonal winds and runway closures for maintenance.

There was a 60 per cent decrease of complainants for Perth Airport in 2019–20. While changes to air traffic management associated with runway closures and maintenance works, that had previously attracted attention continued, the community was proactively informed of activities.

While not listed in the 10 major airports, Sunshine Coast Airport complainant numbers increased in 2019–20. There were 151 noise complainants in 2019–20, compared to 70 in 2018–19. We attribute this to increased community interest in aircraft operations with the new Sunshine Coast runway project and associated flight path changes. The new runway commenced operations on 14 June 2020.

**TABLE 21: NUMBER OF RESIDENTS WHO CONTACTED THE NCIS FOR THE 10 MAJOR AIRPORTS**

<b>Airport</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Adelaide	111	102	89	<b>76</b>
Brisbane	247	197	252	<b>292</b>
Cairns	38	30	30	<b>22</b>
Canberra	43	21	30	<b>10</b>
Darwin	13	4	5	<b>6</b>
Gold Coast	210	153	231	<b>138</b>
Hobart	3	384	293	<b>67</b>
Melbourne	155	177	160	<b>220</b>
Perth	791	388	716	<b>282</b>
Sydney	773	714	713	<b>388</b>
<b>Total</b>	<b>2,384</b>	<b>2,170</b>	<b>2,519</b>	<b>1,501</b>

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## APPENDIX A: MINISTERIAL EXPECTATIONS

The portfolio Minister regularly issues a Statement of Expectations (SOE) as a notice of strategic direction to the Airservices Australia Board according to section 17 of the *Air Services Act 1995*. In addition to the SOE, the Minister can issue directions which inform the performance of our functions. These—together with the Board's Statement of Intent—are provided within this section.

### MINISTERIAL DIRECTIONS

Four ministerial directions remain current:

Year	Date of issue	Subject
1996	29 May	Handling of aircraft noise complaints at Sydney and other federal airports
1997	30 July	Progressive implementation of Sydney Long Term Operating Plan
1999	3 May	Responsibilities in relation to the environmental effects of aircraft
2004	31 August	Provision of approach radar services at specific airports

### OUR STATEMENT OF INTENT 2019-2021

Statement of Expectations	Statement of Intent
<p><b>Overview</b></p> <p>This instrument is the Statement of Expectations for Airservices Australia for the period 15 July 2019 to 30 June 2021. This instrument commences on 15 July 2019 and expires at the end of 30 June 2021 as if it had been repealed by another instrument. This instrument puts in place a new Statement of Expectations (SOE) which serves as a notice to Airservices Australia (Airservices) under section 17 of the <i>Air Services Act 1995</i> (the Act). The new SOE formalises the Government's expectations concerning the operations and performance of Airservices.</p> <p>Airservices should perform its functions in accordance with the Act, which requires that Airservices must regard the safety of air navigation as the most important consideration. Airservices should also perform its functions in accordance with the Public Governance, <i>Performance and Accountability Act 2013</i> (PGPA Act) as well as other relevant legislation.</p>	<p>The Airservices Board's Statement of Intent responds to each element of the Statement of Expectations and states Airservices' commitment to meeting the Minister's expectations.</p> <p>Airservices provides safe, secure, efficient and environmentally responsible services that are valued by the aviation industry and community on behalf of our owner, the Australian Government. When performing our functions, we adhere to all relevant legislation including, the Air Services Act and the PGPA Act. The Board and the Chief Executive Officer make decisions consistent with their legislated responsibilities and the responsibilities resulting from our industry funding arrangements, relating to the objectives, strategies and policies to be followed by Airservices to ensure that we perform our functions in a proper, efficient and effective manner. In accordance with the Act, the safety of air navigation is Airservices' most important consideration.</p>

## OUR STATEMENT OF INTENT 2019–2021 CONTINUED

Statement of Expectations	Statement of Intent
<b>Governance</b>	
<p>I expect that the Board and the Chief Executive Officer (CEO) will continue to work to enable Airservices to operate as a world-best-practice Air Traffic Control (ATC) and Aviation Rescue and Fire Fighting Service (ARFFS) provider.</p> <p>I expect the Board to ensure Airservices has the necessary resources and capabilities in place to effectively manage Airservices' strategic direction, risks and corporate planning.</p> <p>I expect the CEO to be responsible for managing the operations of Airservices, its organisational capacity and the exercise of its functions.</p> <p>I expect the Board to keep the Secretary of my Department and me fully informed of Airservices' actions in relation to the requirements stated in this SOE, and promptly advise of any events or issues that may impact on the operations of Airservices, including through quarterly progress reports from the Board against the Corporate Plan and this SOE.</p>	<p>Airservices will ensure its annual Corporate Plan positions the organisation to continue to provide safe, secure, efficient and environmentally responsible services that are valued by the aviation industry and community.</p> <p>Airservices will monitor, focus and report on the effective delivery of Corporate Plan initiatives to ensure we deliver the benefits to our customers.</p> <p>Airservices will innovate to maintain its position as a leading air navigation service provider, with initiatives including the <a href="#">Network Management Program</a> (including Airport Collaborative Decision Making and Long Range Air Traffic Flow Management), and the <a href="#">Digital Aerodrome Services Program</a>.</p> <p>Our <a href="#">People Strategy</a> will ensure we continue to invest in our workforce capability to provide an appropriately skilled workforce to deliver on our service objectives.</p> <p>The Board and the Chief Executive Officer will ensure the Department and Minister are fully informed of all actions relating to these expectations through regular reporting including quarterly progress reports and annual reporting.</p>
<b>Key Aviation Initiatives</b>	
<p>I expect Airservices, in conducting its responsibilities as the air navigation and aviation rescue and fire fighting services provider, will focus on the following key aviation initiatives:</p> <p>a) progress the timely, on-budget and effective implementation of the civil-military air traffic management programme, known as OneSKY, including harmonisation initiatives with the Department of Defence (Defence) and advise me on the progress and achievement of programme milestones.</p> <p>b) work closely with my Department and the Civil Aviation Safety Authority (CASA) to ensure the safe integration of Unmanned Aircraft Systems (UAS) into Australian airspace, including the development and implementation of a UAS traffic management system that complements the Government's broader approach to this sector.</p> <p>c) work with my Department and CASA on modernising airspace management, including:</p> <ul style="list-style-type: none"> <li>– progressing Australia's airspace protection policy.</li> <li>– enhancing the safety and efficiency of Australian controlled airspace including at major regional airports.</li> <li>– continuing to apply adequate resources to manage airspace planning and design including for Western Sydney Airport</li> <li>– continuing the implementation of Performance Based Navigation in Australia following consultation with other Government agencies, community and industry stakeholders.</li> </ul>	<p>The <a href="#">OneSKY Program</a> remains the cornerstone of our commitment to deliver world-class air traffic management services into the future. Airservices will continue to work closely with the Department of Defence to deliver a harmonised civil-military air traffic management system for Australia.</p> <p>Airservices will update the Minister quarterly on the progress of OneSKY and achievement of programme milestones.</p> <p>We have also established the <a href="#">Air Navigation Services Readiness Program</a>, which will prepare our air traffic operations for the future transition to OneSKY.</p> <p>Airservices will continue to work with the Department and CASA to ensure the safe integration of Unmanned Aircraft Systems (UAS) into Australian airspace.</p> <p>As part of our <a href="#">Unmanned Aerial Vehicle Integration and Management Services Program</a>, we will deliver a pilot programme to assess unmanned traffic management (UTM) systems and identify options for integration of UAS with conventional airspace users while maintaining a safe and secure environment for all.</p> <p>We will engage with government agencies through established forums and working groups to ensure the implementation of UAS traffic management aligns with the Government's policies and approach to this sector.</p> <p>We will support Australia's airspace protection policy by working cooperatively with the Department and CASA and providing timely information to assist with policy and regulatory initiatives.</p> <p>Airservices' <a href="#">Airspace Modernisation Program</a> will enhance the safety and efficiency of Australian airspace and increase access to airspace for the aviation industry, through national standardisation and leveraging increased surveillance to enhance service provision.</p> <p>Airservices' <a href="#">Airport Development Support Program</a> will deliver essential supporting infrastructure and services in support of aviation industry expansion, including airspace planning and design at Western Sydney Airport.</p> <p>Airservices will continue the transition to Performance-Based Navigation (PBN) as the primary means of navigation in line with the global aviation industry in consultation with government agencies, the community and other stakeholders.</p>

## Statement of Expectations

## Statement of Intent

## Key Aviation Initiatives Continued

- d) assist in implementing the Government's environmental initiatives, including:
- minimising the impact of aircraft operations on communities where practicable.
  - supporting the ongoing role of the independent Aircraft Noise Ombudsman (ANO) and implementation of agreed recommendations made by the ANO.
  - appropriate resourcing of the Noise Complaints and Information Service to continue to improve the flow and quality of information to noise affected communities.
  - ongoing commitment to the Sydney Airport Long Term Operating Plan as required by the Ministerial direction dated 30 July 1997 (F2009B00158).
  - providing and reporting against an annual environment work programme which outlines Airservices ongoing and new initiatives in managing, monitoring and alleviating, where safe and practicable, environmental effects of aircraft operations.
  - working with the Department and industry on issues related to environmental contamination, including taking action on per- and poly-fluoroalkyl substances (PFAS) in line with Government expectations on this issue.

- e) continue to work with the Department and CASA on implementing the Government's ARFFS policy.

- f) maintain international and regional aviation safety engagement through effective engagement in the International Civil Aviation Organization (ICAO) and safety and capability building initiatives in the Asia-Pacific region.

In designing airspace and flight paths, Airservices seeks to minimise the impact of aircraft noise on communities as far as practicable. We engage with communities when we make changes that will impact them. Airservices will continue to support the role of the ANO and implement all agreed recommendations. Airservices' Noise Complaints and Information Service will continue to be resourced to provide quality information and manage noise complaints to a high standard. The 1997 Ministerial Direction relating to the Sydney Long Term Operating Plan will continue to guide the operation of Sydney Airport. Airservices' initiatives to manage and monitor the environmental effects of aircraft operations are outlined in an annual environmental work plan, with quarterly progress reports provided to the Minister. Airservices will continue to implement a risk-based national PFAS management programme, including site investigations, containment and monitoring as appropriate. Airservices will work closely with Government agencies and industry on issues related to PFAS in line with Government expectations, including participating in the Commonwealth inter-departmental committee.

Airservices will continue to work with the Department and CASA to implement the Government's ARFFS policy. We support the planned shift from the current prescriptive regulatory framework to a more outcomes-based approach. Airservices' [ARFFS Modernisation Program](#) will ensure ARFFS is 'fit for the future' and positioned to leverage new technology to enhance service delivery, with a programme of work focused around our people, facilities, vehicles, equipment and training.

Airservices will continue to support the Australian Government's safety initiatives in the Asia-Pacific region. Our international capability development programme enhances the safety of air transport in our region by helping our neighbouring air navigation service providers in Indonesia and Papua New Guinea to build their capability and improve their operations. Airservices is an active participant in ICAO forums and works closely with the Department and CASA to ensure that Australia's ICAO responsibilities are met.

## Stakeholder Engagement

I expect Airservices will continue to:

- a) undertake effective and productive engagement with the community and industry, based on mutual understanding and respect.
- b) communicate clearly and regularly with my Department and CASA, the industry and the community on the development and implementation of significant changes to air navigation and ARFFS.
- c) proactively provide information, assistance and advice to Government agencies for policy formulation, implementation activities and regulation purposes.
- d) contribute in the coordinated approach to airport planning, including appropriate participation in planning coordination forums, community aviation consultation groups, and the National Airports Safeguarding Advisory Group.
- e) work closely with my Department and other Government agencies, including the Australian Transport Safety Bureau, CASA and Defence to deliver integrated and comprehensive advice to the Government, the aviation industry and the community.

Airservices engages with industry on its service delivery, strategic planning, pricing and other key initiatives via direct engagement with customers and stakeholders, engagement with industry bodies and participation in established industry forums such as the Australian Strategic Air Traffic Management Group (ASTRA). Airservices engages with the community when we make changes that will impact them. Airservices has established mechanisms to share information with CASA about the performance of its regulatory functions. Airservices keeps the Department, and Minister informed through regular reporting, including quarterly progress reports and annual reporting and responds to requests for assistance and advice from government agencies. Airservices is committed to ongoing participation in the National Aviation Safeguarding Advisory Group and engaging via airport-led planning coordination and consultation forums and technical noise working groups. We will work closely with the Department and other agencies to deliver integrated and comprehensive advice to the Government and other stakeholders on emerging issues affecting aviation regulation and policy including airspace management and protection, UAS and UTM, ARFFS and aviation infrastructure planning and implementation.

## APPENDIX B: AIRSERVICES REMUNERATION REPORT 2019-20

The purpose of this section is to summarise the:

- remuneration for Board Members
- performance outcomes and remuneration of the Executive
- remuneration for leadership roles (other than the Executive) and other staff who were remunerated \$225,000 and over.

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

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

### BOARD MEMBERS AND EXECUTIVE

#### Board Members

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

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

**Table 1: Board Members**

Name	Status	Commenced	Finished
<b>Chair</b>			
John Weber <sup>1</sup>	Ongoing	6 April 2017	Current
<b>Deputy Chair</b>			
Mark Binskin <sup>2</sup>	Ongoing	13 September 2018	Current
<b>Board Members</b>			
Fiona Balfour <sup>3</sup>	Ongoing	3 June 2013	Current
Samantha Betzien	Ceased	4 June 2012	3 September 2019
Anne Brown	Ongoing	4 December 2019	Current
Sue-Ellen Bussell	Ongoing	4 December 2019	Current
Marlene Kanga	Ongoing	4 September 2017	Current
David Marchant	Ongoing	21 July 2014	Current
John McGee	Ceased	4 September 2015	3 December 2019
Tim Rothwell	Ongoing	21 July 2014	Current
<b>Chief Executive Officer</b>			
Jason Harfield	Ongoing	11 August 2015	Current

Notes:

1. Board Member from 6 April 2017 to 3 September 2017, Deputy Chair from 4 September 2017 to 2 June 2018 and Chairman from 3 June 2018.

2. Absent on extended leave from February 2020 to Chair the Royal Commission into National Natural Disaster Arrangements.

3. Board Member's term finished on 2 September 2020, post reporting period, prior to publishing this report.

## APPENDIX B: AIRSERVICES REMUNERATION REPORT 2019-20

### Executives

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

**Table 2: Executive General Managers**

Name	Status	Commenced	Finished
Michelle Bennetts	EGM Customer Service Enhancement	25 January 2013	Current
Peter Curran	EGM Air Navigation Services	6 May 2019	Current
Lucinda Gemmell	Chief People and Culture Officer	1 June 2020	Current
Mark Hind	Acting Chief Information Officer	25 April 2020	Current
Paul Logan	Chief Financial Officer	2 July 2015	Current
Claire Marrison	EGM Safety and Assurance	3 November 2018	Current
Robert Porter <sup>1</sup>	EGM Aviation Rescue Fire Fighting Service	7 January 2019	Current
Christopher Seller	Chief Information Officer	1 July 2016	24 April 2020
Jason Harfield	Chief Executive Officer	11 August 2015	Current

1. Appointment ended on 31 August 2020, post reporting period, prior to publishing this report.

## REMUNERATION STRATEGY AND SETTINGS

### Executive Remuneration

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

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

#### Total Fixed Remuneration

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

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

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

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

#### Short Term Incentive Payments (STI)

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

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

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

## APPENDIX B: AIRSERVICES REMUNERATION REPORT 2019-20

### REMUNERATION GOVERNANCE

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

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

In 2019-20 the Committee Chair was Samantha Betzien (from 1 July 2019 to 3 September 2019), Mark Binskin (from 4 September 2019 to 3 December 2019) and Sue-Ellen Bussell (from 4 December 2019). The non-executive Board Members were Marlene Kanga, David Marchant and Tim Rothwell.

### CHIEF EXECUTIVE OFFICER



Determine package principles for EGMs

Determine performance metrics and performance outcomes for EGMs

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### BOARD AND HUMAN RESOURCES COMMITTEE



Propose CEO package, performance metrics and performance outcomes

Review CEO recommendations on EGM, performance metrics and performance outcomes

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### BOARD



Review and approve CEO package, performance metrics and performance outcomes (noting Board Remuneration and Human Resources Committee recommendations)

Review and approve CEO decisions on performance metrics and performance outcomes (noting Board and Human Resources Committee recommendations)

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### ANNUAL FEES AND ALLOWANCES FOR BOARD MEMBERS

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

Given the impact of the COVID-19 pandemic on Airservices revenue, all non-Executive Board members voluntarily agreed to forego 20 per cent of their annual fees payable during 1 April to 30 June 2020.

## APPENDIX B: AIRSERVICES REMUNERATION REPORT 2019-20

### CORPORATE PERFORMANCE OUTCOMES 2019-20

The scorecard comprised key corporate performance metrics/indicators, initiatives under the pillars of our Corporate Plan and OneSKY Program milestones.

**Table 3: Corporate Performance Scorecard**

Corporate Metrics	Weighting 60%			
Outcomes	Key Performance Indicators	2019-20 Target	2019-20 Actual	Assessment
Safety	Significant attributable safety incidents – ATM and ARFFS	0	0	Met
	Total lost time injury frequency rate	< 1.5	2.3	Not Met
Financial stewardship	Manage costs within allocated budget	Meet budget	Met budget	Met
	Return on assets	5.9%	-1.3%	Not Met
Business operations/ efficiency	Total operating cost per instrument flight rules flight hour (\$/hr)	\$347	\$367	Not Met
Industry outcomes	Arrival airborne delay – median (high volume operations)	0.6 mins	0.9 mins	Not Met
	Arrival airborne delay – 75th percentile (high volume operations)	3.3 mins	4.3 mins	Not Met
	Customer satisfaction	≥ 70%	On Hold	
Organisational capacity	People engagement index	> 2018-19 result	Independent Review	
	Diversity and inclusion index	> 2018-19 result	Independent Review	

Corporate Metrics	Weighting 60%	
Deliverable	Assessment	
Initiatives under Service Excellence pillar	Met	
Initiatives under Service Innovation pillar	Met	
Initiatives under Industry Leadership pillar	Met	
Initiatives under Organisational Agility pillar	Met	

Corporate Metrics	Weighting 60%	
Deliverable	Assessment	
Initiatives under OneSKY Program		
Preliminary Design Review completed	Met	
Critical Design Review completed	Partially Met	
Melbourne Air Traffic Services Centre ready for installation	Met	

## APPENDIX B: AIRSERVICES REMUNERATION REPORT 2019-20

In May 2019 the Board determined that, due to the impact of the COVID-19 pandemic and the prevailing business and economic climate, no STI payments for 2019-20 would be paid to Airservices leaders.

### BOARD MEMBER REMUNERATION

The following table outlines the remuneration earned and accrued by Board Members throughout 2019-20.

**Table 4: Board Remuneration**

Name	SHORT-TERM BENEFITS		POST-EMPLOYMENT BENEFITS	Total Remuneration \$
	BASE SALARY \$	OTHER BENEFITS / ALLOWANCES <sup>3</sup> \$	SUPERANNUATION CONTRIBUTIONS \$	
John Weber	152,386	12,089	14,779	179,254
Mark Binskin	75,780	727	7,199	83,706
Fiona Balfour	71,242	3,424	6,919	81,586
Samantha Betzien	11,948	378	1,135	13,461
Anne Brown	43,528	1,268	4,135	48,931
Sue-Ellen Bussell	43,528	994	4,135	48,657
Marlene Kanga	76,197	3,090	7,390	86,677
David Marchant	76,197	4,931	7,390	88,518
John McGee	32,669	1,873	3,255	37,797
Tim Rothwell	76,197	4,718	7,541	88,456

3. Includes Board Committee membership and travel allowances.

## APPENDIX B: AIRSERVICES REMUNERATION REPORT 2019-20

### EXECUTIVE REMUNERATION

The following table outlines the remuneration earned and accrued by the Executive in 2019-20.

**Table 5: Executive Remuneration**

Name	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	TOTAL REMUNERATION \$
	Base Salary <sup>5</sup> \$	Bonuses \$	Other benefits/ allowances <sup>4</sup> \$	Superannuation contributions \$	Long service leave \$	
Jason Harfield	730,813	0	8,000	73,738 <sup>6</sup>	23,847	836,399
Michelle Bennetts	399,746	0	8,000	39,132	11,709	458,587
Peter Curran	430,340	0	56,390	41,933	8,977	537,639
Lucinda Gemmell	28,865	0	30,000	0	709	59,574
Mark Hind	41,863	0	738	4,605	1,059	48,265
Paul Logan	365,013	0	8,000	38,179 <sup>6</sup>	11,811	423,002
Claire Marrison	299,799	0	0	28,643	9,263	337,704
Robert Porter	370,338	0	0	35,725	7,462	413,525
Christopher Seller	310,082	0	8,005	31,755	-32,005	317,837

Notes:

4. Includes motor vehicle and relocation allowances and associated Fringe Benefits Tax.

5. Base Salary includes annual leave paid and the net movement in annual leave balance.

6. Member of AvSuper defined benefit superannuation scheme.

### LEADERSHIP ROLES (OTHER THAN EXECUTIVE) REMUNERATION<sup>7</sup>

The following table outlines the average remuneration earned and accrued by non-Executive leaders in 2019-20.

**Table 6: Other Leaders Remuneration**

Remuneration Band \$'000	Number of Staff	AVERAGE SHORT-TERM BENEFITS			AVERAGE POST-EMPLOYMENT BENEFITS	Average Long-Term Benefits	Average Termination Benefits \$'000	Average Total Remuneration \$'000
		Base salary \$'000	Bonuses \$'000	Other benefits/ allowances <sup>8</sup> \$'000	Superannuation contributions \$'000	Long service leave \$'000		
0 – 225,000	161	136,957	0	489	14,757	-350	5,234	157,087
225,001 – 250,000	34	201,252	0	244	21,632	5,664	8,538	237,330
250,001 – 275,000	16	228,238	0	1,122	23,828	7,203	0	260,390
275,001 – 300,000	8	198,644	0	2,133	25,349	5,373	53,673	285,171
300,001 – 325,000	7	245,645	0	3,129	24,983	6,754	29,516	310,026
325,001 – 350,000	1	229,134	0	71,293	24,288	6,412	0	331,128
350,000 – 375,000	1	122,537	0	5,983	25,089	3,286	198,071	354,965
375,001 – 400,000	1	344,699	0	\$0	31,405	6,733	0	382,836
	229							

Notes:

7. Incorporates leadership roles on employment contracts below Executive General Manager.

8. Includes early retirement benefit payments and fly in fly out, living away from home and home purchase/sale allowances to eligible employees.

## APPENDIX B: AIRSERVICES REMUNERATION REPORT 2019-20

### OTHER HIGHLY PAID STAFF REMUNERATION<sup>9</sup>

The following table outlines the average remuneration earned and accrued by other highly paid staff in 2019-20.

**Table 7: Other Highly Paid Staff Remuneration**

Remuneration Band \$	Number of Staff <sup>9</sup>	AVERAGE SHORT-TERM BENEFITS		AVERAGE POST- EMPLOYMENT BENEFITS	Average Long-Term Benefits		Average Total remuneration \$
		Base salary \$	Other benefits/ allowances <sup>10</sup> \$	Superannuation contributions \$	Long service leave \$	Average Termination Benefits \$	
225,001 – 250,000	324	202,640	1,468	26,308	6,058	805	237,278
250,001 – 275,000	200	225,225	1,855	28,409	5,776	0	261,266
275,001 – 300,000	72	245,505	3,030	29,597	5,481	0	283,613
300,001 – 325,000	22	225,958	34,492	29,481	5,447	16,051	311,429
325,001 – 350,000	14	226,540	44,394	31,134	5,214	27,855	335,138
350,001 – 375,000	7	258,472	57,808	36,025	5,888	0	358,194
375,001 – 400,000	2	215,989	42,205	26,893	4,260	98,189	387,533
400,001 – 425,000	1	164,724	5,983	25,775	4,433	203,486	404,400
425,001 – 450,000	1	301,618	97,242	29,575	5,771	0	434,206
475,001 – 500,000	1	253,173	242,970	0	0	0	496,143
500,001 – 525,000	1	86,860	196,108	20,141	2,572	196,108	501,789
525,001 – 550,000	1	91,599	217,974	16,593	2,572	217,974	546,713
550,001 – 575,000	1	306,750	195,304	47,438	3,643	0	553,135
625,001 – 650,000	1	377,484	225,717	22,764	5,246	0	631,212
<b>Grand Total</b>	<b>648</b>	<b>216,579</b>	<b>6,351</b>	<b>27,607</b>	<b>5,833</b>	<b>2,805</b>	<b>259,174</b>

Notes:

9. Includes 597 staff employed under the Air Traffic Control and Supporting Air Traffic Services Enterprise Agreement, 27 staff employed under the Air Traffic Control Line Manager Enterprise Agreement and 6 staff employed under the Aviation Rescue Fire Fighting Enterprise Agreement.

10. Includes early retirement benefit payments and fly in fly out, living away from home and home purchase/sale allowances to eligible employees.



## APPENDIX C: AIRCRAFT NOISE OMBUDSMAN ANNUAL REPORT 2019-20

**ano**  
AIRCRAFT NOISE OMBUDSMAN

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Annual Report  
2019-20

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## APPENDIX C: AIRCRAFT NOISE OMBUDSMAN ANNUAL REPORT 2019-20

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#### ANO role

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

- complaint handling
- community engagement
- information provision.

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

#### ANO contact

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

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

Phone: 1800 266 040

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

## APPENDIX C: AIRCRAFT NOISE OMBUDSMAN ANNUAL REPORT 2019-20

### 1 From the Ombudsman

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This has been a year of substantial change for the Aircraft Noise Ombudsman (ANO).

Ms Narelle Bell completed her term on 8 February 2020, and I began my term the next day. It is clear from Ms Bell's work, as well as that of the previous ANO, Mr Ron Brent, that Airservices has faced substantial challenges in delivering effective community engagement when implementing new flight paths. The ANO report this year on Airservices' community engagement regarding new flight paths at the Sunshine Coast Airport demonstrates that these challenges persist.

Significant recommendations made by Ms Bell in her report on flight path changes at Hobart were aimed at improving Airservices capabilities, policies and practices in community engagement. The Board of Airservices accepted these recommendations, and the remaining recommendations were implemented during the year.

This is a good start – Airservices has appointed a senior experienced officer with responsibility for the area and has begun a substantial revision of its community engagement procedures and how they fit into the rest of the organisation. This is a major undertaking, and it will take time to become effective.

It will be a priority for the ANO over the next few years to engage constructively with Airservices as it develops its capacity to respond to and consult more effectively with the community. This will include the ANO providing feedback to Airservices on issues concerning affected communities, contributing to the development of relevant policies, and actively monitoring and advising on specific community engagement processes. Ideally, more effective community engagement will lead to fewer complaints.

Similarly, the ANO's work with Defence has focused on the need for a high level of community engagement and improved administrative practices including in the provision of noise-related information. The ANO carried out extensive work to complete the second audit of Defence's compliance with the conditions relating to the Super Hornets, and throughout this process, Defence demonstrated it was committed to responsibly managing aircraft noise impacts. However, improved administrative rigour is required to ensure Defence can clearly substantiate this.

Complaints, however, will remain a core function of the ANO. This year the ANO:

- handled 455 complaints, including 350 reviewed in detail, of which 310 led to a change adopted by the agency
- finalised two major reports – a multiple complaints investigation into Airservices' community engagement and provision of information in connection with proposed flight path changes at Sunshine Coast Airport, and a systemic review of Airservices' community engagement
- finalised the second compliance audit against Defence's conditions of approval for the Super Hornets at Amberley
- finalised Defence's final recommendation from our *Review of Defence's Aircraft Noise Complaints Management System (November 2016)*, which is aimed at improving the aircraft noise information available through its website.

## APPENDIX C: AIRCRAFT NOISE OMBUDSMAN ANNUAL REPORT 2019-20

In March, the ANO office adapted well to new working arrangements for all staff due to the COVID-19 pandemic. The ANO staff continue to work remotely in line with Government guidance, and the office has successfully managed to continue all of its operations with limited disruption.

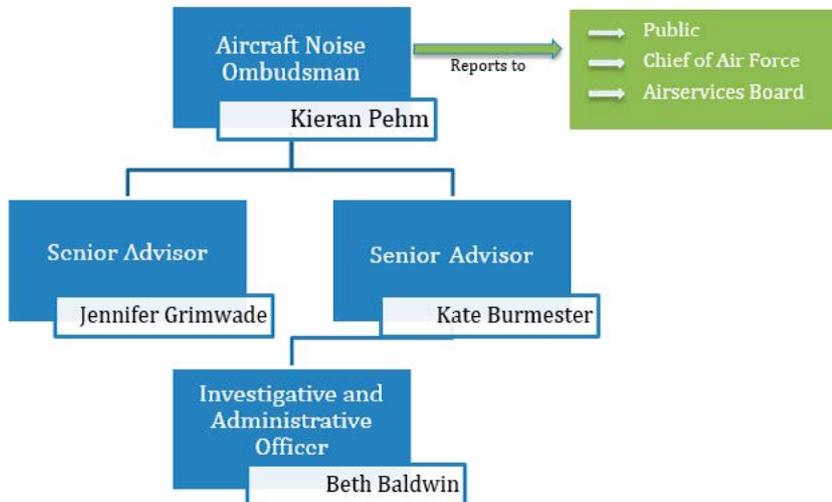
In June, the ANO office farewelled long-term Senior Advisor, Kate Burmester, who was a founding staff member of the office and who made a significant contribution to the development and growth of the office over the last 10 years.

The ANO is well placed to deliver on the responsibilities set out in its Charter. I would like to thank the previous ANOs for their hard work in increasing the capacity of the office and look forward to building on their work.



Kieran Pehm  
Aircraft Noise Ombudsman  
28 August 2020

### **ANO Structure 2019-20**

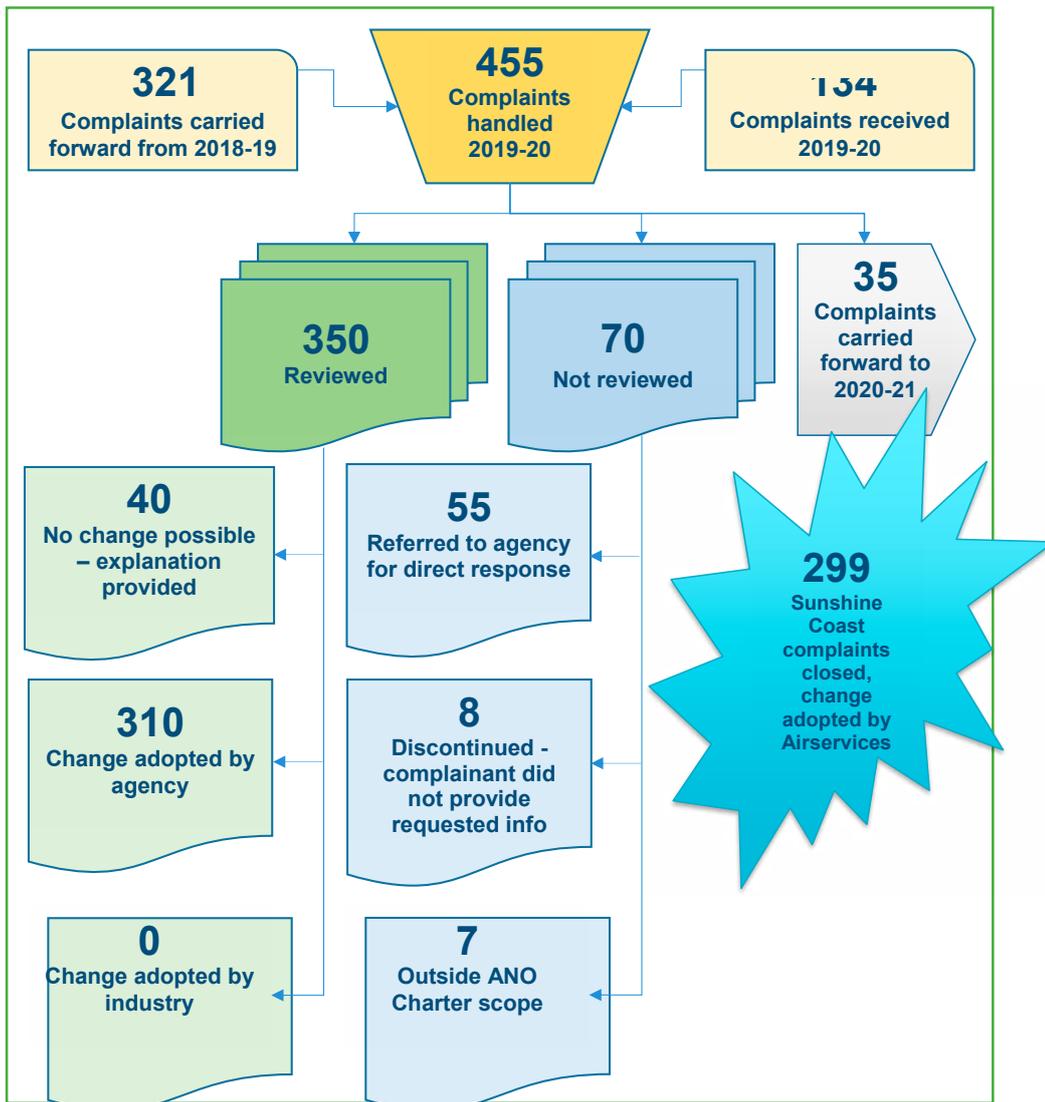


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### 2 Complaints

#### Complaint statistics

2.1 The ANO received 134 complaints in 2019-20, which remains slightly high but represents a return to more normal levels of complaints. The following image shows how the complaints were handled.



2.2 The ANO started the financial year with 321 open complaints and received a further 134 complaints during the period. Of the total 455 complaints handled in 2019-20, 420 were closed. Of these, 350 complaints were reviewed in detail, 55 were referred back to either Airservices or Defence to respond to directly,

## APPENDIX C: AIRCRAFT NOISE OMBUDSMAN ANNUAL REPORT 2019-20

eight were closed without review due to a lack of information from the complainant and seven were closed as outside the scope of the ANO Charter. This left 35 open complaints carried forward into the 2020-21 financial year.

- 2.3 **Attachment 1** provides a more detailed summary of ANO complaint statistics for 2019-20.
- 2.4 **Table 1** below shows the number of complaints reviewed compared with the total number of complaints handled over the last five years. This shows an increase in the percentage of complaints that are handled by the ANO are being reviewed.

**Table 1: Complaints reviewed versus total complaints handled over time**

	Complaints handled*	Complaints closed	Complaints reviewed**	Complaints reviewed %
2015-16	271	254	120	47%
2016-17	131	119	70	59%
2017-18	115	104	65	63%
2018-19	413	92	39	42%
2019-20	455	420	350	77%

\*Complaints handled – includes all complaints received.

\*\*Complaints reviewed – includes only those complaints investigated (others are not reviewed due to being out of scope or need to be referred to the agency in the first instance).

- 2.5 **Table 2** below shows the changes in the annual and per month average for ANO complaints received over time.

**Table 2: Complaints received by financial year, with % change from previous year**

	Total fin. year	Ave per month	% Change
2015-16	254	21.2	↑ 6.3%
2016-17	114	9.5	↓ 55.1%
2017-18	103	8.6	↓ 9.6%
2018-19	402	33.5	↑ 290.2%
2019-20	134	11.2	↓ 66.7%

- 2.6 The decrease in complaints received in 2019-20 compared to the previous financial year is due to the large number of complaints received in 2018-19 relating to the proposed flight path changes at Sunshine Coast Airport.
- 2.7 The table and graphs over the page demonstrate the return of the ANO to more regular numbers of complaints about Airservices following the significant increase during the 2018-2019 year from Sunshine Coast. However, complaints about Defence are higher than they have been since 2016-2017.

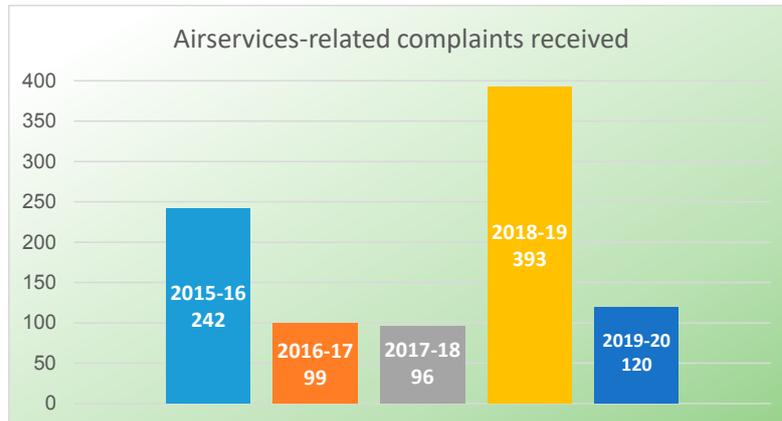
## APPENDIX C: AIRCRAFT NOISE OMBUDSMAN ANNUAL REPORT 2019-20

**Table 3: Complaints received by agency in 2016-17 to 2019-20**

	Total Airservices	% Change	Total Defence	% Change
2015-16	242		12	
2016-17	99	↓ 59.1%	15	↓ 25%
2017-18	96	↓ 3.0%	7	↓ 53.3%
2018-19	393	↑ 309.4%	9	↑ 28.6%
2019-20	120	↓69.5%	13	↑ 44.4%

Note – The above table does not include the one unidentified 2019-20 case where neither Defence nor Airservices was identified as the relevant agency.

**Graph 1a: Complaints received about Airservices, 2015-16 to 2019-20**



**Graph 1b: Complaints received about Defence, 2015-16 to 2019-20**



## APPENDIX C: AIRCRAFT NOISE OMBUDSMAN ANNUAL REPORT 2019-20

- 2.8 **Table 4** below shows that of the 350 complaints reviewed in 2019-2020, 310 (88.57%) led to change. The remaining 40 cases (11.43%) did not result in a change, however, the ANO, having investigated the issues, provided a detailed explanation to the complainant about why there was no practical change identified for the short to medium term.
- 2.9 The 306 cases closed with a change adopted by Airservices is unusually high as it reflects the finalisation of the Sunshine Coast multiple complaints review on 30 June 2020, and the subsequent closure of 299 complaints about the Sunshine Coast flight paths.
- 2.10 Four complaints led to change by Defence. These changes included improving the complaint handling process at a Defence base, providing better information to a complainant, the development of infrastructure and operating procedures to support changes with the aim of further reducing the amount of traffic in the vicinity of a complainant's property, and improving responsiveness of the Defence to complainants.

**Table 4: Outcome of complaints reviewed by the ANO in 2019-20**

<b>Complaints reviewed and closed:</b>		<b>%</b>
No change possible - explanation provided	40	11.43%
Change adopted by Airservices/Defence	310	88.57%
Change adopted by airport operator	0	0
Change adopted by operator	0	0

### 3 Noise improvement opportunities

- 3.1 One noise improvement opportunity was identified in the 2019-20 financial year, and a further one opportunity was carried forward that had been identified but not finalised from the previous year. Both were finalised in 2019-20.
- 3.2 **Attachment 2** summarises the noise improvement opportunities considered in 2019-20.

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### 4 Community engagement and information provision

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- 4.1 In 2019-20, ANO staff continued to attend a variety of community and aviation industry meetings; however, since March 2020, the advent of the COVID-19 pandemic limited any travel for the Ombudsman and staff. Many meetings were able to be held via teleconference or on an online meeting platform, which enabled continued engagement and interaction.
- 4.2 ANO staff attended 12 meetings or events involving industry and community stakeholders over the year. The ANO attended an international meeting with the United Kingdom's Independent Commission on Civil Aviation Noise (ICCAN), an organisation established by the UK Government as an 'independent non-statutory advisory arms-length body asked to act as the credible and impartial voice on all matters relating to civil aviation noise'. This provided the ANO with a valuable opportunity to discuss international trends and practices in the management of aircraft noise.
- 4.3 ANO staff attended six airport Community Aviation Consultation Group (CACG) (or equivalent) meetings. Attending these meetings as observers provide the ANO staff with direct knowledge of emerging aircraft noise management issues as well as assisting in fostering a broader understanding and awareness of the ANO's role and aircraft noise management issues.
- 4.4 Additionally, ANO staff take the opportunity at these meetings to monitor the effectiveness of community engagement undertaken by Airservices and Defence, including their presentation and distribution of aircraft noise-related information.

#### Airservices' Community Engagement

- 4.5 Pursuant to clause 61 of the ANO Charter, the ANO is building a constructive relationship with Airservices in discharging its responsibility to monitor Airservices' community engagement processes, presentation and distribution of aircraft noise-related information.
- 4.6 The ANO and Airservices are developing a protocol for more active engagement by the ANO in the evolution of Airservices' community engagement, including advising on policies and procedures as they are developed and liaising with Airservices staff on particular engagement projects as they are delivered.

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### 5 ANO reviews

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

#### Airservices

##### Hobart

- 5.2 The ANO published its *Investigation into complaints about the introduction of new flight paths in Hobart*, in April 2018. The report made thirteen recommendations, and the Board of Airservices accepted all recommendations.
- 5.3 As at 1 July 2019, the ANO was continuing to monitor seven outstanding recommendations from its *Hobart* review. Airservices presented information to demonstrate its actions to address the outstanding recommendations – the ANO considered this information and was satisfied all seven recommendations could be closed.
- 5.4 The ANO is still considering a number of outstanding complaints about the Hobart Airspace Design Review process, which led to the subsequent redesign of the airspace and flight paths introduced in November 2019. We have also received complaints from individuals in areas newly affected by aircraft noise since these changed arrangements took effect.

##### Sunshine Coast

- 5.5 From 22 April to 31 July 2019, the ANO received 299 complaints regarding the proposed flight paths to support a new runway at Sunshine Coast Airport.
- 5.6 On 30 April 2020, the ANO completed its multiple complaints investigation into the new flight paths at Sunshine Coast airport and submitted its *Investigation into complaints about the introduction of new flight paths in Sunshine Coast* report to the Airservices Board.
- 5.7 The ANO’s report found that while Airservices has a responsibility to engage with the community on the environmental impact of aircraft operations, it relied on consultation, in which it took no part, which was carried out by the airport development project subsequent to an environmental impact statement from 2014/15. Airservices’ later consultation led to public confusion about the relative responsibilities of Airservices and the Sunshine Coast Council, and this persisted throughout the consultation period and after.
- 5.8 The ANO’s report made two recommendations for improving Airservices’ community engagement framework and practices: that Airservices develop a robust and dependable framework for third party proposed changes, and that Airservices use its post-implementation review process to re-engage with communities and consider community-suggested alternatives to the implemented flight paths.

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- 5.9 The Airservices Board accepted the ANO's recommendations and both the report and the Board's response were published on the ANO website on 30 June 2020.

### Systemic Review of Community Engagement

- 5.10 In 2018, the Airservices Board requested the ANO conduct a systemic review of the effectiveness of the community engagement systems of Airservices as a result of significant concerns highlighted in the ANO's review of Airservices' introduction of new flight paths in Hobart. The systemic review examined Airservices' readiness to engage effectively with communities about aircraft noise issues:
- arising through its change initiatives
  - resulting from its business as usual activities
  - specifically, in the context of major airport infrastructure projects scheduled over the next decade.
- 5.11 On 30 April 2020, the ANO completed its systemic review of Airservices' community engagement and submitted its *Review of Airservices Australia's systems for community engagement - Final Report* to the Airservices Board.
- 5.12 The ANO reviewed Airservices' policies, procedures, processes and systems relating to community engagement, reviewed previous community engagement activities and observed current community engagement events and processes. The ANO also considered feedback from industry and community stakeholders and considered contemporary standards and best practice principles of community engagement within Australia and internationally.
- 5.13 The ANO's report acknowledged Airservices' approach to community engagement has been undergoing significant change over the last 18 months, including a program of continuous improvement and introduction of new, contemporary engagement practices and frameworks. Airservices has improved its community engagement capacity and acquired relevant expertise through new appointments.
- 5.14 However, Airservices is facing serious challenges posed by the major airport infrastructure developments planned for the next decade. Airservices will need to ensure its evolving approach to community engagement allows flight paths and other airspace changes to be designed with a more internally integrated approach that involves community engagement from the beginning, and a more collaborative approach with the community in line with best or common practice.
- 5.15 Further, the ANO highlighted that one of the biggest challenges for Airservices would be the complex relationships with other entities that arise from third-party initiated flight path changes which will require Airservices to fully develop and document principles for governance and risk minimisation of partnerships with third party change proponents.
- 5.16 The ANO made six recommendations arising out of these findings, which were accepted by the Airservices Board, and both the report and the Board's response were published on the ANO website on 30 June 2020.

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### Defence

#### Review of Defence's Aircraft Noise Complaints Management System

- 5.17 In November 2019, the ANO closed the final recommendation from its *Review of Defence's Aircraft Noise Complaints Management System (November 2016)*.
- 5.18 That review, delivered in November 2016, assessed the effectiveness of Defence's handling of complaints about aircraft noise against the requirements for 'Operation of the Complaint Management System' set out in Chapter 8 of the Australian/New Zealand Standard 10002:2014 'Guidelines for complaint management in organisations'.
- 5.19 The final recommendation was for 'Defence to review and improve web-based information on aircraft noise'. The ANO closed this recommendation after Defence provided evidence it is taking action to address the issues with the website and advised that it will conduct a full review of its web-based information in future.

#### Compliance Audit of Defence's Super Hornet Operations at Amberley

- 5.20 In October 2019, the ANO completed a comprehensive audit of Defence's compliance with the Conditions of Approval for its Australian Super Hornet Flying Operations at RAAF Base Amberley and submitted a report to the Chief of Air Force.
- 5.21 The ANO assessed Defence's level of compliance against each Condition of Approval, and each requirement identified from the three associated, approved plans. A finding on the level of compliance was made in line with the Compliance Finding categories defined in the *Independent Audit and Audit Report Guidelines<sup>1</sup> (2015 Guidelines)* that were in force at the time the audit criteria and methodology were approved.
- 5.22 The ANO found that Defence was compliant with four of the eight Conditions of Approval, non-compliant with three and one Condition was not applicable. The ANO made nine recommendations aimed at improving Defence's compliance with the Conditions of Approval and the requirements of the plans and strategies required by these Conditions. Further, two suggested improvements were identified to enhance Defence's public reporting on its aircraft noise management more broadly.
- 5.23 In summary, the ANO considered that Defence had complied with the intent of the Conditions of Approval in relation to managing the effects of aircraft noise on the community and the environment. However, it had some work to do to establish effective systems to facilitate the necessary administrative, records management and reporting frameworks required to substantiate its performance against these Conditions.

<sup>1</sup> Commonwealth of Australia, *Independent Audit and Audit Report Guidelines for controlled actions which have been approved under Chapter 4 of the Environment Protection and Biodiversity Conservation Act 1999*, 2015, p. 11-12

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- 5.24 In May 2020, the Department of Agriculture, Water and the Environment ('the Department') advised the ANO that the *2015 Guidelines* had been updated in July 2019 and amended to remove the Compliance Finding category 'undetermined'. The Department asked the ANO to clarify any findings in its Audit report that reference a compliance rating as 'undetermined' to align with the updated *2019 Guidelines'* Compliance Finding categories.
- 5.25 The ANO prepared an Addendum to the October 2019 report, which determined that, in each case where an 'undetermined' finding had been made, the appropriate Compliance Finding in line with the updated *2019 Guidelines* was 'non-compliant'.
- 5.26 The ANO noted that clarification of the Compliance Findings did not result in any amendment, addition or removal of the recommendations made in the original Audit report of October 2019. The ANO's overall conclusion was unchanged from the original Audit report of October 2019 – that is, the ANO considers that Defence had complied with the intent of the Conditions of Approval in relation to managing the effects of aircraft noise on the community and the environment but there was work required to improve some aspects of its performance.

### 6 ANO publications

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- 6.1 In addition to its quarterly reports and last year's annual report, the ANO published the following on its website during 2019-2020:
- *Review of Airservices Australia's systems for community engagement - Final Report (April 2020)*
  - *Airservices Board response to ANO Review of Airservices Australia's systems for community engagement (June 2020)*
  - *Investigation into complaints about the introduction of new flight paths in Sunshine Coast (April 2020)*
  - *Airservices Board response to ANO Investigation into complaints about the introduction of new flight paths in Sunshine Coast (June 2020)*
  - *Addendum to Compliance Audit of Australian Super Hornet Flying Operations at RAAF Base Amberley - October 2019 (issued May 2020)*
  - *Compliance Audit of Australian Super Hornet Flying Operations at RAAF Base Amberley - October 2019.*

## APPENDIX C: AIRCRAFT NOISE OMBUDSMAN ANNUAL REPORT 2019-20

### 7 Financial results

- 7.1 The ANO operates autonomously in managing its financial accountabilities. In line with the ANO Charter, the ANO independently determines how funds and resources are allocated within the budget provided by Airservices and Defence.
- 7.2 In February 2019, the ANO received approval for a three-year budget allocation covering the period 2018-19 to 2020-21. This means the ANO no longer needs to seek funding annually, allows for flexibility in managing expenditure peaks and troughs across financial years and further strengthens the office's independence.
- 7.3 During 2019-2020, the ANO effectively managed its budget, with actual expenditure 6 per cent below the budget allocation. The total operating expenditure of the office was \$684,236 against a total budget of \$727,709. The small under-spend compared to budget reflects reduced expenditure on travel costs in the last quarter of the financial year due to the restrictions imposed by COVID-19. It is expected COVID-19 will continue to have an impact on travel for the Ombudsman and ANO staff into the next financial year with limited attendance in person at any events or meetings for the foreseeable future. Given the uncertainty of the aviation sector, the ANO is also mindful of the need to be prudent with any expenditure into the 2020-21 financial year.
- 7.4 **Graph 2** below shows the ANO budget and actual expenditure over the last five years.

**Graph 2: ANO budget and actual expenditure 2015-16 to 2019-20**



## APPENDIX C: AIRCRAFT NOISE OMBUDSMAN ANNUAL REPORT 2019-20

### Attachment 1 ANO Complaint Statistics

The following summarises the ANO complaint statistics for 2019-20.

	Total	Airservices	Defence	Unidentified
Complaints carried forward from 2018-19	<b>321</b>	<b>316</b>	<b>5</b>	<b>0</b>
Complaints received	134	120	13	1
<b>Total complaints handled in 2019-20</b>	<b>455</b>	<b>436</b>	<b>18</b>	<b>1</b>
<b><u>Closed complaints – reviewed</u></b>				
No change possible - explanation provided	40	34	6	0
Change adopted by Airservices or Defence	310	306	4	0
Change adopted by airport operator	0	0	0	0
Change adopted by operator	0	0	0	0
<b>Total complaints reviewed and closed</b>	<b>350</b>	<b>340</b>	<b>10</b>	<b>0</b>
<b><u>Closed complaints – not reviewed</u></b>				
Referred to agency to respond to directly	55	50	5	0
Complainant did not provide further information	8	8	0	0
Outside Charter scope	7	5	1	1
<b>Total complaints not reviewed and closed</b>	<b>70</b>	<b>63</b>	<b>6</b>	<b>1</b>
<b>Complaints closed during 2019-20</b>	<b>420</b>	<b>403</b>	<b>16</b>	<b>1</b>
<b>Complaints carried forward to 2020-21</b>	<b>35</b>	<b>33</b>	<b>2</b>	<b>0</b>

## APPENDIX C: AIRCRAFT NOISE OMBUDSMAN ANNUAL REPORT 2019-20

### Attachment 2 Noise improvement opportunities

A focus of ANO investigations into complaints is to evaluate if the handling agency thoroughly explored the potential to improve noise outcomes and provided sound reasons for its determinations. The following table summarises potential noise improvement opportunities arising from complaints reviewed by the ANO or through ANO monitoring during the 2019-20 financial year.

**Noise improvement opportunities considered during 2019-20**

Complaint received by ANO	Description of initiative	Current status
Jun 2017	Perth: changes to northern smart tracking approach path to reduce noise impacts for residents	<p>This suggestion was first raised by residents during the consultation exercise prior to the new path being introduced in Sept 2015. At that time, Airservices elected to implement the path as designed and undertook to look at the opportunity to reduce noise impacts as part of an upcoming post-implementation review. In the PIR, Airservices again deferred consideration of the change pending other change initiatives and referral to the Airport's technical noise working group.</p> <p>The ANO continued to seek updates from Airservices. In early 2018, Airservices advised that its noise modelling and a targeted environmental assessment indicated its proposed modification to the smart tracking approach would provide the best overall aircraft noise outcome. However, it elected to not pursue the change immediately, pending Perth Airport's finalisation of its Master Development Plan for the new parallel runway. Airservices advised that this was "to enable a proper assessment of the impact of the MDP, and its associated new runway flight paths, on the proposed Smart Tracking approach modification." This approach, Airservices advised, "ensures the proposed modification is not completed in isolation from the proposed flight paths for the new runway in Perth, potentially resulting in a requirement to further modify the Smart Tracking approach and unnecessarily burdening the community". At the time, the anticipated timeframe for Perth's MDP approval was the first quarter of 2019.</p> <p>The ANO was advised by Airservices in late 2019 that "Based on Ministerial approval of the new parallel runway MDP by the end of 2019, and subject to any caveats placed by the Minister on the associated airspace management plan for the new runway, Airservices aims to implement the smart tracking change in the second half of 2020. The change is currently active in the Airservices flight path change pipeline, with relevant pipeline activities underway towards achieving an implementation timeline of the second half of 2020."</p> <p>In April 2020, Airservices advised the ANO that it had conducted an investigation into the proposed change to determine if it would deliver a net overall noise improvement for the communities in the area, including conducting a social impact analysis of the current and proposed change. The analysis of social and environmental impacts determined that the proposed flight path change:</p> <ul style="list-style-type: none"> <li>• does not provide an overall noise improvement for residents in the area, as measured by count of dwelling and population overflight</li> <li>• would have a negative impact by increasing operations over sensitive sites, including schools and educational facilities, childcare centres, religious facilities, hospitals and aged care centres</li> <li>• had potential to increase the aviation noise exposure of future housing developments in the vicinity.</li> </ul> <p>Based on these findings, Airservices advised it would not be proceeding with the proposed change.</p>
July 2019	Lismore: changes to holding pattern	<p>During the course of investigating a complaint about the noise from the existing holding pattern of small planes approaching Runway 15 at Lismore Airport, Airservices agreed that further consideration could be given to whether the opportunities exist to move the holding pattern away from the more populated areas.</p> <p>This proposed change has now been placed onto Airservices' ATS change program for consideration when workloads allow. Airservices advised the ANO that it will correspond directly with the complainant with updates as the change consideration process progresses. The ANO will not be monitoring further.</p>

## APPENDIX C: AIRCRAFT NOISE OMBUDSMAN ANNUAL REPORT 2019-20

### Attachment 3 ANO assessment of action on recommendations

During the 2019-20 financial year, the ANO continued to monitor one recommendation Defence had outstanding from the ANO's 2016 review and seven recommendations Airservices had outstanding from the ANO's 2018 Hobart review. All of these recommendations were closed during 2019-2020.

Further, in this financial year, the ANO began monitoring 17 new recommendations arising out of three new reports.

The following tables set out the status of all outstanding recommendations and the ANO's assessment of action against each. Recommendations that were previously reported as closed have been removed.

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

Ongoing recommendations	ANO assessment of agency response
<p><b>Recommendation 3</b> – Defence should review the Defence Aircraft Noise web information and, taking account of comments in this report, make improvements to information provision, presentation and functionality.</p>	<p><u>Closed</u> – Defence has advised that it is maintaining the Defence Aircraft Noise Website as a business as usual practice. It has launched its online complaint form, has reviewed and updated its web information and fixed any links to address the issues identified in the review.</p> <p>Defence's new practice is to check a random page once a week and fix links and make updates as required. Defence bases are also regularly updating the information on their individual pages.</p> <p>Defence advised that a full review of its website will be conducted in due course.</p>

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

Ongoing recommendations	ANO assessment of agency response
<p><b>Recommendation 2:</b> Airservices should review its environmental assessment criteria to ensure they are appropriate as a quantitative measure for analysis against the EPBC Act requirements and for assessment of social impact.</p>	<p><u>Closed</u> – Airservices has reviewed its criteria and had them approved by Department of Environment and has identified the matters to be considered in Social Impact Assessments.</p> <p>ANO considers that Airservices has addressed this recommendation.</p>
<p><b>Recommendation 3:</b> Airservices should ensure that its additional analysis of social impact to form part of the Environmental Assessment:</p> <p>(a) includes a clearly defined purpose.</p> <p>(b) includes explicit commentary on social impact taking into account particular community history, context and sensitivities.</p> <p>(c) incorporates a critically analytical assessment of the potential impact on the community of proposed change referring to both qualitative and quantitative values.</p>	<p><u>Closed</u> – Airservices has provided sufficient evidence of actions taken including:</p> <ul style="list-style-type: none"> <li>• updating its National Operating Standard (V15, Jun 2019) to address these requirements</li> <li>• demonstrating this procedure in use through providing a recent example of a completed Environmental Assessment and Social Impact Analysis.</li> </ul> <p>The ANO considers that Airservices has addressed this recommendation.</p>
<p><b>Recommendation 4:</b> In undertaking its Environmental Assessments and preparing reports on those assessments, Airservices should:</p> <p>(a) ensure that all assessment criteria, for both EPBC Act purposes and for assessment of social impact, are clearly explained in its documentation in a way that makes clear their purpose, whether they are primary or secondary, the assessment methodology, and the consequences that follow if a threshold is exceeded</p> <p>(b) explicitly document any assumptions made and explain the basis for each assumption</p> <p>(c) explicitly document its consideration of change proposals against its stated criteria</p> <p>(d) undertake a more nuanced assessment of whether a change is 'significant' in social impact or under the EPBC Act requirements, taking into account both quantitative and qualitative values so that a non-binary and more informative approach is taken to assessment against criteria</p> <p>(e) refer to or document all relevant information that forms the basis of its environmental assessment and conclusions in a single explanatory Environmental Assessment report</p>	<p><u>Closed</u> – Airservices has provided sufficient evidence of actions taken including:</p> <ul style="list-style-type: none"> <li>• updating its National Operating Standard (V15, Jun 2019) to address these requirements</li> <li>• demonstrating this procedure in use through providing a recent example of a completed Environmental Assessment and Social Impact Analysis.</li> </ul> <p>The ANO considers that Airservices has addressed this recommendation.</p>

## APPENDIX C: AIRCRAFT NOISE OMBUDSMAN ANNUAL REPORT 2019-20

Ongoing recommendations	ANO assessment of agency response
<p><b>Recommendation 5:</b> Airservices should access, through recruitment or otherwise, skilled and experienced subject matter expertise in the practice of community consultation. Leadership should give prominent support to this expertise so as to promote its influence and effect on Airservices' better performance in community consultation.</p>	<p><u>Closed</u> – Airservices has embedded the relevant skilled and experienced subject matter expertise through:</p> <ul style="list-style-type: none"> <li>- completing an internal restructure with the Airports and Environment team, Community Engagement team and Flight Path Design team all reporting to the same Environment &amp; Community Manager</li> <li>- recruiting a new Environment and Community Manager (at a senior management level) with extensive community engagement experience and skills. The new Manager commenced in this role on 30 March 2020 and will report directly to a member of the Executive</li> <li>- recruiting and appointing other community engagement staff with strong backgrounds in modern community engagement principles</li> <li>- increasing the capability of the Community Engagement Team through training and access to community engagement specialists, expertise, tools and technology.</li> </ul> <p>The ANO considers that Airservices has addressed this recommendation.</p>
<p><b>Recommendation 8:</b> Airservices should ensure that, before deciding to propose a change and to commence to engage with a community about that change, it has acquainted itself with the context and recent history of that community and takes those matters into account, as far as practicable, in its decision making and in its engagement design.</p>	<p><u>Closed</u> – Airservices' flight path change cross-functional flowchart describes a process that incorporates social impact analysis immediately after a high-level preliminary concept design is produced and anticipates review and amendment, if necessary, of the design in the context of the social impact analysis.</p> <p>The ANO considers that Airservices has addressed this recommendation.</p>
<p><b>Recommendation 9:</b> Airservices should, as part of its community consultation activity, approach the assessments and other material on which it bases its consultations from a critically analytical perspective so as to ensure that all relevant matters have been considered and the information provided to the community is timely, correct, relevant, transparent, comprehensive, consistent and logically sound.</p>	<p><u>Closed</u> – Airservices has pointed to the material produced for the community consultation on the Melbourne flight path changes. This material demonstrates satisfaction of the recommendation.</p>
<p><b>Recommendation 12:</b> Where Airservices identifies through complaints inconsistencies in information provided to residents and other stakeholders, Airservices should take early action to correct information given.</p>	<p><u>Closed</u> – Airservices has pointed to a number of instances in which it has identified inconsistencies in information provided and taken effective action to correct the information. This material demonstrates satisfaction of the recommendation.</p>

## APPENDIX C: AIRCRAFT NOISE OMBUDSMAN ANNUAL REPORT 2019-20

### Defence - Compliance Audit of Australian Super Hornet Flying Operations at RAAF Base Amberley (October 2019)

Ongoing recommendations	ANO assessment of agency response
<p><b>Recommendation 1</b> – Defence should establish robust administrative systems that ensure it obtains the required approvals for changes to its activities prior to implementing those changes. These systems should ensure annual reviews are conducted that would enable the identification and early rectification of any non-compliances.</p>	<p><u>Ongoing</u> - Defence has prepared a remediation action plan and has commenced actions to address this recommendation.</p>
<p><b>Recommendation 2</b> – Defence should re-instate or adopt new or additional record management practices to ensure it can demonstrate its compliance with the Conditions of Approval and the requirements of the plans and strategies required by these Conditions</p>	<p><u>Closed</u> - Defence has demonstrated it has put in place an internal audit process of its Aircraft Noise Management including reviewing the Australian Super Hornet Noise Management Plan and sub-plans and advised that record management associated with the ASH Plans and Sub plans will be audited to ensure compliance with the Conditions of Approval.</p>
<p><b>Recommendation 3</b> – Defence should:</p> <ol style="list-style-type: none"> <li>review its draft version 4.0 Noise Management Plan in light of the findings of this audit report, the questions and comments made to date by the Department of the Environment and Energy, and in consideration of any other changes or assumptions that maybe now relevant</li> <li>ensure the revised Noise Management Plan retains a level of detail that is appropriate to its purpose as a public account of Defence's planned noise management activities and includes an appropriate requirement to regularly review the plan in light of any outcomes of its Noise Monitoring Program</li> <li>set out clearly the changes compared to the version 3.0 Noise Management Plan and outline the reasons for these</li> <li>re-submit the revised version 4.0 Noise Management Plan for approval in line with Condition 8 of its approval</li> </ol>	<p><u>Ongoing</u> - Defence has prepared a remediation action plan and has commenced actions to address this recommendation.</p>

## APPENDIX C: AIRCRAFT NOISE OMBUDSMAN ANNUAL REPORT 2019-20

Ongoing recommendations	ANO assessment of agency response
<p><b>Recommendation 4</b> – Defence should regularly review its Noise Management Plan, with consideration to be given to relevant matters, including but not limited to:</p> <ul style="list-style-type: none"> <li>a. any foreseeable variations approved by the SADFO-Amberley</li> <li>b. any changes to Super Hornet flying operations limitations or planning assumptions, which occur as a result of evaluation of the noise monitoring outcomes and the complaints process detailed in the Noise Monitoring and Complaints Handling Strategy</li> <li>c. the results of audits of compliance with its Conditions of Approval for Australian Super Hornet Flying Operations</li> </ul>	<p><u>Ongoing</u> - Defence has prepared a remediation action plan and has commenced actions to address this recommendation.</p>
<p><b>Recommendation 5</b> – Defence should use its Annual Super Hornet Noise Reports to explicitly evaluate noise outcomes against the noise modelling undertaken for the Public Environment Report 2009, and also for any subsequently approved noise modelling undertaken</p>	<p><u>Ongoing</u> - Defence has prepared a remediation action plan and has commenced actions to address this recommendation.</p>
<p><b>Recommendation 6</b> – Defence should table its Annual Super Hornet Noise Reports at the Amberley Consultative Working Group (ACWG) meetings and ensure this is minuted</p>	<p><u>Ongoing</u> - Defence has prepared a remediation action plan and has commenced actions to address this recommendation.</p>
<p><b>Recommendation 7</b> – Defence should regularly review its Noise Monitoring and Complaints Handling Strategy, with consideration to be given to relevant matters, including but not limited to:</p> <ul style="list-style-type: none"> <li>a. any changes to the Noise Management Plan and Noise Mitigation and Complaints Resolution Strategy</li> <li>b. those arising through the complaints process detailed in the Noise Monitoring and Complaints Handling Strategy</li> <li>c. the results of audits of compliance with its Conditions of Approval for Australian Super Hornet Flying Operations.</li> </ul>	<p><u>Closed</u> - Defence has conducted its annual review of its Noise Monitoring and Complaints Handling Strategy and has published it on its website.</p>
<p><b>Recommendation 8</b> – Defence should identify and implement an effective method for publicly reporting on its actions in response to recommendations made in relation to its Conditions of Approval for Australian Super Hornet Flying Operations.</p>	<p><u>Ongoing</u> - Defence has prepared a remediation action plan and has commenced actions to address this recommendation.</p>

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Ongoing recommendations	ANO assessment of agency response
<p><b>Recommendation 9</b> – Defence should regularly review its Noise Monitoring and Complaints Handling Strategy, with consideration to be given to relevant matters, including but not limited to:</p> <ol style="list-style-type: none"> <li>any changes to the Noise Management Plan and Noise Monitoring and Complaints Handling Strategy</li> <li>those arising through the complaints process detailed in the Noise Monitoring and Complaints Handling Strategy</li> <li>the results of audits of compliance with its Conditions of Approval for Australian Super Hornet Flying Operations</li> </ol>	<p><u>Closed</u> - Defence has conducted its annual review of its Noise Monitoring and Complaints Handling Strategy and has published it on its website.</p>

### Airservices – Investigation into complaints about the introduction of new flight paths in Sunshine Coast (April 2020)

Ongoing recommendations	ANO assessment of agency response
<p><b>Recommendation 1</b> – Airservices should develop a framework for third party proposed changes that:</p> <ol style="list-style-type: none"> <li>provides robust and dependable governance arrangements to manage its early and ongoing engagement with third parties</li> <li>establishes clear lines of accountability and documents these arrangements as they evolve</li> <li>ensures an effective consultative process, which includes monitoring the adequacy of any third party consultations being relied on.</li> </ol>	<p><u>Ongoing</u> – The Airservices Board accepted this recommendation and advised it is agreed as necessary. A Third Party Proposed Changes Framework is planned for implementation by 30 September 2020.</p>
<p><b>Recommendation 2</b> – Airservices should, as soon as practicable, design an effective post-implementation review (PIR) process for the Sunshine Coast flight path designs, that does not perpetuate design constraints requiring alignment with EIS concepts, and which encompasses:</p> <ol style="list-style-type: none"> <li>consideration of identified community-suggested alternatives</li> <li>a community engagement process that provides for genuine opportunities for community contributions to influence decisions</li> <li>application of the latest version of Airservices’ National Operating Standard (NOS) Environmental Management of Changes to Aircraft Operations (AA-NOS-ENV-2.100).</li> </ol>	<p><u>Ongoing</u> – The Airservices Board accepted this recommendation and advised:</p> <ul style="list-style-type: none"> <li>a PIR Terms of Reference (TOR) will be developed for discussion and agreement with the ANO by September 2020</li> <li>to complete the PIR, it is necessary to gather 12 months of post-implementation operational data to enable assessment of actual operation against the assessed impact. It is therefore anticipated this PIR will be completed not later than 18 months after runway opening.</li> </ul>

## APPENDIX C: AIRCRAFT NOISE OMBUDSMAN ANNUAL REPORT 2019-20

### Airservices – Review of Airservices Australia’s systems for community engagement – Final Report (April 2020)

Ongoing recommendations	ANO assessment of agency response
<p><b>Recommendation 1</b> – Airservices should finalise its internal review and restructure of its Environment and Community Group including establishing a fully developed and settled suite of procedures and policies for community engagement, with a scheduled review and evaluation mechanism.</p>	<p><u>Ongoing</u> – the Airservices Board accepted this recommendation and advised the restructure has been completed and Airservices’ development of policies and procedures is well progressed with completion planned for 30 September 2020.</p>
<p><b>Recommendation 2</b> – Airservices should continue to strive to ensure its community engagement practice is in line with modern standards and methods of community engagement and draws on experience in other industries and countries. In particular, Airservices should consider emerging methods of community engagement such as ‘deliberative engagement’ as an effective tool on the broader spectrum of community engagement.</p>	<p><u>Ongoing</u> – The Airservices Board accepted this recommendation and advised this recommendation is being addressed through Airservices’ new Community Engagement Framework due for completion 30 June 2020. In addition, the Airservices’ community engagement team has recently completed certificate training through the International Association for Public Participation (IAP2).</p>
<p><b>Recommendation 3</b> – Airservices should meet with the ANO quarterly basis in relation to its community engagement activities and its presentation and distribution of aircraft noise-related information.</p>	<p><u>Ongoing</u> – The Airservices Board accepted this recommendation and advised the Airservices’ Environment and Community Manager has established a program of regular meetings with the ANO, and discussions have progressed in this regard.</p>
<p><b>Recommendation 4</b> – Airservices should finalise and publish its <i>Community Engagement Framework</i> as a matter of priority to reflect its improved community engagement processes including (but not limited to) better planning and timing, reach and reasons for decisions.</p>	<p><u>Closed</u> – The Airservices Board accepted this recommendation and advised the Framework was being progressed as a priority and due for completion by 30 June 2020. (Airservices consulted the ANO on a draft Framework in 2019-2020 and published the Framework on its website in August 2020).</p>
<p><b>Recommendation 5</b> – Airservices should use its existing network of aviation industry meetings and groups to engage and coordinate more with the aviation industry on planned community engagement activities, in particular accessing the industry’s knowledge of local conditions and concurrent community engagement activities.</p>	<p><u>Ongoing</u> – The Airservices Board accepted this recommendation and advised the use of these networks is agreed as a positive action, and internal discussions are progressing to develop appropriate processes to ensure this occurs.</p>
<p><b>Recommendation 6</b> – Airservices should develop a framework for third party proposed changes that:</p> <ol style="list-style-type: none"> <li>provides robust and dependable governance arrangements to manage its early and ongoing engagement with third parties</li> <li>establishes clear lines of accountability and documents these arrangements as they evolve</li> <li>ensures an effective consultative process, which includes monitoring the adequacy of any third party consultations being relied on.</li> </ol>	<p><u>Ongoing</u> – The Airservices Board accepted this recommendation and advised this is agreed as necessary. A Third Party Proposed Changes Framework is planned for implementation by 30 September 2020.</p>

## APPENDIX D: COMPLIANCE INDEX

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

PGPA Rule Reference	Part of report	Description	Requirement
<b>17BE</b>	<b>Contents of annual report</b>		
17BE(a)	Our role	Details of the legislation establishing the body	Mandatory
17BE(b)(i)	Our role	A summary of the objects and functions of the entity as set out in legislation	Mandatory
17BE(b)(iii)	Our role	The purposes of the entity as included in the entity's corporate plan for the reporting period	Mandatory
17BE(c)	Letter of transmittal	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers	Mandatory
17BE(d)	Ministerial expectations	Directions given to the entity by the Minister under an Act or instrument during the reporting period	If applicable, mandatory
17BE(e)	Ministerial expectations	Any government policy order that applied in relation to the entity during the reporting period under section 22 of the Act	If applicable, mandatory
17BE(f)	Not applicable	Particulars of non-compliance with: (a) a direction given to the entity by the Minister under an Act or instrument during the reporting period, or (b) a government policy order that applied in relation to the entity during the reporting period under section 22 of the Act.	If applicable, mandatory
17BE(g)	Annual performance statement	Annual performance statements in accordance with paragraph 39(1)(b) of the Act and section 16F of the rule	Mandatory
17BE(h), 17BE(i)	Not applicable	A statement of significant issues reported to the Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with finance law and action taken to remedy non compliance	If applicable, mandatory
17BE(j)	Our Board	Information on the accountable authority, or each member of the accountable authority, of the entity during the reporting period	Mandatory
17BE(k)	Business organisational structure	Outline of the organisational structure of the entity (including any subsidiaries of the entity)	Mandatory
17BE(ka)	Table 18: Employee location	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: (a) statistics on full-time employees (b) statistics on part-time employees (c) statistics on gender (d) statistics on staff location.	Mandatory
17BE(l)	Our locations	Outline of the location (whether or not in Australia) of major activities or facilities of the entity	Mandatory
17BE(m)	Our Governance	Information relating to the main corporate governance practices used by the entity during the reporting period	Mandatory
17BE(n), 17BE(o)	Not applicable	For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than \$10,000 (inclusive of GST): (a) the decision-making process undertaken by the accountable authority to approve the entity paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company (b) the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate value of the transactions.	If applicable, mandatory

## APPENDIX D: COMPLIANCE INDEX CONTINUED

PGPA Rule Reference	Part of report	Description	Requirement
17BE(p)	COVID impacts reported throughout	Any significant activities and changes that affected the operation or structure of the entity during the reporting period	If applicable, mandatory
17BE(q)	Not applicable	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the entity	If applicable, mandatory
17BE(r)	Not applicable	Particulars of any reports on the entity given by: (a) the Auditor General (other than a report under section 43 of the Act), or (b) a Parliamentary Committee, or (c) the Commonwealth Ombudsman, or (d) the Office of the Australian Information Commissioner.	If applicable, mandatory
17BE(s)	Not applicable	An explanation of information not obtained from a subsidiary of the entity and the effect of not having the information on the annual report	If applicable, mandatory
17BE(t)	Directors' and Officers' indemnities and insurance	Details of any indemnity that applied during the reporting period to the accountable authority, any member of the accountable authority or officer of the entity against a liability (including premiums paid, or agreed to be paid, for insurance against the authority, member or officer's liability for legal costs)	If applicable, mandatory
17BE(taa)	Board committees	The following information about the audit committee for the entity: (a) a direct electronic address of the charter determining the functions of the audit committee (b) the name of each member of the audit committee, (c) the qualifications, knowledge, skills or experience of each member of the audit committee (d) information about each member's attendance at meetings of the audit committee (e) the remuneration of each member of the audit committee.	Mandatory
17BE(ta)	Remuneration Report 2019-20	Information about executive remuneration	Mandatory

**Additional statutory requirements**

Statutory reference	Part of report	Description
<i>Environment Protection and Biodiversity Conservation Act 1999</i> [section 516A]	Environmental management and performance	Ecologically sustainable development and environmental performance
<i>Work Health and Safety Act 2011</i> (Schedule 2, Part 4)	Our work health and safety performance	Work Health and Safety
<i>Equal Employment Opportunity Act (Commonwealth Authorities) Act 1987</i> (section 9)	Our Equity and Diversity approach	Equity and Diversity progress report
<i>Aircraft Noise Ombudsman Charter 2016</i>	Appendix C	Aircraft Noise Ombudsman Annual Report 2019–20
<i>Air Services Act 1995</i> (section 51)	Not applicable	Adverse effect of non-commercial commitments

# INDEX

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