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CORPORATE PLAN

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Deferral of Corporate Plan 2020-21 publication

Publication of this year's Corporate Plan was deferred to January 2021 due to the challenges presented by the COVID-19 pandemic (as allowed under an amendment to the *Public Governance, Performance and Accountability Rule 2014*). This deferment has allowed us to work with the aviation industry and the Federal Government to understand the significant impacts of the pandemic to ensure that our strategic planning, budgeting and service delivery is positioned to support the industry's recovery.

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1 LETTER FROM THE CHAIRMAN



I, John Weber, as Chairman of Airservices Australia, present the Airservices Australia 2020–21 Corporate Plan, which covers the period of 2020–21 to 2024–25, as required under section 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013* and section 13 of the *Air Services Act 1995*.

In our previous Corporate Plan, I outlined this organisation’s response to the challenges and opportunities of an operating environment that was becoming increasingly busy and complex. The dramatic impact of the COVID-19 pandemic on the aviation industry across the globe has not only heightened industry disruption to an unprecedented level, it has also altered the very shape of it.

Our main focus in recent years has been on supporting a thriving aviation industry, with commercial air traffic expected to increase steadily to the year 2040. We have also been preparing our skies for the safe and productive integration of drones, aerial taxis and other new entrants.

The current roadmap is very different. In a few short months, we have taken substantial steps to support a commercial airline industry that has been devastated by the impact of border closures and other stay-at-home measures.

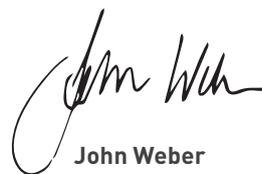
Of course, our own financial performance mirrors that of our airline customers. There is no doubt that we must strive to be a leaner and ever more efficient organisation, as we support the industry in its return to health and beyond. While responding to the pandemic, we are also building the foundation for sustainable change.

Broadly speaking, COVID-19 has accelerated the pace and scope of Airservices existing transformation agenda. We were already on the cusp of a digital revolution and now we are preparing to meet it head-on. This includes exploring ways to accelerate the digitisation and automation of our services to improve the efficiency and flexibility of our service delivery model.

The pandemic has also provided an immediate opportunity to accelerate key investments, particularly those with a digital focus that will deliver greater value to our customers in the years to come. We are progressing the implementation of digital aerodrome services in Canberra and Western Sydney, and will continue our investment to integrate new aircraft types in low-level airspace. The OneSKY program remains on track for completion in 2025, delivering the world-leading integrated civil military air traffic management system for Australia that will yield \$1.2 billion in economic benefits to our industry and customers over 20 years.

The final and most critical component of our journey to 2025 is the work we are doing to transform the organisation’s culture. The success of such an ambitious transformation agenda is primarily dependent on our people’s ability to deliver it. Thus, we remain focused on creating a thriving, engaged, inclusive, safe and scalable organisation that works in unison.

To conclude, there is no doubt that the path ahead will prove both difficult and rewarding. Airservices will continue to support our customers throughout the current challenging period, and stands ready to support the industry towards the future that lies beyond.



John Weber

Chairman

“COVID-19 has accelerated the pace and scope of Airservices existing transformation agenda.”



STRATEGY ON A PAGE

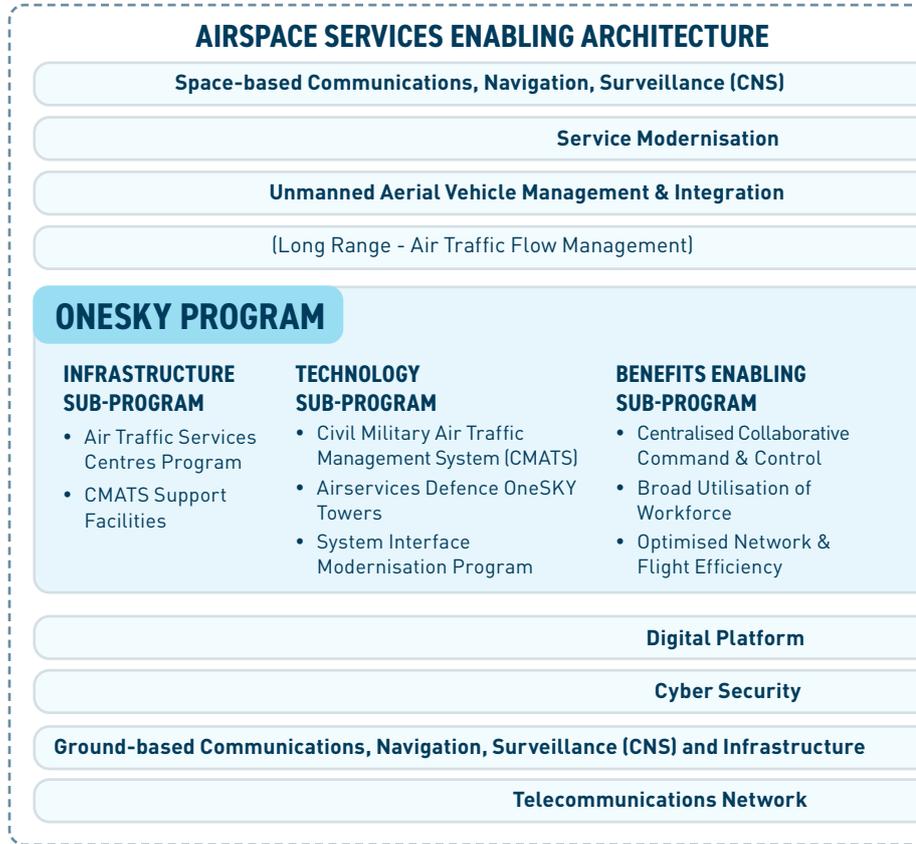
CONNECTING PEOPLE WITH THEIR WORLD SAFELY



HORIZON 1

NOW

Responding to the impacts of the pandemic and building the foundation for change



CUSTOMERS

Understand our industry's needs and enhance our services to deliver a better experience with more value for those that consume our services

- Minimising the environmental and community consequences of aviation as far as practicable
- Aligning our business to our value chain
- Adjusting workforce capacity to meet demand



PEOPLE

Create a thriving purpose and values-led organisation

- ### EMBEDDING OUR VALUES
- #### CONTINUING OUR CULTURAL REFORM JOURNEY TO BUILD
- Building a culture of trust, care and accountability
 - Introducing new purpose and values



FINANCIALS

Reform our revenue and cost model and financing structure to be more efficient, flexible and sustainable

- ### BUILDING A FINANCIALLY SUSTAINABLE ORGANISATION
- Realign our investment plan
 - Deliver short term cost savings

HORIZON 2
2022-23

Tailoring our service performance levels to the needs of our customers and community

HORIZON 3
2024-25

Transforming how we deliver our services through digitalisation and automation

AERODROME SERVICES ENABLING ARCHITECTURE

(Space Based Augmentation System, Future CNS Program)

(Airspace Modernisation Program, Surveillance Aerodrome Flight Information Service)

(Flight Information Management System sub-program, Drone Surveillance sub-program, Research sub-program)

Network Management

(Airport – Collaborative Decision Making)

Aeronautical Information Management

AERODROME SERVICES

DIGITAL AERODROME SERVICES

- Canberra Airport Digital Tower
- Western Sydney Airport Digital Tower
- Sydney Airport Contingency Capability

AERODROME PROGRAM

- Melbourne New Runway
- Perth New Runway

**AVIATION RESCUE
FIRE FIGHTING SERVICES**

FLEET MODERNISATION PROGRAM

INFRASTRUCTURE PROGRAM

- Western Sydney ARFF Station

(Digital Information Program)

(Cyber Security Program)

(CNS Program, Air Traffic Management Network Sustainment Program, Integrated Facilities Program)

(Enterprise Network Modernisation Program)

- Identify new ways of delivering value to our customers
- Investing in and maturing our digitised services
- Evolve to a more flexible service model based on varying customer and community needs

- Expand our services in line with our value proposition including sensing technology, unmanned aircraft surveillance capability and space based services



Safe always



Service first



Love what we do



Work as one



Own it

OUR WORKFORCE TO MEET THE NEEDS OF THE FUTURE

- Adjusting our workforce to be more flexible to respond to customer need
- Equipping our people with technology to support changing work demands

- Continually evolving our workforce capability, utilising increasing digitisation and automation

- Evolve our pricing model
- Build more strategic supplier relationships
- Improve how we access and manage capital

- Evolve strategic partnerships with providers to continually innovate, mitigate risk and reduce cost

2 OUTLOOK

The COVID-19 pandemic has created unprecedented disruption in the global aviation industry.

The closure of international and domestic borders in March 2020 has resulted in a significant ongoing reduction in international and domestic air traffic, plunging the aviation industry into a period of ongoing volatility and uncertainty.

These events had a significant impact on our own financial performance. Despite starting the 2019-20 financial year in a position of strength, by the March quarter fee-paying customer traffic was down by 5.5 per cent compared to the same period in 2018-19. In the final quarter of the year, traffic was down by 58.5 per cent. As a result, revenue was 24 per cent below budget for 2019-20.

While we expect domestic flights will steadily return to the skies over the course of 2021, international flights may take many years to return to something approaching pre-pandemic traffic levels. Our current forecast is that 2024-25 traffic levels will be up to 30 per cent below previous expectations. Global uptake of a vaccine will be the key determinant of the shape of the industry's recovery.

The pandemic has made everyone more aware of the vital role aviation has to play in supporting our economy and the social fabric of our communities. The commercial

airline industry's return to health is at the top of the national agenda, with the federal government making substantial financial commitments to support the industry as the challenging conditions continue for the foreseeable future.

Meanwhile, we are also expecting new customers to emerge as demand for the services they can provide increases over time. It is essential that we adapt our service offerings to cater to these new and very different players in the aviation ecosystem.

Airspace users and aerodromes across Australia are also evolving, with a range of new manned and unmanned aircraft, the opening of a significant new international and domestic airport in Western Sydney, and new runways in Melbourne and Perth nearing completion, alongside Brisbane's recently commissioned parallel runway.

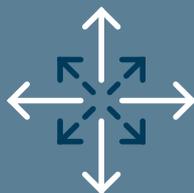
As the aviation industry takes the first tentative steps towards a 'new normal', we are steadfast in our commitment to ensure the safety, efficiency and regularity of all those that use our skies in a volatile and uncertain operating environment.

There are 6 key trends affecting the aviation industry that we will navigate over the life of this plan.

LONG TERM TRENDS



INTELLIGENT SYSTEMS



INCREASING AIRSPACE COMPLEXITY



LONG-TERM GROWTH WITH SHORT-TERM VOLATILITY

While we expect domestic flights will steadily return to the skies over the course of 2021, international flights may take many years to return to something approaching pre-pandemic traffic levels.

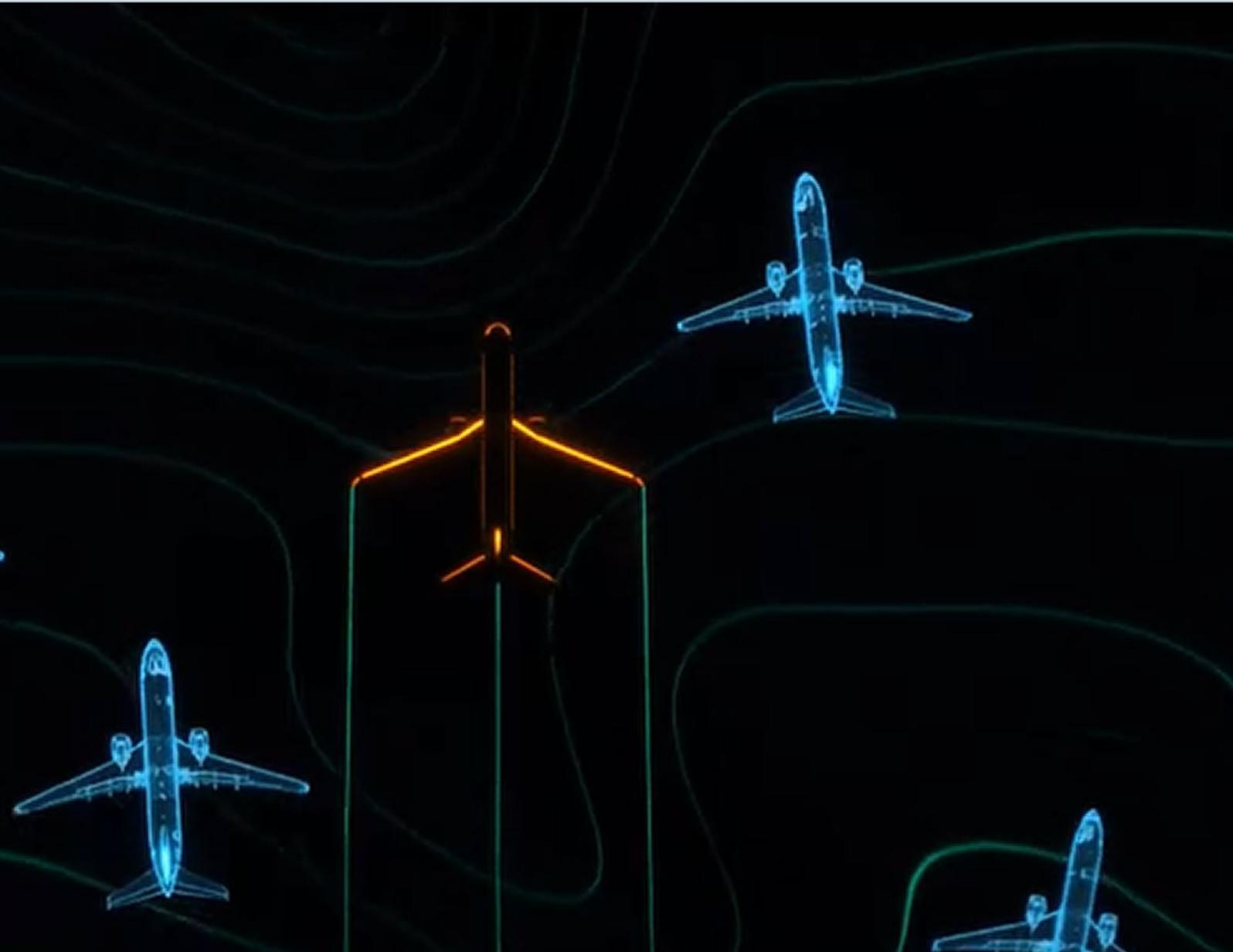


ENVIRONMENT
AND COMMUNITY



DEMAND FOR
PERSONALISED
SERVICE

— ○ — EVOLVING
TRANSPORT
ECOSYSTEM AND
VALUE CHAIN



INTELLIGENT SYSTEMS

Intelligent systems have the potential to increase situational awareness (insights) and to use these insights to deliver optimal outcomes for customers. Cloud technologies can be harnessed to bring together inputs from a range of different systems and assets, process large scale data sets and simulate millions of 'what if' scenarios.

Meanwhile the impact of digital twins is expanding beyond the optimisation of individual assets and systems to driving improvements at the organisational level.

With a focus on how decisions are made, data visualisation is also critical. Organisations will need data—and the business insights it provides—to create hyper-personalised services for customers. Applications must be designed to present the right information, at the right time and to the right people.

INCREASING AIRSPACE COMPLEXITY

The COVID-19 pandemic is likely to amplify demand for the services that could be provided by autonomous vehicles, including drone deliveries and unmanned aerial taxis, as people adjust to stay-at-home and social distancing measures.

Meanwhile, while COVID-19 has accelerated the retirement of long-range passenger aircraft such as the Airbus A380, once international demand rises again more fuel-efficient aircraft, like the A350 and Boeing 787, will drive the recovery of ultra-long haul international travel.

Over the next 15–20 years, traditional and emerging aircraft will operate alongside each other, increasing the congestion and complexity of airspace. The emergence of unmanned aerial vehicles (UAVs) in lower altitude airspace is one example of this; new users are also edging into higher altitude airspace.

We must work to integrate and facilitate operations in all parts of our airspace to ensure safe and efficient air traffic operations. Government, regulators, air navigation service providers and industry need to collaborate and innovate to support the recovery, maintain safety, and ensure resilience and security.

LONG-TERM GROWTH WITH SHORT-TERM VOLATILITY

While the short-term outlook is negative for commercial aviation, long-term industry growth is still expected.

While domestic air traffic is likely to recover before international, there will be challenges for both markets. Demand for domestic business travel will remain low for some time, as organisations face economic constraints and more people work from home. Once international borders open, confidence and uptake of a vaccine will be a key factor for driving industry recovery.

Australia has been reliant on the use of gateway airports such as Sydney and Melbourne to connect international travellers to the rest of our nation. With more 'point to point' travel, direct international flights into 'non-traditional' Australian gateway cities may emerge as a growth market for our customers, also further driving complexity in our airspace.

ENVIRONMENTAL AND COMMUNITY CONSEQUENCES OF AVIATION OPERATIONS

As commercial aviation recovers, communities near airports may be more sensitive to aircraft noise as planes begin to fill our skies again. Moreover, those working from home are likely to experience daytime aircraft noise for the first time.

Changes to flight paths to support new airport infrastructure may impact the noise distribution experienced by communities surrounding airports and beyond. In addition, the ever increasing uptake of services provided by UAVs may further impact the community.

More than ever Airservices will have an important role in minimising the impact of aviation operations on the environment and community, and in demonstrating its commitment to the environment via a sustainability plan.

DEMAND FOR PERSONALISED SERVICE

In all industries, including aviation, there is a shift away from a one-size-fits-all approach. Every customer has a unique set of needs and objectives, and service providers need to adapt or risk losing relevance. COVID-19 has highlighted the need to be responsive to customer and industry requirements.

This will become increasingly important as the industry evolves and new technologies and innovations challenge the status quo, including a completely new set of customers in non-traditional areas.

THE EVOLVING TRANSPORTATION ECOSYSTEM AND VALUE CHAIN

The current transport value chain has been disrupted by COVID-19. The old ecosystem, based on historically stable demand and supply profiles, no longer exists. Instead, we are now grappling with a landscape where localised outbreaks can suddenly and dramatically change the profile of demand for transport services and passengers will need to become used to a fluctuating supply. More than ever, decision-making up and down the value chain will be reliant on real-time data.

While incumbents are racing to provide end-to-end customer experiences through vertical integration of travel, new entrants will also face obstacles as disease transmission concerns continue to drive passenger choices.

3 OUR PURPOSE AND VALUES

Our purpose, as defined in the *Air Services Act 1995*, 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.

We also operate in accordance with the *Air Services Act 1995*, the *Australian Airspace Policy Statement 2018*, the *Public Governance, Performance and Accountability Act 2013* and the *Minister's Statement of Expectations*.

In simple terms, we exist to **connect people with their world safely**.

**In simple terms,
we exist to connect
people with their
world safely.**





THEIR WORLD Safely

PURPOSE
DRIVEN

**LOVE
WHAT WE DO**



VALUED

OUR LEADERS
SERVE OUR PEOPLE
and OUR PEOPLE
SERVE OUR CUSTOMERS
and the COMMUNITY

WORK as
ONE

RESPECTFUL

TRUSTING

COLLABORATIVE



4 — STRATEGIC PILLARS

The current disruption to the aviation industry is without precedent. However, it is also giving us a chance to adapt and grow. As we continue to keep our skies safe, we are acting now to respond to this changing landscape and create a radically different and better business for the future.

To achieve this, and to place us on a sustainable trajectory to 2024-25 and beyond, we have the following objectives:

- Adjust our services to be scalable and more closely aligned to customer requirements while maintaining safety as the first priority
- Become a more inclusive and agile organisation, by building a culture of trust, care and accountability
- Transition to a more flexible cost structure, with lower operating costs
- Accelerate the introduction of digitised services to prepare for future operating environments and improve productivity
- Transform our asset base to align capability to service demand and shift capital commitments to operating expenses

These objectives will be achieved through a range of initiatives that are framed by our three strategic pillars of **Customers, People** and **Financials**.



CUSTOMERS

Understand our industry’s needs and enhance our services to deliver a better experience with more value for those that consume our services.

By 2024-25 we will have a comprehensive understanding of our industry’s needs and offer valued services to both existing and new customers. This will involve challenging the assumptions behind what we offer today, digitising and upgrading our systems, automating much of our manual and routine work, introducing new offerings, and using data and relationships to continually improve the customer experience.

INITIATIVE

ADJUSTED INVESTMENT PROGRAM THAT LEVERAGES ACCESS TO OPERATIONAL CAPACITY

Accelerate key elements of our investment program by implementing initiatives that align and are relevant to our future state and/or make use of short-term access to operational capacity.

SERVICE PERFORMANCE OUTCOMES MATCHED TO THE NEEDS OF OUR CUSTOMERS

Develop a safe and efficient graduated service offering for each customer segment.

NEW DIGITAL CAPABILITIES TO DRIVE EFFICIENCY

Accelerate digitalisation and automation of services and solutions to prepare for future operating scenarios and improve unit cost efficiency.

ONESKY PROGRAM

Significant program to deliver a harmonised civil military air traffic management system that enables us to meet Australia’s air traffic management needs into the future, maintain Defence capability and meet national security imperatives.

ENTERPRISE NETWORK MODERNISATION PROGRAM

Ensure we have the capacity, availability, flexibility and security to manage current and future telecommunication network demands. It is a key dependency supporting the OneSKY Program and is critical to maintain the reliability and availability of the national airways system.



PEOPLE

Create a thriving purpose and values-led organisation.

By 2024-25, our organisation will be recognised as one of the leading places to work in Australia.

INITIATIVE

REALIGNED OPERATING MODEL EFFICIENCY IMPROVEMENTS

Redesign our operating model to operate as an efficient customer value chain, while driving the right behaviours and culture across the organisation.

ALIGNED VALUES, LEADERSHIP AND BEHAVIOURS

Deliver actions in response to the recommendations from the Review of Culture at Airservices Australia, and enhance leadership to build a foundation of trust, care and accountability.

ALIGNED STRATEGIC WORKFORCE, AND TALENT

Develop a sustainable strategic workforce planning approach/framework, and identify ongoing skill and capability requirements (skills, culture, mindset).



FINANCIALS

Reform our revenue and cost model and financing structure to be more efficient, flexible and sustainable.

By 2024-25 we will have returned to financial strength by becoming a lower cost, more efficient and sustainable organisation.

INITIATIVE

SHORT-TERM COST SAVING MEASURES

Obtain \$85million of savings in 2020-21 by reducing demand-driven expenditure and identifying process changes to ensure that expenditure is minimised as air traffic returns.

SUPPLIER ENGAGEMENT

Work with suppliers to find appropriate solutions to harvest incremental and sustainable savings. Establish scalable and flexible cost structures to move away from static fixed cost structures.

LIQUIDITY MANAGEMENT / GEARING STRATEGY

Agree acceptable financial KPIs/ratios, centred around sustainable debt and liquidity, during the pandemic and through the recovery phase to ensure ongoing financial sustainability.



HORIZON

1

NOW

RESPONDING TO THE IMPACTS OF THE PANDEMIC AND BUILDING THE FOUNDATION FOR CHANGE

In the early stages of the pandemic we moved quickly to reduce costs and minimise spending. Our focus will remain on holding expenses as low as possible as the industry recovers.

The new operating model is in place to sharpen our focus on customer outcomes, strengthen our functional expertise and achieve efficiencies, and improve collaboration.

We are renegotiating with our key suppliers to increase flexibility, such as deferring expenses, at a time when revenue remains uncertain.

The current downturn in air traffic has presented us with several unexpected opportunities to redeploy people and resources to accelerate vital projects. We are prioritising digital investments such as digital aerodrome services, while continuing implementation of our core investments of OneSKY and the Enterprise Network Modernisation Program.

We are continuing our work on building a culture of trust, care and accountability, and to support this we are redefining our purpose and the values that unite us.

HORIZON

2

2022-23

TAILORING OUR SERVICE PERFORMANCE LEVELS TO THE NEEDS OF OUR CUSTOMERS AND COMMUNITY

We will build more flexibility into our service levels and performance to match the needs of our customers as they recover. Our work to increase savings, boost efficiency and foster new partnerships will also continue.

At the same time, we will also look for opportunities to collaborate and partner with our neighbours in the Asia-Pacific region to help build airspace management capability in the region.

HORIZON

3

2024-25

TRANSFORMING HOW WE DELIVER OUR SERVICES THROUGH DIGITALISATION AND AUTOMATION

We are on the cusp of a digital revolution and more routine work will soon be automated, and that will drive efficiencies in our current work, enable more service flexibility, and expand service delivery outside airspace management.

While this is happening, we will continue our work to build the right skills and capabilities in our workforce so we can deliver on our purpose in the years to come.



5 PERFORMANCE

Our focus on delivering outcomes ensures we continue to connect people with their world safely.

Our strategic performance measures ensure that we continue to be recognised as an industry leader and valued service provider.

We are driven to succeed by our people, technology, investments and the decisions we make.

We monitor our performance against a set of key performance indicators as outlined in Table 1.

Our performance indicators are balanced against our 3 strategic pillars: Customers, People and Financials. They support, inform and drive our decision-making.

TABLE 1: CORPORATE PLAN KPIS

Performance outcomes reflect the current volatile operating environment caused by the COVID-19 pandemic. The outcomes reflect below-normal levels of demand which still require similar level of service to ensure business continuity and ongoing provision of safety critical services. Planned outcomes are based on continued relaxation of domestic state borders and the successful roll out of COVID-19 vaccinations and opening of international borders and are subject to high levels of volatility.

	2020–21 Target	2021–22 Target	2022–23 Target	2023–24 Target	2024–25 Target
CUSTOMERS					
Significant attributable safety occurrences	0	0	0	0	0
Arrival Airborne Delay (median) - minutes	0.4	0.4	0.4	0.4	0.4
Arrival Airborne Delay (75th percentile) - minutes	3.1	3.1	3.1	3.1	3.1
Customer Satisfaction Score	>70%	>70%	>80%	>80%	>80%
PEOPLE					
Lost Time Injury Frequency Rate	<3.0	<2.0	<1.5	<1.5	<1.0
People Engagement	> 47%	> 2020-21 Result	> 2021-22 Result	> 2022-23 Result	> 2023-24 Result
Diversity	> 38%	> 2020-21 Result	> 2021-22 Result	> 2022-23 Result	> 2023-24 Result
FINANCIALS					
Cost per Instrument Flight Rules Flight Hour (\$)	890	525	375	330	330
Return on Assets	(12.3%)	(21.0%)	(4.8%)	1.4%	2.7%

6 FIVE-YEAR CORPORATE FINANCIAL PLAN

DELIVERING A FINANCIALLY SUSTAINABLE FUTURE

To respond to the challenges of the current operating environment, this financial plan ensures we continue to fund our critical and essential services during the recovery period and transform our costs and investments to match demand as the aviation industry returns.

At this time there is still significant uncertainty about the industry's economic path to recovery and it is likely that the rates of traffic and revenue growth in the coming years will be volatile. Ongoing government support in excess of \$830 million, short-term cost savings of \$100 million and being able to access the debt market has helped us navigate the significant cash flow impact of the pandemic.

To address our medium-term financial performance, we will accelerate some strategic business initiatives and reform our operating model. This will deliver a lower and more flexible cost base to support forecast changes in industry demand and restore healthy financial performance.

This plan reprioritises our investment in key strategic programs and will fund \$959 million in capital expenditure. The five-year operating projections and performance measures are shown in Table 2 (page 22). Noting that these financial outcomes are underpinned by the continued relaxation of domestic state borders by December 2020 and the roll out of COVID-19 vaccinations by late 2021.

PRICING

We set our prices in consultation with our customers for core airways services under Long Term Pricing Agreements. Under the provisions of the *Competition and Consumer Act 2010* any increase in prices must be communicated to the Australian Competition and Consumer Commission for its review.

Under these arrangements, we last increased our prices on 1 July 2015, which allowed us to recover all reasonably incurred costs relating to the delivery of services (including a return on capital employed). On 1 July 2019 we passed on a price reduction of 2 per cent to customers.

This plan aims to maintain the current charges, despite the significant reduction in revenues, through a combination of government assistance, increasing debt and generating sustainable cost savings. We will continue to work within our business and with the government and our customers to support the recovery of aviation in Australia. Any future pricing changes will be subject to review in future plans.

We will continue to support the recovery of aviation in Australia



OPERATING PERFORMANCE

Our customers have experienced a significant financial impact as a result of COVID-19, which in turn has severely affected our operating performance. Revenues have experienced drops of up to 80 per cent and government financial support has been required through 2019–20 and 2020–21 to fund the delivery of ongoing critical aviation services.

This plan incorporates a number of key programs that will strengthen our financial position and sustainability over the longer term. However, in the short-term our financial performance will depend largely on the easing of domestic and international travel restrictions and the rate at which our customers will recover and respond.

This plan forecasts a gradual industry recovery path over the next 3 years. Revenues and traffic are projected to rebalance at 80 per cent of pre-COVID levels by 2023–24, preceded by periods of financial loss up until 2022–23.

To respond to anticipated changes in customer demand, this plan incorporates key programs and restructuring activities to build a more flexible and efficient cost base that is better tailored to the service needs of customers. Savings will be realised as we transform the way we deliver our services, including increased automation and digitalisation.

The roll out of these key programs will be accelerated during industry recovery and will deliver costs savings of 15 per cent by 2023–24 to help drive financial performance, sustainability and foster industry growth.

TABLE 2: OPERATING PROJECTIONS AND PERFORMANCE MEASURES

Financial outcomes reflect the current volatile operating environment caused by the COVID-19 pandemic. The revenues reflect below-normal levels of demand while costs reflect the services delivery arrangements required to ensure business continuity and ongoing provision of safety critical services through the recovery phase. Planned financial outcomes are subject to high level of volatility and are dependent on ongoing relaxation of domestic state borders by December 2020 and the successful roll out of COVID-19 vaccinations and opening of international borders by late 2021.

Description	2019-20 Actual (\$ million)	2020-21 Plan (\$ million)	2021-22 Plan (\$ million)	2022-23 Plan (\$ million)	2023-24 Plan (\$ million)	2024-25 Plan (\$ million)
Domestic Airways Revenue*	299.4	128.4	419.2	470.0	522.2	537.9
International Airways Revenues	446.3	149.5	196.9	395.3	497.0	512.1
Government Grant	250.0	581.8	-	-	-	-
Airways Revenue	995.7	859.7	616.1	865.3	1,019.2	1,050.0
Other Revenue	25.8	25.4	25.6	25.7	25.8	26.0
Total Revenue	1,021.5	885.2	641.7	891.0	1,045.0	1,076.0
Staff Costs	642.1	774.6	702.4	616.5	605.8	570.2
Supplier Costs	218.5	173.1	182.3	219.0	247.2	276.4
Depreciation	152.4	144.4	140.6	145.2	157.8	169.8
Total Expenses before interest and Tax	1,013.1	1,092.1	1,025.3	980.6	1,010.8	1,016.4
Earnings Before Interest & Tax (EBIT)	(17.8)	(209.4)	(386.2)	(92.1)	31.8	57.1

*Domestic revenues for 2020 and 2021 are net of fee waivers provided under the Government's COVID-19 Airline Financial Relief Package

Performance	2019-20 Actual (\$ million)	2020-21 Plan (\$ million)	2021-22 Plan (\$ million)	2022-23 Plan (\$ million)	2023-24 Plan (\$ million)	2024-25 Plan (\$ million)
EBIT/Revenue	(1.7%)	(24.1%)	(60.4%)	(10.4%)	3.1%	5.3%
Return on Assets	0.4%	(12.3%)	(21.0%)	(4.8%)	1.4%	2.7%
Net profit after tax	(25.0)	(160.6)	(282.8)	(78.8)	5.9	23.4
Return on Equity after tax	(3.9%)	(34.4%)	(49.6%)	(11.0%)	0.9%	3.4%
Gearing	53.7%	69.0%	53.9%	61.9%	61.6%	58.1%
Returns						
Dividends	5.4	-	-	-	-	8.8

CAPITAL EXPENDITURE

This plan invests \$959 million in capital expenditure over the next 5 years. Our previous investment plan has been reprioritised to allow for the continued delivery of key strategic and enabling programs while pausing some activities, which can be reactivated as demand returns.

TABLE 3: CAPITAL INVESTMENT PROJECTIONS

Program	2020-21 Plan (\$ million)	2021-22 Plan (\$ million)	2022-23 Plan (\$ million)	2023-24 Plan (\$ million)	2024-25 Plan (\$ million)	TOTAL 5 Years (\$ million)
Strategic	176.9	181.5	140.2	132.9	84.1	715.6
Sustainment	44.1	68.6	72.4	24.6	15.7	225.4
New and Enhanced Services	4.9	1.0	1.0	4.7	6.7	18.3
Total Program	225.9	251.1	213.6	162.2	106.5	959.3

The OneSKY Program, which will replace our current air traffic management system and modernise our air traffic services centres, is still central to this plan and is our key investment priority. It accounts for 68 per cent of the total five-year spend. This plan also funds work required to modernise our data and communications network infrastructure and continues to support our customers through investment in modern technologies such as digital aerodromes, space-based capabilities to deliver safer and enhanced services, reduce significant future capital expenditure, and deliver productivity benefits.

RETURNS, DIVIDENDS AND GEARING

The five-year returns, dividends and gearing projections have been heavily impacted by the COVID-19 industry downturn and are forecast below normal target levels. See Table 2.

- This plan projects losses over the first 3 years with profitability forecast to return over 2023–24 and 2024–25 in line with improvements in economic conditions.
- No dividends have been forecast, until sufficient levels of profitability return in 2024–25.
- Debt levels and gearing are projected to increase, due to reductions in operating cash flows. By 2024–25, gearing is projected to return to target levels when trading conditions and operating cash flows are forecast to improve.

7 RISK OVERSIGHT AND MANAGEMENT

OUR POSITIVE RISK CULTURE

We are committed to developing and promoting a culture of active risk management supported by robust and transparent governance oversight. Our Board Risk Appetite Statement supports effective risk management and decision-making processes through clear articulation of the level of risk that we are willing to accept as an organisation. This supports our commitment to better practice risk management, in alignment with s.16 of the *Public Governance, Performance and Accountability Act 2013* and the *Commonwealth Risk Management Policy*.

OUR APPROACH TO RISK

We take a continuous improvement approach towards risk management that aligns with best practice principles and is consistent with the *International Standard ISO 31000:2018 Risk Management— Guidelines*.

Through the implementation of our Risk Management Standard, as a part of the Governance, Risk and Compliance (GRC) Framework, we proactively embed and integrate risk management practices into our organisational frameworks to identify and treat risks to within acceptable levels.

Our day-to-day operational risks are managed in accordance with the risk management processes that are embedded into our organisational frameworks. These clearly articulate the accountability, responsibility and delegation for managing risks within each risk domain.

We have also established appropriate and effective mechanisms to communicate, escalate and report risk information for management attention and decision-making.

Our risk management approach comprises three layers of risk management activities. This is illustrated below.



OUR RISK ENVIRONMENT

We perform an integral role in the Australian aviation industry and operate in an inherently volatile, uncertain and complex environment. While exposure to risk is a key part of our operations, effective risk management contributes to enhanced risk-based decision making. Our external risk considerations include our regulators, emerging technology trends, changes to the domestic and international economic environment, and our role in the broader commercial aviation industry. On a daily basis, we proactively manage a wide range of risks associated with our operational activities.

Responding to these diverse risks requires us to ensure the integrity of our safety and environment management systems and service delivery to maintain long-term sustainability. We continuously improve our operating systems, embrace innovation to unlock economic growth through delivery of new and innovative commercial services, and invest in new services, infrastructure and technologies to support forecast industry growth in an efficient manner.

Risks identified in the 2020–21 Enterprise Risk Profile include:

- Strategic risks such as the delivery of value to customers, geopolitical uncertainties and innovation opportunities arising from technological disruption.
- Business risks such as the delivery of safe, efficient and environmentally responsible air traffic management and aviation rescue fire fighting services, as well as the provision of supporting functions which enable service delivery.
- Transitional risks such as the delivery of our OneSKY Program, ongoing management of per- and poly-fluoroalkyl substances (PFAS) contamination, management of flight path changes and aviation noise, and implementation of a modernised telecommunications environment.

RISK OVERSIGHT AND ASSURANCE

The Enterprise Risk Report is reviewed by the Executive team each quarter. The report draws risk intelligence from our operational and functional risks, supported by a range of assurance activities, internal insights and external trends. In addition, risk deep dives are presented to the monthly Executive Safety and Risk Oversight Committee, driving risk transparency, constructive challenging and a positive risk culture from our leadership.

A quarterly Chief Safety and Risk Officer report is presented to the Board Audit and Risk Committee (BARC) for review and oversight. Effective reporting and oversight helps our leaders make strategic decisions to address major threats and to seize opportunities in a timely manner.

In addition, we apply the three lines of defence model to provide assurance that our key controls are effective in managing risk. Assurance activities are layered across the three lines of defence and embedded within our organisational frameworks. These assurance activities provide confidence to the leadership team, the BARC and our stakeholders that risks are being managed, control deficiencies are being addressed, compliance obligations are being met and corporate objectives are being achieved.

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 s.17 of the *Air Services Act 1995*. This—together with the Board’s Statement of Intent—is provided within this section.

AIRSERVICES BOARD STATEMENT OF INTENT 2019-21

STATEMENT OF EXPECTATIONS

STATEMENT OF INTENT

Overview

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 which serves as a notice to Airservices Australia (Airservices) under section 17 of the *Air Services Act 1995* (the Act).

The new SOE formalises the Government’s expectations concerning the operations and performance of Airservices.

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.

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, Performance and Accountability Act 2013* (PGPA Act) as well as other relevant legislation.

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.

STATEMENT OF EXPECTATIONS

Governance

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.

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.

I expect the CEO to be responsible for managing the operations of Airservices, its organisational capacity and the exercise of its functions.

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.

STATEMENT OF INTENT

Airservices will ensure that 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.

Airservices will monitor, focus and report on the effective delivery of Corporate Plan initiatives to ensure that we deliver the benefits to our customers.

Airservices will innovate to maintain its position as a leading air navigation service provider, with initiatives including the Network Management Program (including Airport Collaborative Decision Making and Long Range Air Traffic Flow Management), and the Digital Aerodrome Services Program.

Our People Strategy will ensure that we continue to invest in our workforce capability to provide an appropriately skilled workforce to deliver on our service objectives.

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.

STATEMENT OF EXPECTATIONS

STATEMENT OF INTENT

Key Aviation Initiatives

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:

- (a)** progress the timely, on-budget and effective implementation of the civil-military air traffic management program, known as OneSKY, including harmonisation initiatives with the Department of Defence (Defence) and advise me on the progress and achievement of program milestones.
- (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.
- (c)** work with my Department and CASA on modernising airspace management, including:
- progressing Australia's airspace protection policy;
 - enhancing the safety and efficiency of Australian controlled airspace including at major regional airports;
 - continuing to apply adequate resources to manage airspace planning and design including for Western Sydney Airport; and
 - continuing the implementation of Performance Based Navigation in Australia following consultation with other Government agencies, community and industry stakeholders

The OneSKY Program 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.

Airservices will update the Minister quarterly on the progress of OneSKY and achievement of program milestones.

We have also established the Air Navigation Services Readiness Program, which will prepare our air traffic operations for the future transition to OneSKY.

Airservices will continue to work with the Department and CASA to ensure the safe integration of Unmanned Aircraft Systems (UAS) into Australian airspace.

As part of our Unmanned Aerial Vehicle Integration and Management Services Program we will deliver a pilot program 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.

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.

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.

Airservices Airspace Modernisation Program 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.

Airservices Airport Development Support Program will deliver essential supporting infrastructure and services in support of aviation industry expansion, including airspace planning and design at Western Sydney Airport.

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.

STATEMENT OF EXPECTATIONS

- (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 program which outlines Airservices ongoing and new initiatives in managing, monitoring and alleviating, where safe and practicable, environmental effects of aircraft operations; and
 - 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.

STATEMENT OF INTENT

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 program, 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 program 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 program 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.

STATEMENT OF EXPECTATIONS

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, 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.

STATEMENT OF INTENT

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 ASTRA. Airservices engages with the community when we make changes that will impact them.

Airservices has established mechanisms to share information with CASA in relation to 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.

MINISTERIAL DIRECTIONS

The Minister has also issued the following Ministerial Directions:

Year	Date	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



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