



Australia Pacific Airports Annual Report 1999



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Our vision

Our vision is to be the leading airport company in the Asia Pacific region and fully realise our airports' potential.

To achieve this we will:

- Provide safe, secure and efficient services.
- Provide quality customer service.
- Identify opportunities for growth and development.
- Develop employee skills and provide recognition and incentive for achievement.
- Be a responsible and active corporate 'citizen'.
- Provide an appropriate financial return to shareholders.

These principles form the core of our performance management system.





Chairman's Statement

We have enjoyed another successful year with the support of our shareholders, the contribution of our staff and positive relationships with our business partners.

It is these important business relationships on which we have focused over the past 12 months. As a young company we have been keen to establish our business reputation. To that end we have concentrated on cementing new and existing partnerships and fostering mutually beneficial outcomes. This partnership approach forms the basis of our business philosophy and permeates all activities.

The past year has been one of growth, consolidation and planning for the future. Our challenge as an airport operator has been to increase income while keeping costs stable. Since our aeronautical income is capped, we have driven revenue growth from our other streams – retail and property. This strategy, along with effective cost management, has proven very successful and will form the basis of our business plan over the coming years.

We also have a role to play in adding value to the travel experience. We are achieving this by incorporating service as a fundamental part of our business. Specifically, our airports have consistently delivered very high service levels for our business partners, customers and airport visitors.

We have a strong team of people who are working hard to build relationships that will see our airports grow and earn an appropriate financial return for our shareholders, having regard to the risks of the business.

Airport growth is also beneficial for the regions the airports serve. Our airports are significant employment sites, generating over 11,000 direct jobs and more than 32,000 indirect jobs.

Our aim for the future is to maximise positive community influence and remain a good corporate neighbour as we strive to meet and exceed our customers' and stakeholders' expectations.

Don Mercer
Chairman

Financial highlights

	1998/99 \$'000	1997/98* \$'000	% change
Revenue Sources			
– Aeronautical	50,104	50,056	0
– Retail	61,271	52,580	17
– Property and other	46,032	42,459	8
Total	157,407	145,095	8
Operating Expenses	48,540	47,241	3
Earnings before interest, tax, depreciation and amortisation	108,853	97,854	11

*The 1997/98 Financial Results include a full year's trading for Melbourne Airport and only 32 days for Launceston Airport.

CEO'S Statement



Our airports have again performed well, with solid financial results driven by strong passenger growth. The strongest growth was in the number of international passengers using Melbourne Airport, which increased by over 6%.

This result has been achieved across all geographic markets, particularly Europe, New Zealand and Asia. The balanced mix of geographic markets, along with Melbourne's steady proportions of business and leisure travel from all regions, has again protected us from the effects of the Asian economic situation. In addition, the weaker Asian currencies have attracted Australian holiday makers to new overseas destinations.

Domestic passenger volumes rose by over 2% at Melbourne Airport, illustrating the relatively stable Australian domestic market.

Domestic passenger numbers decreased at Launceston Airport in line with expectation. While Tasmanian tourism continues to thrive, competition from the federally subsidised ferry services is affecting passenger numbers. We expect increased frequencies from smaller jet services will assist in arresting this decline over the coming years.

Our second year as a private operator has again produced a solid financial result. Our performance to date has been ahead of expectation and 1998/99 earnings before interest, tax, depreciation and amortisation of \$109 million represents an 11% increase on the previous year. This is attributed to the strong performance of our retail sector, supported by solid growth in property and a full year's results from Launceston. Operating expenses have remained stable, with efficiencies gained partly offset by increased costs associated with environmental compliance.

As expected, aeronautical income grew slightly. While airline services increased and consequently landed tonnes increased at both airports, the price cap has continued to reduce the per unit landing charges. We will continue to seek opportunities to grow the aviation side of our business while looking to retail and property for immediate revenue growth.

Retail income grew by 17% during the year and has grown by more than a third since privatisation. This year's growth is the result of delivering improved product range, innovative store layouts and increased customer demand.

Additional leases boosted our property revenue by 8% to \$46 million. We expect retail and property growth to continue, with several new developments and initiatives planned over the next few years.

Operating costs have been kept to within 3% of the previous year. This has included the costs associated with regulatory requirements and Y2K compliance.

Over the past year we have worked closely with our airline partners, State and local governments and the tourism industry to grow the number of air travellers. For our part we must ensure our airports sustain their competitive advantages and can grow to accommodate increasing passenger numbers.

At the same time we are working with local communities and businesses to ensure continued regional prosperity, and we are working with the freight industry and State governments to grow the economic benefits delivered by our airports.

We will continue to plan our growth with care and make improvements that will serve our stakeholders now and in the future.

A handwritten signature in black ink that reads "Terry Morgan". The signature is written in a cursive, flowing style.

Terry Morgan
Chief Executive

Company profile

APAC – our business

Australia Pacific Airports Corporation Limited (APAC) operates two Australian airports, Melbourne and Launceston.

We acquired Melbourne Airport in July 1997 and Launceston Airport in May the following year.

As an airport operator we have three main responsibilities. Firstly, we must maintain the quality, safety and security of our airports by managing the airport experience. Secondly, we have a duty to our stakeholders to ensure our business is commercially successful and able to compete in the long term. Thirdly, we must be a responsible corporate 'citizen' to ensure the continued positive effects of the airports, such as employment generation, and limiting the negative impacts on the local environments.

Our core business includes:

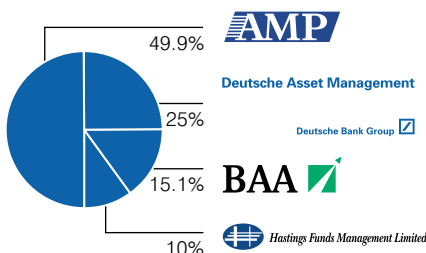
- Aviation infrastructure: the operation of safe, secure and efficient airport services – runways, taxiways, aprons, baggage systems and related services – 24 hours a day, 365 days a year, enabling our airline partners to carry out their business.
- Airport property: the provision of facilities for businesses operating at the airport, including terminals, office accommodation, operational and support organisation facilities.
- Retail management: the management of airport retailing to meet passengers' increasing expectations of airport services, including shopping and car parking.

Our shareholders

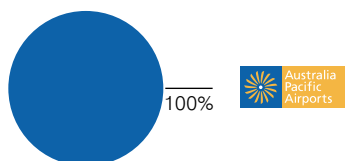
APAC is a majority Australian owned company with four shareholders: AMP Asset Management Australia Ltd; Deutsche Asset Management (Australia) Limited, as manager of the SAS Trustee Corporation's interest; BAA plc; and Hastings Funds Management, as manager of the Australian Infrastructure Fund and Utilities Trust of Australia.

Each shareholder contributes to the success of APAC, and with strong airport management teams in place, we will achieve our vision to be a leading airport operator in the Asia Pacific region.

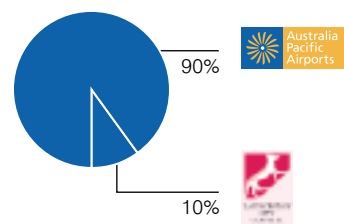
APAC – Equity Participation

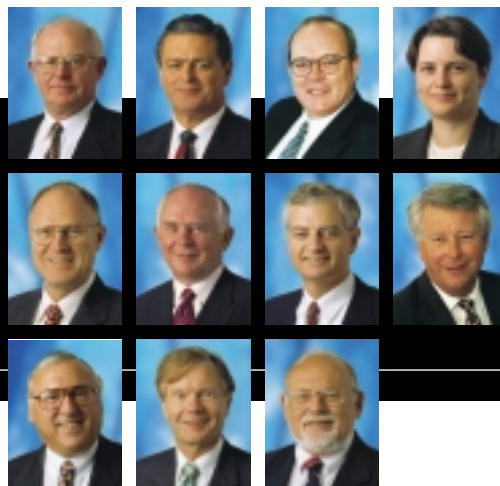


Melbourne Airport – Equity Participation



Launceston Airport – Equity Participation





Our airports

APAC acquired 50 year leases with a further 49 year option for both Melbourne and Launceston airports. We are committed to the long-term safe and secure running of these airports.

Our airports are managed locally, which ensures responsive decision-making, whilst having access to the industry expertise of our shareholders.

The Australian Competition and Consumer Commission (ACCC) monitors prices and quality of a number of aeronautical and related services. The Federal Department of Transport and Regional Services administers regulations in relation to airport planning, environmental management and aviation security. The Civil Aviation Safety Authority (CASA) administers regulations in relation to aviation safety.

APAC will continue to work constructively with these and other agencies to ensure that our airports operate safely and efficiently.

Our APAC Board

Directors

Don Mercer (Chairman), Rod McGeoch (Deputy Chairman), David Price (Company Secretary), Felicity Gates, Leigh Hall, Mike Hodgkinson, Tony Hyams, Roger Kitley, Jack Ritch, David Shields, Graham Timms

Alternate Directors

Peter Dowding, Andrew Jurenko (resigned), John Dorrian, Mitchell King

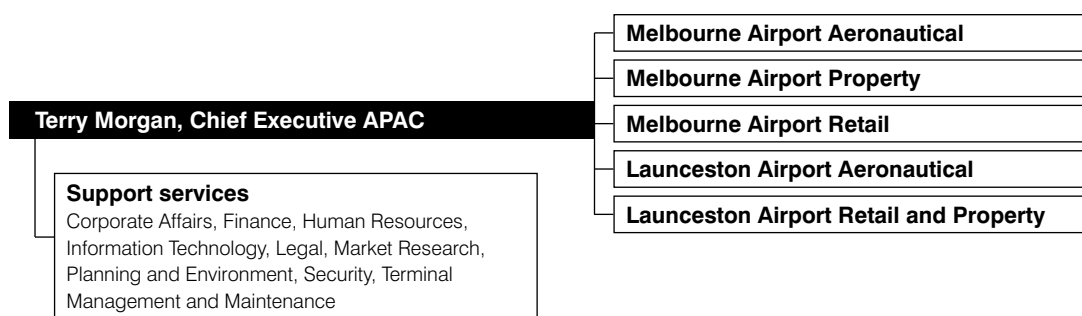
Our Launceston Airport Board

Directors

Bob Campbell, Kirby Clark, Terry Morgan, David Price (Company Secretary), Graham Timms



Organisation structure





Our airports have strong competitive qualities that will help us grow our business.

Melbourne Airport

Feature	Benefit
24-hour curfew-free operations	Better scheduling flexibility and improved overseas connections
Integrated domestic and international terminals	Simplifies passenger transfers and lowers airline operating costs
Road links to city and country	Reduced travel times
Room to grow	The airport and on-airport businesses can grow to meet future demand
Consistently ranked in the world's top 10	Passengers and our business partners have access to world-class services and facilities

Launceston Airport

Feature	Benefit
24-hour curfew-free operations	Better scheduling flexibility
Melbourne Airport as its mainland hub	This natural synergy will help us grow Bass Strait business
Quality facilities with capacity to meet long-term demand	Ready to meet the State's future tourism growth

Highlights

Melbourne and Launceston airports will continue to serve their communities and be a vital part of their region's economic development.

APAC's achievements during the year have reinforced our position as one of the leading airport companies in the Asia Pacific region.

- March 1999 – Standard and Poor's confirmed APAC's BBB rating.

Melbourne Airport

- August 1998 – Melbourne Airport Environment Strategy approved by the Minister for Transport and Regional Development.
- September 1998 – Melbourne Airport won the Australian Tourism Award for General Tourism Services.
- October 1998 – *Business Traveller* magazine voted Melbourne one of the world's top 10 airports.
- October 1998 – Car rental agreements completed.
- November 1998 – Major development plan for the Hilton Hotel approved by the Minister for Transport and Regional Services.
- December 1998 – Redesign of duty free store so that 93% of passengers pass through it.
- December 1998 – Redevelopment of the food court completed, including two new outlets – Noodle Bar and Sbarro.

- December 1998 – Melbourne Airport Master Plan approved by the Minister for Transport and Regional Services.
- January 1999 – Construction of the Hilton Hotel began.
- June 1999 – CAPS (Career and Performance System) implemented.
- June 1999 – Support works for the Qantas Domestic Terminal substantially completed.
- June 1999 – Fastest growing international airport in Australia – international passenger traffic at Melbourne Airport grew by 6.3%.

Launceston Airport

- September 1998 – The Royal Flying Doctor Service hangar completed and opened.
- October 1998 – The Airport Advisory Board appointed.
- January 1999 – Launceston Airport Master Plan presented for public display.
- March 1999 – Launceston Airport provided first returns to equity participants.



People moving people

Airline growth – Melbourne Airport

Airline	Departures per week	
	From	To
Qantas	54	63
Thai Airways	5	7
Air New Zealand	20	26
Emirates	4	7
Malaysia Airlines	8	11
Singapore Airlines	10	14

Alitalia, British Airways and Merpati ceased services during the year.
Net increase in weekly services is 14.

Passenger growth – Melbourne Airport

	1998/99 million	1997/98 million	% change
International	2.73	2.56	6.3
Domestic	11.64	11.41	2.1
Total*	14.58	14.20	2.7

*includes transit passengers

Passenger volumes – Launceston Airport

	1998/99 million	1997/98 million	% change
Domestic	0.52	0.54	-4.4

Rita Wong, Singapore Airlines



Melbourne Airport

For the second year as a privatised airport, Melbourne Airport has posted strong growth in international passenger numbers.

The annual growth rate of 6.3% – to over 2.7 million passengers – is the highest increase recorded by a major Australian airport over the last year.

This performance reflects solid growth across all our geographic markets, especially Europe, New Zealand and Asia.

We are in a strong position to capitalise on future growth because our passenger mix includes a good balance between business and leisure travel drawn from a range of geographic markets. This in turn limits our exposure to adverse conditions in a single market.

Domestic passenger numbers grew by 2.1% to over 11.6 million, confirming Australia’s relatively stable domestic travel market.

Encouraging growth

To maximise the Airport’s potential we will continue to encourage sustainable airline growth to meet and stimulate passenger demand.

Over the past year, six carriers have added 27 new weekly services. Despite three airlines ceasing operations, there has been a net increase of 14 services each week.

Launceston Airport

In line with expectations, Launceston Airport’s passenger numbers decreased by just over 4% for the financial year. While the tourism industry is growing strongly, travellers are being attracted to alternate transport options, namely the subsidised ferry services.

The expected introduction of additional service frequencies by smaller jet aircraft should over time contribute to increased growth at Launceston Airport.

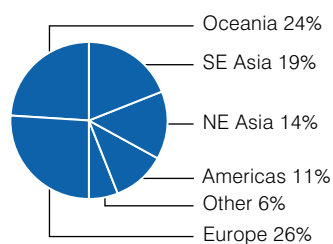
Encouraging growth

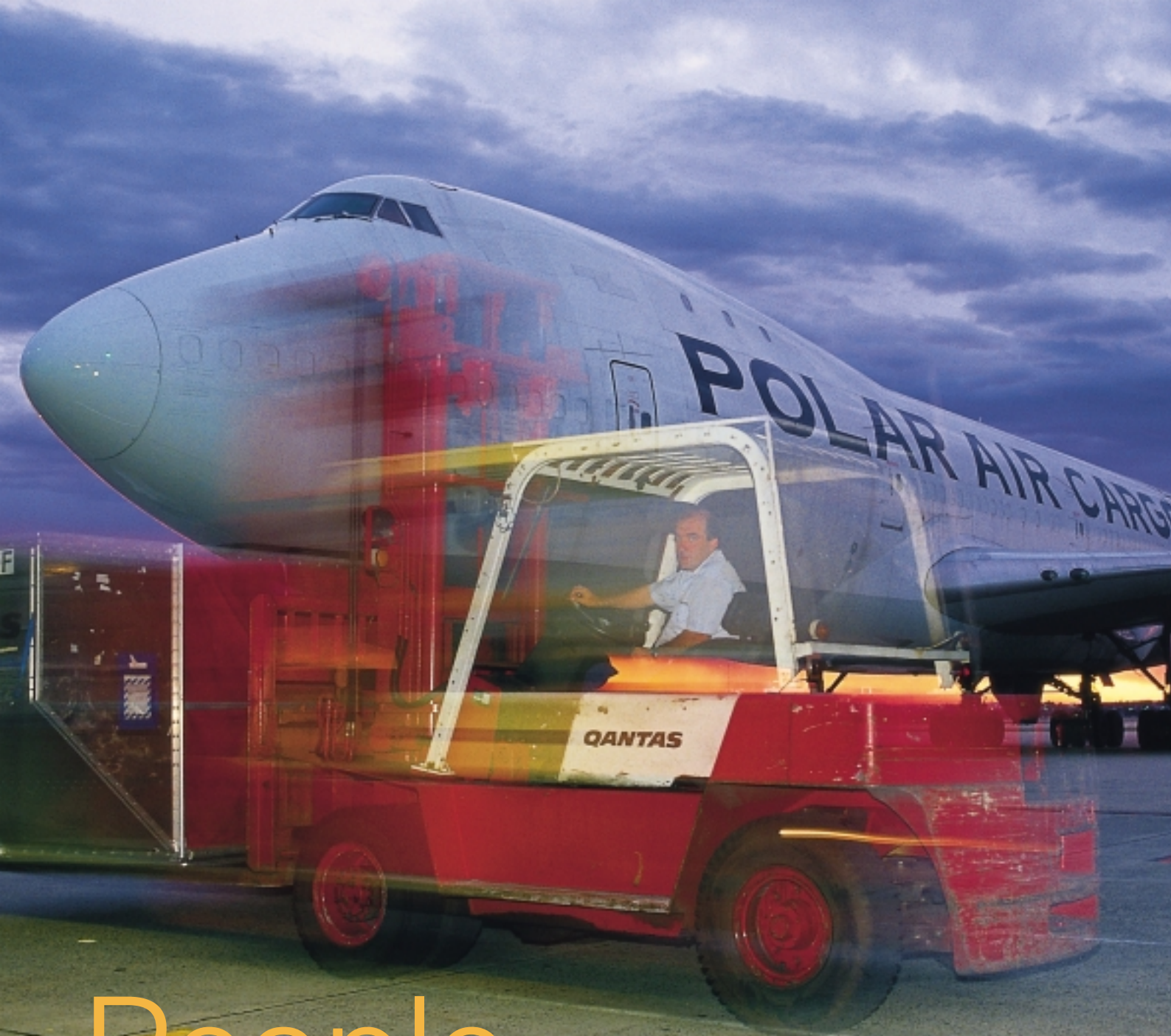
In the long term we are confident that the decline in passenger numbers will be arrested through utilising the business synergies between Melbourne and Launceston airports and co-operative efforts with the tourism industry and Tasmanian Government.

Top five passenger airlines at Melbourne Airport

- 1 Qantas
- 2 Ansett Australia
- 3 Singapore Airlines
- 4 Air New Zealand
- 5 United Airlines

Arriving international visitors at Melbourne Airport





People doing business



As Australia's second largest airfreight hub, Melbourne handles 28% of Australia's airfreight exports and 32% of imports.

International freight tonnage at Melbourne Airport grew by 3.8% as a result of strong competition and increased cargo capacity on extra passenger flights. This strong performance saw the airport enter the top 50 world airports for freight tonnage. Domestic tonnage was 16.4% lower than last year due to changes in freight operator activities.

Launceston Airport's freight capacity benefited from larger aircraft services.

Top five export destinations

- 1 New Zealand
- 2 Singapore
- 3 Hong Kong
- 4 Japan
- 5 USA

Top five import origins

- 1 USA
- 2 New Zealand
- 3 Germany
- 4 UK
- 5 China

Freight tonnage – Melbourne Airport

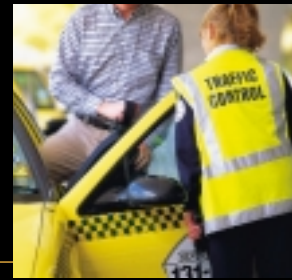
	1998/99 '000 tonnes	1997/98 '000 tonnes	% change
International	207.1	199.6	3.8
Domestic	117.9	141.0	-16.4
Total	325.0	340.6	-4.6



Serving our customers

Quality of Service Monitor – key achievements	1998/99	1997/98
Procedures	4.4	4.4
Cleanliness	4.4	4.5
Congestion free	4.3	4.2
Overall convenience and comfort	4.3	4.3
Helpfulness and courtesy of staff	4.2	4.2
Comfort	4.1	4.1
Shopping choice and selection	4.0	3.9
Ranking is on a scale of 1 (extremely poor) to 5 (excellent).		

Vivienne Stevens, Information Officer, Melbourne Airport Travellers Information Desk



Working together to ensure a high level of customer service has resulted in Melbourne Airport being consistently ranked among the world's best airports.

This philosophy of customer service is an important element of our business growth, as the airport experience is now an integral part of the whole travel experience.

Quality of service

To maintain the quality of our airports, the services offered are monitored on a regular basis. At Melbourne Airport we conduct customer surveys on a continuous basis in a program called Quality of Service Monitor (QSM). This allows us to monitor customers' perceptions of various service elements and to identify areas that need attention.

Overall the level of customer satisfaction is considered to be very high. Over the past year we have maintained the level of service and achieved cost efficiencies in some areas.

Award winning service

Melbourne Airport directly manages several customer services, including the Travellers Information Desk, the Groups and Tours desk, the Melbourne Hosts program and the Melbourne Airport web site. These, along with the high level of customer service across the airport, led to Melbourne Airport winning both the 1998 Victorian Tourism Award and the 1998 Australian Tourism Award for General Tourism Services.

- ***Travellers Information Desk***
Offering accommodation bookings and visitor information, our Travellers Information Desk operates from first to last flight every day.
- ***Groups and Tours Desk***
Designed for event and convention organisers and large groups, the Groups and Tours Desk offers reception facilities in the heart of the International Terminal.
- ***Melbourne Hosts Program***
The easily identifiable 'red-coats' that roam the terminal assisting travellers find their way.
- ***www.melbourne-airport.com.au***
Our web site offers Australia's first real time flight information. Over 10,000 people visit the site each month.



Partners

moving people

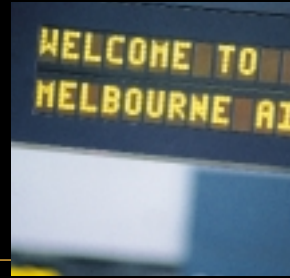
Aircraft movements

	1998/99 '000	1997/98 '000	% change
Melbourne Airport			
International Operations	18.2	17.8	1.8
Domestic Operations	138.6	136.3	1.7
Total	156.8	154.1	1.7
Launceston Airport			
Domestic Operations	29.0	34.5	-15.9

Landed tonnes

	1998/99 '000	1997/98 '000	% change
Melbourne Airport			
International Operations	2,580	2,677	-3.6
Domestic Operations	4,682	4,498	4.1
Total	7,262	7,175	1.2
Launceston Airport			
Domestic Operations	247	244	1.0

Allan Hutchison, Airport Services Manager Cathay Pacific Airways, John Diggins, Melbourne Airport Manager Alliances and Sheila Ryan, Air New Zealand Airport Manager



Encouraging sustainable airline growth and working with airlines to explore new markets.

We will continue to work closely with our airline partners to ensure passenger and freight capacity increases to meet future growth in demand.

Specific initiatives aimed to attract additional services, such as our new marketing incentives for new routes and frequencies, have already proved successful.

Aeronautical charges

Melbourne and Launceston airports generate revenue from aircraft landing charges, terminal use charges and other income related to aircraft parking.

CPI-X impact

Since privatisation, both Melbourne and Launceston have been subject to a price cap on landing charges of CPI-4% and CPI-2.5% respectively. The price cap, which will be in place for the first five years of privatisation, has resulted in aeronautical revenue per passenger at Melbourne Airport falling from \$3.65 in 1997 to \$3.36 in 1999.

This has delivered major cost benefits to our airline customers who have been able to expand their operations with no overall increase in landing fees.

Aviation growth

To offset the effect of the CPI-X regime we will continue to encourage airline growth at our airports. Over the past 12 months a number of airlines have increased services at Melbourne.

Launceston Airport's tonnes landed increased by 1% due to the introduction of larger freighters.

While growth in aeronautical revenue will continue to be influenced by regulation for some time, we are committed to sustaining the airports' ability to meet future demand. To that end, we will continue to invest in new aeronautical capacity (aprons and terminals) and work closely with our partners to sustain traffic growth.

Developments

Master planning

To ensure our airports are able to meet the expected growth in traffic, we have developed master plans, which highlight our vision for developments over the next 20 years and beyond.

The Melbourne Airport Master Plan was approved by the Minister for Transport and Regional Services in December 1998 after an extensive public and industry consultation period.

We have also completed the Launceston Airport Master Plan, which went on public display in January 1999 and has been submitted to the Minister for Transport and Regional Services.

Alliances

Recently, Ansett joined the Star Alliance and Qantas joined **oneworld**. The built-in advantage of an integrated international and domestic terminal makes Melbourne Airport an ideal hub, and we have taken the initiative to work closely with the new alliances to encourage growth. The new role of Alliance Manager – the first in Australia – is responsible for liaising with airlines to identify their new alliance needs and how Melbourne Airport can assist in their development.

Domestic expansion

In June 1999 we substantially completed work at Melbourne Airport on the infrastructure for the extension to the Qantas Domestic Terminal. The resulting additional aircraft stands will significantly increase domestic traffic potential. The development is covered in more detail on page 19.



Partners in success

New retailers at Melbourne Airport

Vodafone	October 1998
National Car Rental	October 1998
Noodle Bar	November 1998
Columbo (post-customs)	November 1998
Walk thru Duty Free	December 1998
Café Espresso extension	December 1998
Sbarro	December 1998

Debbie Whitaker, Melbourne Airport Retail Operations Manager with Trevor Carter, General Manager Downtown Duty Free



Driving growth through active retail management.

Airport retailing is the primary growth sector of our airport business. We are driving this growth through active management of the Melbourne Airport International Shops precinct, car parks at both airports, car rental concessions and other general retailing activities.

Our long-term strategy is to attract more customers to shop and encourage higher spending per person by focusing on service, range, quality and value for money.

Retail revenue

Melbourne Airport earns income from the International Terminal retail outlets (duty free, food and beverage, currency exchange and specialty stores), long and short-term car parks, car rental concessions, advertising sites and other sources.

Launceston Airport generates retail income from the airport car park and car rental concessions.

Retail revenue grew by 17% over the past financial year, from \$52.6 million to \$61.3 million. This growth was primarily due to improved retailer performance and product range, expanded duty free shopping at Melbourne Airport and increases in car park usage.

Melbourne international shops

Through the comprehensive retail strategy developed by the retail team at Melbourne Airport, significant increases in revenue were achieved. In part this growth resulted from focusing on product range and increased understanding of the customer base.

In late 1998 the food and beverage facilities were revitalised, with new and expanded outlets, both pre and post customs, plus 28% more seating.

In December 1998, in conjunction with Nuance Global Traders, the duty free operator, we reconfigured the out-bound duty free store to create the first walk through duty free store in the Asia Pacific region. By creating a walk through shop, with brand name product category areas and greater range, sales have been increased by 16%, and over 90% of all departing passengers visit the store.

Increased promotion and improved signage trails during the period also contributed to increased retail turnover by building customer awareness.

Over the next few years the number and range of outlets in the International Terminal will increase by more than 40%. A major redevelopment planned to commence soon will accommodate new and exciting retailers and boost the existing product range.

Partnership approach

APAC is committed to a partnership approach in developing the shopping experience at Melbourne Airport. Over the past 12 months we have introduced a number of initiatives to improve retail performance. These included the development of:

- a computerised monitoring and analysis system for key performance indicators to help track trends and provide valuable feedback on initiatives and promotions;
- a guide to assist retailers better understand and perform in the unique marketplace of airport retailing; and
- flexible commercial agreements that provide incentive both to airport and retail parties to increase sales.

By working closely with our business partners, we have already achieved significant success in increasing retail turnover. This commitment to the partnership approach will continue to be the cornerstone of our business strategy.

Melbourne Airport car parks

Revenue from the short-term car park grew by 12.5%. This was partially due to increases in the average length of stay. Operating efficiency has been significantly improved with the new pay-on-foot system, which is now used by 99% of our customers.

Income from the long-term car park increased by 8%, reflecting increased customer volumes.

Combined, the two car parks offer over 6,000 car spaces, making it the largest car park site, with the highest volumes, in Victoria.

Car rental

During the financial year car rental concessions were put to tender and negotiations completed at both Melbourne and Launceston Airports.

In October last year Melbourne Airport opened a fully integrated facility in the short-term car park for car rental companies. This facility is used by the five car rental companies operating on-airport.

Advertising sites

With last financial year as the first full year under the new outdoor contract, total advertising revenue grew by 91% on the 1997/1998 period.



Partners in growth

Property highlights

Melbourne Airport

- Qantas Domestic Terminal infrastructure works substantially completed
- \$55 million Hilton Hotel construction commenced
- Marketing and development strategy established for the 350 hectares of commercial land at Melbourne Airport
- New depot built at Melbourne Airport to manage the Skybus fleet
- Bureau of Meteorology base under construction at Melbourne Airport

Launceston Airport

- Royal Flying Doctor Service opened at Launceston Airport in September 1998

Tony West, Head of Property Melbourne Airport with the Hilton Hotel project team (Tim Swain, Root Projects; Oded Lifschitz, Hilton International; Chris Tarrent, Bankers Trust Australia Ltd; Jeff Owen, Hooker Cockram Ltd; and Jonathon Daniels, Folkestone Ltd)



Encouraging property growth through competitive solutions.

APAC works in partnership with businesses to provide property solutions at competitive rentals and encourage growth in a dynamic environment.

We have the experience and ability to manage our properties responsibly with regard to environmental compliance, the local community and the need to maintain the airports' ongoing operations.

We will continue to maximise the full potential of existing infrastructure and core investments while expanding the aeronautical and commercial property portfolios.

Melbourne Airport is building a strong future, with new projects and, in the long term, the development of prime commercial land.

Property revenue

Melbourne and Launceston airports earn property income from leases, investment in infrastructure developments and miscellaneous services.

Property revenue grew by 8% during the year, from \$42.5 million to \$46.0 million as a result of new developments and new leases in freight, terminal and general property. On the whole, rents have remained relatively stable and where historic leases have expired, they have been brought into line with current market rates.

Major initiatives – Melbourne

Two major projects currently under way will further cement Melbourne Airport's position as one of the world's best airports for business and leisure travellers.

The Hilton Hotel

As one of the first major development plans approved for a privatised airport, construction of the new four-star Hilton Hotel began in January 1999. The six-storey, 280-room hotel on top of the new multi-storey carpark will have direct access to the terminals.

Due for completion mid-2000, the complex will include conference, meeting and banquet facilities; a business centre; a leisure centre; and a restaurant and bar. Along with the existing Centra Hotel, it will offer travellers greater choice and flexibility for accommodation and meetings.

Efforts to minimise the disruption to customers using the short-term car park and car rental companies have been a priority in the set up phase of the construction site.

The Qantas Domestic Terminal expansion

To support the terminal expansion project, Melbourne Airport has developed the essential infrastructure and roadways.

Completed over two years the \$50 million investment was delivered on time and within budget. It included the construction of the facilities that house power, water and heating; 60,000 square metres of new and regraded aircraft aprons and taxiways; an extension to the ground-level and elevated roadways; and improved vehicle access to freeways.

With the infrastructure and roadworks substantially completed, the extension to the Qantas Domestic Terminal is scheduled to be operational in the second half of 1999.

Major initiatives – Launceston *Royal Flying Doctor Service*

In September 1998 the new Royal Flying Doctor Service hangar was officially opened by the Governor of Tasmania, Sir Guy Green. The new building provides the RFDS with a permanent airport base for aircraft hangarage, maintenance and medical transfer facilities.

New leases

The airports' desirability as a business location is a significant contributor to APAC's growth potential.

Over the past 12 months several new leases have been completed at Melbourne Airport, including a new depot for the Skybus fleet and the construction of a Bureau of Meteorology base due to start operating in the second half of 1999.

Working with business

Melbourne Airport houses 150 businesses that employ 11,000 people. The airport's management works closely with these business partners to manage all aspects of the airport for long-term compatible operations. As part of this commitment, Melbourne Airport established an Environment Strategy and Code of Environmental Practice that every business can use to ensure they adopt responsible environmental practices.

Working with our partners has helped us identify a number of improvements in the building consent procedure at Melbourne Airport. As a result, the procedures for airport developments were simplified and a new step-by-step guide developed.



Operating airports

Eddie Swann and Mal Mackintosh, Melbourne Airport Operations Officers



Operating our airports efficiently and safely.

Successful airports operate smoothly without apparent effort. Our role is to ensure that Melbourne and Launceston airports continue to function efficiently and safely.

The work of the operations and maintenance staff ensured that Melbourne and Launceston airports functioned efficiently during the year.

Safe and secure

Our airports are committed to safe and secure operations. In security and safety audits by the Department of Transport and Regional Services and the Civil Aviation Safety Authority Australia (CASA), Melbourne and Launceston airports have continually performed well. The airports meet regulatory standards and provide safe and secure environments for travellers, our business partners and their staff, and our employees.

Every business operating at the airports is responsible for safety and we aim to lead by example. A series of safety exhibitions and newsletters are two initiatives at Melbourne Airport to encourage responsible behaviour among on-airport businesses.

At Melbourne, further developments in our Emergency Procedures Program saw 160 airport workers take part in a full-day fire and warden training course. The program is conducted by the Airport Fire Service and will continue to be held on a regular basis.

During the year we held our annual emergency exercise at each airport to test the airport community's emergency response capabilities. The success of the exercises was a credit to the co-operation of airline staff, emergency crews and volunteers.

Continuing training courses also promote safety and security at the airport. They included security induction, airport emergency procedures training, airside driver and safety training, and retailer induction.

From 1 July 1999 Melbourne Airport is responsible for passenger security screening in the International Terminal. In the first half of 1999 the contract for operating the screening point was awarded and equipment acquired.

Maintaining standards

Over \$15 million has been spent in the last 12 months to maintain the high quality of our airports. Our comprehensive maintenance regime covers the full range of airport infrastructure, including runways, taxiways and aprons; roads and grounds; international terminal; car parks; and essential utilities.

Our high maintenance standards are delivered through a balance of skilled in-house staff and outsourced maintenance contracts to specialist companies. During the past financial year new contracts at Melbourne Airport were signed for litter control, maintenance of gardens and lawns, mowing of road verges and fire breaks, and provision of passenger baggage trolleys.

A major upgrade of the floodlights at Launceston Airport commenced in February 1999 and was completed in June.

Year 2000

A 2-year Y2K program has found that most APAC-owned IT systems are independent of date issues. A small number of systems which have a date-dependent component have been modified.

Outlook

APAC aims to control costs while continuing to provide appropriate service levels for passengers and our business partners.



Towards a common goal

Environmental highlights

- Melbourne Airport's Environment Strategy approved by the Minister in August 1998
- Melbourne Airport's first post-privatisation Environment Report produced
- Land Management Plan for Melbourne Airport developed and implemented
- Environment Management System for Melbourne Airport prepared and ready for implementation
- Environmental impacts minimised at both airports



Committed to responsible and sensitive environmental practices in the management and development of our airports.

Working with our business partners we aim to ensure sound environment management in conjunction with airport operations and development plans. We constantly look for ways to improve environmental performance, reduce waste and prevent pollution. In the past 2 years APAC has invested over \$1.5 million in the development and implementation of environment management strategies.

Environmental management

Sound environmental management comes from well thought out plans that identify the key issues to be addressed over time. Melbourne Airport has a detailed Environment Strategy that outlines the key management strategies to minimise environmental impacts of ongoing airport operations. The Melbourne Airport Environment Strategy was approved by the Minister in August 1998 after an extensive public and industry consultation period. Over the past twelve months Launceston Airport has been preparing its environment strategy.

Environment Management System

Last financial year Melbourne Airport developed an Environment Management System to ensure that a rigorous process is in place for the management of our own environmental activities. Developed to meet international standard ISO14001, the new system will be implemented over the coming year.

Some environmental management highlights

Minimising noise

Both airports have received a relatively low number of noise complaints, maintaining the trend of previous years. During the year Melbourne Airport received 119 noise complaints, or 0.8 complaints per thousand aircraft movements. This result shows a significant reduction on the 175 complaints the previous year and compares favourably with other Australian capital city airports, which receive complaints ranging between 1.6 and 142 per thousand aircraft movements.

Melbourne Airport is working closely with the Victorian Government and local municipalities to review the framework for land use planning to ensure only appropriate development occurs in areas subject to existing and future aircraft noise.

Water quality

APAC recognises the value of local waterways and is committed to minimising pollution in stormwater discharge.

A Humeceptor (sediment tank) was installed at Melbourne Airport in November 1998 to collect sediment in water run-off, preventing it from entering neighbouring creeks. While the new system is still being evaluated, the early results are promising, with a significant amount of pollutants being removed.

While the Humeceptor is proving valuable, Melbourne Airport's stormwater still contains some pollutants (heavy metals and nutrients) in excess of the regulated amounts. APAC is actively seeking ways to further improve the storm water quality, and in the interim we have obtained a Commonwealth Government authorisation to continue discharging stormwater.

Air quality

Air quality at Melbourne Airport remained within the regulated limits at all times during the year.

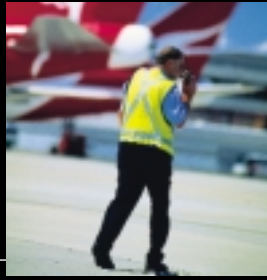
Land management

APAC is committed to land management principles that minimise land degradation from weed and vermin infestation. After consultation with the local community, Melbourne Airport has developed and implemented a land management plan to control noxious weeds and vermin.



Our team

Steve Butler, Melbourne Airport Mechanical Supervisor training Janet McDermott, United Airlines on aerobridge operation



Our team is one of our greatest assets.

We could not have accomplished so much in the past two years without a dedicated and professional team. It is through their efforts that APAC has had another successful year.

To continue our success in the future, we are committed to skill development, performance recognition and providing a safe and enjoyable work environment.

Our team is responsible for the management of Launceston Airport and Melbourne Airport and work in a variety of occupations, including airport safety and security, grounds maintenance, trade and technical, administrative and professional.

Staff numbers at each airport have remained stable, with APAC employing 185 people at Melbourne and 18 at Launceston.

Quality performers

During the year Melbourne Airport received two prestigious awards – the Victorian and the Australian Tourism Award for General Tourism Services. These awards recognised the quality visitor services offered by Melbourne Airport staff.

Launceston EBA

Launceston Airport negotiated its first Enterprise Bargaining Agreement since being privatised. The 1-year agreement seeks to foster employee commitment to the airport's future through ongoing training and a Performance Management System that recognises individual accomplishment.

Health and safety

Both airports have a range of programs and activities to ensure that staff work in a safe, healthy environment and comply with relevant legislation. The airports are committed to occupational health and safety and equal opportunity practices and policies.

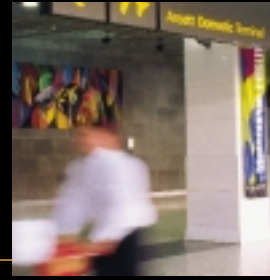
CAPS – working together

To accurately reflect employee roles and to recognise the contribution of individuals to our performance, the Melbourne Airport team have developed CAPS (Career and Performance System). Developed by a cross section of employees, the performance measurement system is designed to promote teamwork, build stronger communication among employees and boost job satisfaction.

The program, which was developed over several months, was introduced in June 1999. It is expected that the program will be fully implemented in the new financial year.



Working with our neighbours



Operating premier gateways for the benefit of all our stakeholders.

Through open consultation with our stakeholders, we are determined to develop Melbourne and Launceston airports for the benefit of the regions they serve.

Airports are economic hubs that drive employment and growth for the region. More than 11,000 people work for the 150 plus companies operating at Melbourne Airport. Not only is the airport one of the State's largest single site employers, but conservative estimates show that a further 31,000 people are directly or indirectly employed as a result of the airport's activities.

Launceston Airport has 35 companies operating on-airport, and combined they employ around 360 people. It is a significant employer in Northern Tasmania, and is estimated to create an additional 1,000 jobs in the region.

By working closely with our partners – airlines, concessionaires and other on-airport companies, local, State and Federal governments, the tourism and freight industries and the broader business community – we are confident we can harness our airports' economic potential.

Planning for growth

At Melbourne Airport we have been working with the Victorian Government in the review of the Airport Environs Planning Controls to ensure only airport compatible developments occur in noise affected corridors around the airport. The Victorian Parliament passed new legislation concerning the controls on 4 November 1998. This will ensure the airport can continue to grow to meet the needs of future generations, while minimising the negative impacts of airport operations on the local residents.

Launceston Airport, the Launceston City Council and the North Midlands Council are committed to the airport's continued economic contribution to the region.

Community relations

Both Melbourne and Launceston airports are actively involved in the local community through a number of projects and consultation programs. For example:

Melbourne Airport

- Cultural and event based on-airport promotions encouraging tourism growth and celebrating Victoria's cultural diversity.
- Each year the works of children from local schools are displayed throughout the International Terminal to celebrate Christmas.
- Melbourne Hosts Program – a 16 week visitor services training program combining on the job and classroom experience for those starting out on their tourism career.
- Involvement in several Hume City Council, Tourism Victoria and Business Victoria initiatives.
- Proactively encouraging growth in the north-west through ongoing involvement with and support of Northlink.

Launceston Airport

- Extensive consultation program, including regular community presentations.
- Co-operative initiatives with Launceston City Council, North Midlands Council, Gateway, the Launceston Chamber of Commerce and the Tasmanian Government.

Keeping in touch

To ensure we keep in touch with community and industry needs, we have established advisory committees at each airport. The Melbourne Airport committee has been operating for almost two years now and is proving very successful in tapping into attitudes towards the airport. The Launceston Airport advisory group was set up in October 1998 and has established itself as a valuable source of community attitudes and thoughts.

