



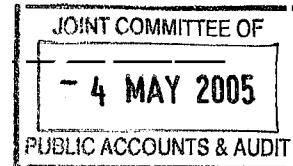
Australian Government

Department of Transport and Regional Services

14<sup>th</sup> Apr 03/04  
Submission No: .....7.....

File Reference: L2005/1756

Ms Rebecca Gordon  
Inquiry Secretary  
Joint Statutory Committee on Public Accounts and Audit  
Parliament House  
CANBERRA ACT 2600



Dear Ms Gordon

**Review of Auditor-General's Reports Fourth Quarter 2003-2004  
ANAO Performance Audit Report No. 50 Management of Federal Airport  
Leases - Public Hearing 7 March 2005 - Questions on Notice**

I refer to your email of 9 March 2005 enclosing a copy of the proof transcript of the evidence given at the Committee's public hearing on 7 March 2005. At that time you also sought the Department's response to the Committee's Questions on Notice as recorded in the proof transcript.

The Department's responses to the Questions on Notice are provided at **Attachment A**. In addition, the Department would like to take this opportunity to provide the Committee with details of the specific Departmental actions arising from the ANAO Report's Recommendations (**Attachment B**). An updated version of the Annual Lease Review schedule, tabled by the Department at the Committee hearing, has also been included at **Attachment C**.

Do not hesitate to contact myself on 62747086 or Neil Williams on 62748047 if the Committee requires any further information or clarification on these matters.

Yours sincerely

Martin Dolan  
Executive Director  
Aviation and Airports  
27 April 2005

**ATTACHMENT A**

**JOINT COMMITTEE ON PUBLIC ACCOUNTS AND AUDIT  
REVIEW OF AUDITOR-GENERAL'S REPORTS FOURTH QUARTER 03-04  
– ANAO PERFORMANCE AUDIT REPORT NO. 50 MANAGEMENT OF  
FEDERAL AIRPORT LEASES  
PUBLIC HEARING 7 MARCH 2005  
DEPARTMENT OF TRANSPORT AND REGIONAL SERVICES' RESPONSE  
TO QUESTIONS ON NOTICE**

**Question 1 (Hansard page 2)**

**Could you provide to the committee a list of the airports that are leased and details of who the lessees are and where there is commonality among the lessees – whether it be in parent companies or the like”**

**ANSWER**

The table at Schedule 1 provides details of current stakeholders with a greater than 10% stake in each leased Federal airport. The table also details where entities have a greater than 10% stake in multiple airports.

**Question 2 (Hansard page 5)**

**“Please show us documentation that proves that there have been insurance policies in place at all of our airports that ameliorate the risk to the Commonwealth government that we are all responsible for”.**

**“Can a schedule be provided that shows the 17 airports and the insurance that they had in place that year?”**

**ANSWER**

The Sale Agreements for all leased Federal airports require insurance cover in relation to structures, plant and machinery, revenue loss and legal liability. The extent of cover required is detailed in the Sale Agreements and is reflected in the attached Schedule 2. Schedule 2 has been prepared on the basis of certificates of currency, placement slips, policy schedules or confirmation by airport brokers provided by the airport lessees for those years since privatisation of the airports.

**Question 3 (Hansard page 10) - Re copies of original leases**

**“What if one cannot be located? What are the implications of an original document not ever being located, without even a copy?”**

**ANSWER**

The Department has confirmed with the Australian Government Solicitor (AGS) the whereabouts of the Commonwealth's originals of the leases for the Federal airports sold in the Phase 1 and Phase 2 sales (those being the airports within the scope of the ANAO Audit).

The AGS has confirmed that it holds originals of all airport leases except for those of Hobart, Brisbane and Townsville, for which it has obtained copies issued by the Tasmanian and Queensland Land Titles Offices (LTOs). The AGS has advised the Department that copies issued by an LTO are as good as the original.

Originals or electronic copies of originals are held at the LTOs of the state or territory in which the lease was registered. Melbourne Airport is the only airport which does not have its lease registered. The AGS is currently making arrangements for the Melbourne Airport Lease to be registered with the Victorian LTO.

At the time of leasing, the AGS provided printed and bound "Administrators' Versions" of the Airport Leases to the Department. The Administrators' Version is not a signed copy of the lease, but contains the precise wording of each clause of the lease, with explanations by AGS of the meaning and intention of clauses. The Administrators' Versions are specific to each airport. The AGS intended the Administrators' Versions to be used by the Department to interpret and apply the various lease clauses in the course of its lease administration duties, such as in the conduct of the annual lease reviews. The Department holds at least two bound copies of each Administrator's Version. It also holds copies of the signed lease for each airport.

**Department of Transport and Regional Services**

**Airport Ownership as at 22 March 2005**

State/Territory	Airport Lessee Company	Stakeholders with a greater than 10% stake
ACT	Canberra International Airport Pty Ltd	<p><b>Stirling Finance Unit Trust (100%)</b> in which the following have a greater than 10% stake:</p> <ul style="list-style-type: none"> <li>• Capital Property Finance Pty Ltd (100%)</li> </ul>
NSW	<p>Bankstown Airport Ltd</p> <p>Camden Airport Ltd</p>	<p><b>BAC Airports Pty Ltd (100%)</b> in which the following have a greater than 10% stake:</p> <ul style="list-style-type: none"> <li>• BAC Holdco Pty Ltd (100%) in which the following have a greater than 10% stake: <ul style="list-style-type: none"> <li>- James Fielding Funds Management Ltd (33.3%)</li> <li>- Commonwealth Investments Pty Ltd (33.3%)</li> <li>- Westscheme Pty Ltd (33.3%)</li> </ul> </li> </ul>
NSW	Hoxton Park Airport Ltd	<p><b>HPAL Holdings Pty Ltd (100%)</b> in which the following have a greater than 10% stake:</p> <ul style="list-style-type: none"> <li>• James Fielding Funds Management Ltd (100%)</li> </ul>
NSW	Sydney Airport Corporation Ltd	<p><b>Southern Cross Airports Corporation Holdings Ltd</b>  (the ultimate Holding Company in the Southern Cross Airports Group that conducts the business of Sydney Airport) in which the following have a greater than 10% stake:</p> <ul style="list-style-type: none"> <li>• The two custodians of the Southern Cross Australian Airports Trust (SCAAT) (45.66%): <ul style="list-style-type: none"> <li>○ Trust Company of Australia (45.19%)</li> <li>○ Bond St Custodians (0.47%)</li> </ul> </li> <li>• Ferrovial Aeropuertos Australia Management Pty Ltd as trustee for the Ferrovial Sydney Airport Investment Trust (16.10%)</li> <li>• Macquarie Specialised Asset Management Ltd as responsible entity for the Southern Cross FLIERS Trust (22.94%)</li> </ul>

**SCHEDULE 1**

NT	Alice Springs Airport Pty Ltd  Darwin Airport Pty Ltd	<p><b>Northern Territory Airports Pty Ltd (100%)</b> in which the following have a greater than 10% stake:</p> <ul style="list-style-type: none"> <li>• Airport Development Group Pty Ltd (100%) in which the following have a greater than 10% stake: <ul style="list-style-type: none"> <li>- BAA Australia Pty Ltd (10%)</li> <li>- Industry Funds Management (Nominees) Limited (35.5%)</li> <li>- Hastings Funds Management Ltd (25.4%)</li> <li>- RBC Global Services Australia Nominees Pty Ltd (14.55%)</li> <li>- National Asset Management Ltd (14.55%)</li> </ul> </li> </ul>
NT	Tennant Creek Airport Pty Ltd	<p><b>Airport Development Group Pty Ltd (100%)</b> in which the following have a greater than 10% stake:</p> <ul style="list-style-type: none"> <li>• BAA Australia Pty Ltd (10%)</li> <li>• Industry Funds Management (Nominees) Limited (35.5%)</li> <li>• Hastings Funds Management Ltd (25.4%)</li> <li>• RBC Global Services Australia Nominees Pty Ltd (14.55%)</li> <li>• National Asset Management Ltd (14.55%)</li> </ul>
QLD	Archerfield Airport Corporation Pty Ltd	<p><b>Miengrove Pty Ltd (100%)</b> in which the following have a greater than 10% stake holding:</p> <ul style="list-style-type: none"> <li>• Gavin James Bird (50%)</li> <li>• Petricia Karen Bird (50%)</li> </ul>
QLD	Brisbane Airport Corporation Ltd	<ul style="list-style-type: none"> <li>• <b>Commonwealth Custodial Services (27.3%)</b></li> <li>• <b>Gateway Investments Corporation Pty Ltd (37.4%)</b></li> <li>• <b>National Asset Management Ltd (12.7%)</b></li> <li>• <b>Schipol Australia Pty Ltd (15.6%)</b></li> </ul>

## SCHEDULE 1

QLD	Gold Coast Airport Ltd  Australian Airports (Mount Isa) Ltd  Australian Airports (Townsville) Ltd	<b>Queensland Airports Ltd (100%)</b> in which the following have a greater than 10% stake: <ul style="list-style-type: none"> <li>• Hastings Funds Management Ltd as responsible entity for the Australian Infrastructure Fund (49.07%)</li> <li>• Hastings Funds Management Ltd as trustee for the Infrastructure Fund (33.67%)</li> </ul>
SA	Adelaide Airport Ltd	<ul style="list-style-type: none"> <li>• <b>National Nominees Ltd (37.4%)</b></li> <li>• <b>Local Government Superannuation Board (16.2%)</b></li> <li>• <b>Motor Traders Association of Australia Superannuation Fund Pty Ltd (27.5%)</b></li> </ul>
SA	Parafield Airport Ltd	<b>Adelaide Airport Ltd (100%)</b> in which the following have a greater than 10% stake: <ul style="list-style-type: none"> <li>• National Nominees Ltd (37.4%)</li> <li>• Local Government Superannuation Board (16.2%)</li> <li>• Motor Traders Association of Australia Superannuation Fund Pty Ltd (27.5%)</li> </ul>
TAS	Hobart International Airport Pty Ltd	<b>Hobart Ports Corporation Pty Ltd (100%)</b>
TAS	Australia Pacific Airports (Launceston) Pty Ltd	<ul style="list-style-type: none"> <li>• <b>Australia Pacific Airports Corporation (100%)</b> in which the following have a greater than 10% stake: <ul style="list-style-type: none"> <li>- BAA Australia Pty. Ltd. (19.82%)</li> <li>- SAS Trustee Corporation (25%)</li> <li>- AMP Capital Investors Limited (40.99%)</li> </ul> </li> <li>• <b>Launceston City Council (Airport loan notes representing a 10% interest)</b></li> </ul>
VIC	Australia Pacific Airports (Melbourne) Pty Ltd	<b>Australia Pacific Airports Corporation (100%)</b> in which the following have a greater than 10% stake: <ul style="list-style-type: none"> <li>• BAA Australia Pty. Ltd. (19.82%)</li> <li>• SAS Trustee Corporation (25%)</li> <li>• AMP Capital Investors Limited (40.99%)</li> </ul>

**SCHEDULE 1**

VIC	Essendon Airport Pty Ltd	<p><b>Essendon Airport Holdings Pty Ltd (100%)</b> in which the following have a greater than 10% stake:</p> <ul style="list-style-type: none"> <li>• LPG Essendon Pty Ltd as trustee for the LPG Essendon Trust (50%)</li> <li>• Becton Construction Services Pty Ltd as trustee for the Becton Construction Services Trust (50%)</li> </ul>
VIC	Moorabbin Airport Corporation Pty Ltd	<ul style="list-style-type: none"> <li>• <b>Goodman Holdings Pty Ltd (66.6%)</b></li> <li>• <b>Airport Investments Pty Ltd (33.3%)</b></li> </ul>
WA	Jandakot Airport Holdings Pty Ltd	<ul style="list-style-type: none"> <li>• <b>Allswan Holdings Pty Ltd (34.33%)</b></li> <li>• <b>Hanscon Holdings Pty Ltd (52%)</b></li> <li>• <b>Jayport Holdings Pty Ltd (13.66%)</b></li> </ul>
WA	Westralia Airports Corporation Pty Ltd (Perth Airport)	<p><b>Airstralia Development Group Pty Ltd (100%)</b> in which the following have a greater than 10% stake:</p> <ul style="list-style-type: none"> <li>• Utilities of Australia Pty Ltd as trustee for the Utilities Trust of Australia (32.01%)</li> <li>• Hastings Funds Management Ltd as responsible entity for the Australia Infrastructure Fund (24.88%)</li> <li>• BAA Australia Pty Ltd (15%)</li> <li>• Utilities of Australia Pty Ltd as trustee for the Perth Airport Property Fund (14.5%)</li> </ul>

**Entities with a greater than 10% stake in multiple airports**

<b>Entity holder</b>	<b>Airports in which a greater than 10% stake is held</b>
National Nominees Ltd	Adelaide and Parafield <sup>1</sup>
Local Government Superannuation Board	Adelaide and Parafield <sup>1</sup>
Motor Traders Association of Australia Superannuation Fund Pty Ltd	Adelaide and Parafield <sup>1</sup>
Airport Development Group Pty Ltd	Alice Springs, Darwin and Tennant Creek <sup>2</sup>
Northern Territory Airports Pty Ltd	Alice Springs and Darwin <sup>2</sup>
BAA Australia Pty Ltd	Alice Springs, Darwin, Tennant Creek <sup>2</sup> , Launceston, Melbourne and Perth
Industry Funds Management (Nominees) Ltd	Alice Springs, Darwin and Tennant Creek <sup>2</sup>
Hastings Funds Management Ltd	Alice Springs, Darwin, Tennant Creek <sup>2</sup> , Gold Coast, Darwin, Mount Isa, Perth, and Townsville
RBC Global Services Australia Nominees Pty Ltd	Alice Springs, Darwin and Tennant Creek <sup>2</sup>
National Asset Management Ltd	Alice Springs, Darwin, Tennant Creek <sup>2</sup> and Brisbane
BAC Airports Ltd	Bankstown and Camden <sup>3</sup>
James Fielding Funds Management Ltd	Bankstown, Camden and Hoxton Park <sup>3</sup>
Commonwealth Investments Pty Ltd	Bankstown and Camden <sup>3</sup>
Westscheme Pty Ltd	Bankstown and Camden <sup>3</sup>
BAC Holdco Pty Ltd	Bankstown and Camden <sup>3</sup>
Australia Pacific Airports Corporation	Launceston and Melbourne
SAS Trustee Corporation	Launceston and Melbourne
AMP Capital Investors	Launceston and Melbourne

<sup>1</sup> Adelaide and Parafield airports were originally sold together as a package.

<sup>2</sup> Alice Springs, Darwin and Tennant Creek airports were originally sold together as a package.

<sup>3</sup> Bankstown, Camden and Hoxton Park airports were originally sold together as a package.



**DEPARTMENT OF TRANSPORT AND REGIONAL SERVICES**

**Schedule of Airport Insurance Cover – Federal Leased Airports 1997-2005**

**INTRODUCTION**

The relevant Schedule to the Sale Agreements sets out insurance requirements in the following terms:

“1. The Transferee will at its expense effect and maintain or cause to be effected and maintained at the Grant Time the following policies of insurance (“Policies”) :

(a) policy or policies of insurance to cover:

- (i) loss and/or damage to or destruction of structures;
- (ii) loss and/or damage to or destruction of plant, machinery and other property on the Airport Site or in transit; and
- (iii) loss of gross revenues and/or additional increase in the cost of working consequent upon loss and/or damage to or destruction of structures, plant, machinery and other property.

Such policy or policies must be effected for the reinstatement or replacement value of structures plus extra costs of reinstatement;

(b) a policy or policies of insurance in respect of legal liability for, but not limited to, claims made by third parties for bodily injury or death or damage to or destruction of property (including the loss of use of such property) arising out of the Transferee’s use or occupation of the Airport Site or any operations occurring on or in respect of the Airport Site.

Such policy or policies must be effected initially with a minimum cover of \$...” *(The cover stipulated in the Sale Agreements for legal liability varies between airports as follows:*

<i>\$1.5 billion</i>	<i>Adelaide, Brisbane, Melbourne, Perth, Sydney</i>
<i>\$1 billion</i>	<i>Canberra, Gold Coast, Darwin</i>
<i>\$500 million</i>	<i>Alice Springs, Hobart, Launceston, Townsville</i>
<i>\$150 million</i>	<i>Archerfield, Bankstown, Camden, Essendon, Hoxton Park, Jandakot, Moorabbin, Parafield</i>
<i>\$25 million</i>	<i>Tennant Creek, Mt Isa)</i>

All aviation liability primary policies identified in the table below contain third party legal liability limits consistent with the amounts specified in the Sale Agreements.

In addition to the insurance requirements of the Sale Agreements, all airport leases contain a clause indemnifying the Commonwealth from any actions arising from lessee operation of the airports. The relevant clause states that the lessee:

“...hereby indemnifies the Lessor from and against all Claims, Damages or Costs incurred or sustained by the Lessor, or for which the Lessor may become liable, in respect of any Claims, Damages, Costs or Injury to any person by reason of any act or omission on the part of the Lessee or by the performance of the Lease or the use or occupation of the airport Site by the Lessee or any other person...”

## Schedule of Airport Insurance Cover – Federal Leased Airports 1997-2005

*(Insurance cover for structures, plant and machinery and revenue loss is denoted by '(a)' in the second column; third party legal liability is denoted by '(b)'. The symbol "✓" represents insurance cover confirmed by certificates of currency, placement slips, policy schedules or written confirmation by the airport's broker.*

Airport <sup>1</sup>	Cover required by Sale Agreement	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Adelaide/Parafield	(a)		✓	✓	✓	✓	✓	✓	✓
	(b)		✓	✓	✓	✓	✓	✓	✓
Archerfield	(a)		✓	✓	✓	✓	✓	✓	✓
	(b)		✓	✓	✓	✓	✓	✓	✓
Bankstown/Camden/Hoxton Park	(a)							✓	✓
	(b)							✓	✓
Brisbane	(a)	✓	✓	see note 2	✓	✓	✓	✓	✓
	(b)	✓	✓	✓	✓	✓	✓	✓	✓
Canberra	(a)		✓	✓	✓	✓	✓	✓	✓
	(b)		✓	✓	✓	✓	✓	✓	✓
Darwin/Alice Springs/Tennant Creek	(a)		✓	✓	✓	✓	✓	✓	✓
	(b)		✓	✓	✓	✓	✓	✓	✓
Essendon	(a)					✓	✓	✓	✓
	(b)					✓	✓	✓	✓
Gold Coast	(a)		✓	see note 2	✓	✓	✓	✓	✓
	(b)		✓	✓	✓	✓	✓	✓	✓

- 1 Shaded areas in the body of the table indicate that the period was prior to sale. The respective sale dates were:  
 1 July 1997 - Brisbane, Melbourne, Perth; 28 May 1998 - Adelaide, Canberra, Gold Coast, Launceston, Parafield; 10 June 1998 - Alice Springs, Darwin, Hobart, Mt Isa, Tennant Creek, Townsville;  
 18 June 1998 - Archerfield, Moorabbin; 30 June 1998 - Jandakot; 10 August 2001 - Essendon; 30 June 2002 - Sydney (KSA); 14 November 2003 - Bankstown, Camden, Hoxton Park.
- 2 DOTARS has requested documentation from the airports for these periods as a matter of urgency. Insurance brokers for the airports have advised the documents need to be retrieved from their archives. In the case of the Gold Coast the archives are in the UK.

**Schedule of Airport Insurance Cover – Federal Leased Airports 1997-2005 (cont.)**

<b>Airport</b>	<b>Cover required by Sale Agreement</b>	<b>1997-98</b>	<b>1998-99</b>	<b>1999-00</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>
Hobart	(a)		✓	✓	✓	✓	✓	✓	✓
	(b)		✓	✓	✓	✓	✓	✓	✓
Jandakot	(a)		✓	✓	✓	✓	✓	✓	✓
	(b)		✓	✓	✓	✓	✓	✓	✓
Melbourne/Launceston	(a)	✓	✓	✓	✓	✓	✓	✓	✓
	(b)	✓	✓	✓	✓	✓	✓	✓	✓
Moorabbin	(a)		✓	✓	✓	✓	✓	✓	✓
	(b)		✓	✓	✓	✓	✓	✓	✓
Perth	(a)	✓	✓	✓	✓	✓	✓	✓	✓
	(b)	✓	✓	✓	✓	✓	✓	✓	✓
Sydney	(a)						✓	✓	✓
	(b)						✓	✓	✓
Townsville/Mt Isa	(a)		✓	✓	✓	✓	✓	✓	✓
	(b)		✓	✓	✓	✓	✓	✓	✓

**DEPARTMENT OF TRANSPORT AND REGIONAL SERVICES**

**MANAGEMENT OF FEDERAL AIRPORT LEASES - ANAO PERFORMANCE AUDIT REPORT NO. 50 RECOMMENDATIONS**

ANAO Recommendation	Department's response	Action taken as at 26 April 2005
<p><b>INSURANCE</b></p> <p><b>Rec. No. 1</b>            ANAO <i>recommends</i> that DOTARS assure itself that the required insurance policies are in place at privatised Federal airports by:</p> <p>(a) adopting contracting procedures that provide the Department with ongoing access to expert, independent advice on lessees' insurance policies; and</p> <p>(b) promptly resolving uncertainty where it is not clear that the required insurance is in place.</p>	<p>"Agreed.</p> <p>The Department considers that its current contracting procedures, that is a three year contract which commenced in September 2002 with an option to renew for further two years, provides it with "ongoing access to expert, independent advice on lessees' insurance policies". The Department's planned review of the current contract six months prior to the renewal option date will enable the Department to assess as part of this process the incumbent contractor's 2004 annual insurance audit reports."</p>	<p><u>In progress.</u></p> <p>(a) Responsibility for airport insurance arrangements consolidated with one dedicated officer in Airport Planning and Regulation Branch.</p> <p>(b) Current insurance contract has been reviewed and briefing paper prepared for decision by end April 2005.</p> <p>(c) 2004-2005 insurance review currently underway and is on schedule. Letters were sent to 21 airports in August 2004 detailing requirements for annual insurance audit. Information received from 20 airports has been sent to Audit contractor. To date, Audit contractor has submitted reports for 15 airports to Department and these have been/are currently being assessed and follow up action initiated where necessary. Outstanding information is to be provided by the remaining airport in near future for assessment by the Audit contractor.</p> <p>(d) Department has acted to resolve uncertainty in relation to insurance status. For details of airports' insurance cover from 1997-2005, see Attachment A, Schedule 2</p>

ANAO Recommendation	Department's response	Action taken as at 26 April 2005
<p><b>LETTERS OF COMFORT</b></p> <p><b>Rec. No. 2</b></p> <p>ANAO <i>recommends</i> that DOTARS record the letters of comfort issued in relation to airport sub-lessees on the Department's Register of Contingencies and implement appropriate safe custody arrangements for the instruments.</p>	<p>"Agreed.</p> <p>In April 2004 all 'letters of comfort' issued in relation to airport leases were recorded on the Department's Register of Contingencies, and safe custody arrangements for the instruments were put in place."</p>	<p><u>Completed.</u></p> <p>All letters identified as "letters of comfort" by the ANAO have been recorded on Department's Register of Contingencies. Safe custody arrangements for instruments have been put in place by ensuring documentation is held centrally by Department and by retaining a copy on the Branch file specifically created for copies of instruments and which is held by Branch Head.</p>
<p><b>COST RECOVERY</b></p> <p><b>Rec. No. 3</b></p> <p>ANAO <i>recommends</i> that, consistent with the Commonwealth's cost recovery policy for regulatory agencies, DOTARS implement a rigorous system for quantifying the reasonable costs of its administration of the 22 Federal Airport Leases, in order to:</p> <p>(a) identify the amount of resources required to administer the contracts entered into at the time of the various sales; and</p> <p>(b) consider the merits of exercising the Commonwealth's contractual rights to recover from lessees the Department's lease administration costs.</p>	<p>"Agreed."</p> <p>The Department also stated in the text of its response that: "In accordance with Finance Circular 2002/02, 'Cost Recovery by Government Agencies', issued in December 2002, the Department is scheduled to commence its two-year review in 2003-2004 of all existing cost recovery arrangements and applying the new policy to all new and significantly amended cost recovery arrangements.</p> <p>The cost recovery arrangements provided for under the airport lease will form part of this review."</p>	<p><u>Well progressed.</u></p> <p>(a) Scope of ANAO Recommendation No. 3 included in consultant's terms of reference for the 2003-2004 Departmental-wide review of cost recovery arrangements.</p> <p>(b) Department's review commenced August 2004 and included examination of "reasonable costs" for administration of airport leases and the appropriateness of recovering these costs. Additional information provided by Australian Airports Association (AAA) following release of the ANAO Report further substantiated the Department's understanding that potential purchasers of the airport leases had been advised prior to purchase that these costs would not be recovered. This additional information was provided to the Departmental consultant as part of the briefing for the cost recovery review.</p>

ANAO Recommendation	Department's response	Action taken as at 26 April 2005
		(c) The consultant reported to the Department in November 2004 with regard to the specific terms of reference relating to airport cost recovery. Legal advice relating to the difficulty of recovery of lease administration costs has been received and a paper is now being prepared for consideration by the Department's Audit Committee.
<p><b>ANNUAL LEASE REVIEWS</b></p> <p><b>Rec. No. 4</b>  ANAO <i>recommends</i> that DOTARS improve its management of the Airport Leases by developing and implementing reliable systems for the scheduling and conducting of annual lease review meetings, and reporting on its performance in conducting these reviews.</p>	<p>“Agreed with qualification.</p> <p>The Department will review its existing arrangements for the scheduling and conducting of lease review meetings with a view to determining an appropriate risk management strategy on an airport-by-airport basis for undertaking future airports lease reviews. The Department will examine the most appropriate approach for reporting on its performance in conducting these reviews.”</p>	<p><u>Well progressed.</u></p> <p>A review of existing arrangements for the scheduling and the conduct of lease reviews has been undertaken and new draft Branch Guidelines, including templates and checklists, has been developed. These draft guidelines are being trialled at lease reviews in March-June 2005. In addition, an internal assessment of the risks associated with the management of lease obligations has been undertaken and appropriate risk treatments included in the new draft Branch Guidelines.</p> <p>A schedule of lease review meetings to be undertaken in 2004-2005 for all 22 Federally leased airports has been approved and these reviews are now underway. An updated schedule of 2004-2005 lease review meetings is provided at Attachment C.</p>

ANAO Recommendation	Department's response	Action taken as at 26 April 2005
		<p>A summary of the annual lease reviews conducted during 2003-04 was included in DOTARS' 2003-2004 Annual Report, and the form of future reporting will be reviewed from 2004-2005 onwards. The Branch will brief the 22 airport lessees on the form of future performance reporting on lease reviews at the Airport Consultative Forum to be held on 5 May 2005.</p>
<p><b>Rec. No. 5</b>  ANAO <i>recommends</i> that DOTARS enhance its conduct of lease review meetings by, at the conclusion of each review:</p> <ul style="list-style-type: none"> <li>(a) documenting review outcomes, including the Department's assessment of the degree to which the lessee complies with the sale documentation requirements; and</li> <li>(b) providing a written response to the lessee specifying outstanding issues that are to be addressed.</li> </ul>	<p>"Agreed."</p>	<p><u>Well progressed.</u></p> <p>Guidance for Branch staff on documenting lease review outcomes is included as part of the new draft Guidelines (see Recommendation No. 4 above). A number of 2004-2005 lease reviews have already been conducted using the new guidance. The draft Guidelines include checklists and templates for written responses to lessees.</p>
<p><b>DEVELOPMENT OBLIGATIONS</b></p> <p><b>Rec. No. 6</b>  ANAO <i>recommends</i> that DOTARS include in future Annual Reports comprehensive and accurate performance information on the timeliness and completeness of receipt of expenditure plans and audited reports on Development Commitment expenditure from relevant airport lessees.</p>	<p>"Agreed with qualification.  The Department considers it important that prior to including in its Annual Report any performance information that identifies a particular airport, airports should be given advance notice of this intention. On this basis, the Department will include performance information relating to annual reports and expenditure plans from the 2004-2005 Annual Report onwards."</p>	<p><u>Work Scheduled.</u></p> <p>The most appropriate format and content of performance reporting for Development Obligations in future Departmental Annual Reports is scheduled to commence at the end of April 2005. The Branch will brief the 22 airport lessees on the form of future performance reporting on Development Obligations at the Airport Consultative Forum on 5 May 2005.</p>

ANAO Recommendation	Department's response	Action taken as at 26 April 2005
<p><b>Rec. No. 7</b></p> <p>ANAO recommends that DOTARS more closely analyse annual expenditure reports when they are provided in order to promptly advise lessees of any items that the Commonwealth would not accept as expenditure towards the Development Commitment obligations.</p>	<p>“Agreed.</p> <p>The formal Guidelines now in place facilitate the careful analysis of annual expenditure reports and provide for the formal advice to airport lessees regarding the appropriateness or not of their expenditure.”</p>	<p><u>Ongoing.</u></p> <p>Detailed Development Obligations Guidelines are in place and are being updated in line with this Recommendation by the end of the financial year.</p>
<p><b>Rec. No. 8</b></p> <p>ANAO <i>recommends</i> that, having regard to the delays that occurred for Period One, DOTARS expedite the finalisation of Period Two Development Commitment outcomes, currently due in 2007 and 2008, by taking early administrative action to obtain, analyse and assess financial reports prepared by Approved Auditors.</p>	<p>“Agreed.</p> <p>Formal Guidelines are already in place to provide the necessary administrative framework to ensure that Period Two Development Commitment outcomes will be finalised expeditiously. These Guidelines will continue to be applied.”</p>	<p><u>Well progressed.</u></p> <p>Formal Development Obligation Guidelines currently in place include requirements relating to finalisation of Period Two Development Obligation outcomes. Procedures in the Guidelines are being reviewed and updated to ensure timely results can be achieved relating to the finalisation of Period Two outcomes.</p>
<p><b>Rec. No. 9</b></p> <p>ANAO <i>recommends</i> that DOTARS report achievement against the Period One Development commitment for each airport in its next Annual Report.</p>	<p>“Agreed with qualification.</p> <p>From its 2003-2004 Annual Report onwards, the Department will report the outcomes for those airports that have completed their Period One Development Commitments for that respective year.”</p>	<p><u>Completed.</u></p> <p>Information about Period One Development Commitment outcomes was included in DOTARS' 2003-2004 Annual Report. The most appropriate form of performance reporting for Development Obligations in future Departmental Annual Reports is scheduled for review at the end of April 2005. The 22 airport lessees will be briefed on the form of future performance reporting on Development Obligations at the Airport Consultative Forum on 5 May 2005.</p>



**ATTACHMENT C**

**DEPARTMENT OF TRANSPORT AND REGIONAL SERVICES  
Annual Lease Review Meeting Schedule 2003-2005**

Sale	Airport	Year	
		2003 - 2004	2004 - 2005
Phase I (July 1997)	Brisbane	25 May 2004	June 2005 <sup>**</sup>
	Melbourne	13 August 2003	24 August 2004
	Perth	25 February 2004	22 April 2005
Phase 2 (June 1998)	Archerfield	25 May 2004	May - June 2005 <sup>**</sup>
	Adelaide	25 May 2004	1 June 2005
	Alice Springs	21 May 2004	June - July 2005 <sup>**</sup>
	Canberra	25 June 2004	June 2005 <sup>**</sup>
	Coolangatta	27 July 2004	28 June 2005
	Darwin	20 May 2004	June - July 2005 <sup>**</sup>
	Hobart	30 April 2004	16 March 2005
	Jandakot	26 February 2004	19 April 2005
	Launceston	29 April 2004	5 April 2005
	Moorabbin	3 June 2004	June 2005 <sup>**</sup>
	Parafield	25 May 2004	1 June 2005 <sup>**</sup>
	Tennant Creek	20 May 2004	June - July 2005 <sup>**</sup>
	Townsville/ Mount Isa*	21 June 2004	28 June 2005
	Essendon	24 June 2004	June 2005 <sup>**</sup>
	Phase 3	Bankstown	No <sup>A</sup>
Camden			
Hoxton Park		11 May 2004	11 May 2005
Sydney			

**Notes**

\* Mount Isa airport not treated separately  
\*\* Scheduled  
No<sup>A</sup> No meeting held due to airports going through sale process.  
Lease issues addressed by Due Diligence process.

As at 26 April 2005