

Attachment B

Responses to matters taken on notice

Issue 1

Ms ROWLAND: I understand that SAC has the right of first refusal on the second Sydney airport site. What are the key challenges that come with developing a second airport? How do you expect to be consulted in the development—and I bear in mind that you have a right of first refusal on that which you can exercise? What impact on your own growth does SAC believe a second airport will have in Sydney's west?

Mr Plummer: Our submission was dated 11 April. That was before the government made its announcement. We could provide a supplementary document that deals with all those kinds of issues, Chair.

Ms ROWLAND: That would probably be useful.

CHAIR: Yes.

Mr Plummer: Our submission just does not go into that detail. There are important questions there, obviously.

Ms Fielke: As part of the first right, obviously there is a formal consultation to be undertaken with government.

Ms ROWLAND: Has that started?

Ms Fielke: No. If we could provide you with some additional information that would probably be more appropriate.

Following receipt of the Notice to Consult on the development and operation of the Western Sydney airport from the Australian Government, Sydney Airport issued the media release shown on page 2 on 18 August 2014.

The content of this media release answers the questions asked by Ms Rowland.

18 August 2014

Western Sydney airport – Notice to Consult

Sydney Airport has today received a Notice to Consult (NTC) on the development and operation of the Western Sydney airport from the Australian Government.

Under the 2002 Sydney (Kingsford Smith) Airport Sale Agreement, Sydney Airport has a Right of First Refusal to develop and operate a second Sydney airport.

The Right of First Refusal has a number of phases, including a consultative phase and a subsequent contractual phase. These are expected to take up to two years to complete.

The Australian Government has advised that the consultation phase will be for nine months commencing on 30 September 2014.

"Sydney Airport has accepted the Australian Government's invitation to participate in the consultation process," Kerrie Mather, CEO of Sydney Airport said.

"Since Badgerys Creek was confirmed in April this year as the site for the Western Sydney airport we have been engaged in preliminary discussions with the Department of Infrastructure and Regional Development. Together with the Department we have begun to map the considerable work that needs to be addressed during the consultation period.

"In addition, to supplement the extensive and global experience we have internally, we have selected a team of external experts to assist us to evaluate the opportunity.

"With the consultation period starting formally on September 30 the work program will focus on detailed examination of the business case including, but not limited to, passenger forecasting, demographics, airport design and operation, planning and commercial development, environmental analysis, and funding and financial modelling.

"We will work constructively with the Government through this important process," Ms Mather said.

Following the end of the formal consultation, the Australian Government may enter a contractual phase which would involve issuing Sydney Airport a Notice of Intention setting out the material terms for the development and operation of the Western Sydney airport. The Government would then allow Sydney Airport between four and nine months to consider the exercise of its option.

Sydney Airport anticipates that its business case analysis and evaluation of the opportunity would continue through both the consultative and contractual phases.

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Issue 2

Ms ROWLAND: As a supplementary, someone raised this with me recently and it had not occurred to me, essentially SAC will have a monopoly over both airports then. Do you anticipate that there will be any additional regulation that you will be subjected to as the monopoly provider of two airports in Australia's biggest city? I am happy for you to address that in your additional submission.

Ms Fielke: Okay, perhaps we will address that there.

Complementary ownership of the airports has had bipartisan government support since the 1990s; this policy position was reflected in the Airports Act in 1996.

Under the 2002 Sydney (Kingsford Smith) Airport Sale Agreement, this position was further embedded with Sydney Airport being given a Right of First Refusal to develop and operate a second Sydney airport, with supporting legislation.

Existing regulation contained in the Airports Act 1996:

- provides that Sydney (Kingsford Smith) Airport and Sydney West Airport must operate under common ownership; and
- clarifies the applicability of section 50 of the Competition and Consumer Act 2010.

Any additional regulation would be a matter for the Australian Government.

Issue 3

Mr PITT: The Productivity Commission report which was recently released, following the draft, I assume you have looked at it. Are there any recommendations there you would support more than others?

Mr Plummer: We would have to take that on notice because I know it is a substantial report.

The Productivity Commission (PC) referred to by Mr Pitt in his question found that:

“There is substantial scope to rationalise and improve the web of regulations and approval processes in the infrastructure construction sector. The Commission has identified many such opportunities in its recent study of development assessment processes for major projects. In addition to recent actions to reduce overlap of national and state environmental approvals processes, Australian governments continue to consider that study’s wide-ranging recommendations for reform.”ⁱ

The PC’s 2013 study of major project development assessment processes raised a number of areas in Australia’s development assessment and approvals regulatory systems that require the attention of Commonwealth, State and Territory Governments, includingⁱⁱ

- unnecessary complexity and duplicative processes
- lengthy approval timeframes
- lack of regulatory certainty and transparency in decision making
- conflicting policy objectives
- inadequate consultation and enforcement
- regulatory outcomes falling short of their objectives.

With respect to the development assessment and approvals regulatory system that applies to Australia’s capital city airports – which is part of the *Airports Act 1996* (Cth.) – our submission to the Standing Committee included a number of specific proposals to reform the airport development approvals process in a way that would improve efficiency and reduce regulatory costs.ⁱⁱⁱ

These include:

- increasing the construction cost threshold for major airport development
- reviewing definitions of major airport development
- reducing approval timeframe for MDPs and reduce complexity

We commend these proposals to Committee members.

ⁱ Productivity Commission 2014, *Public Infrastructure*, Inquiry Report No. 71, Canberra, p35.

ⁱⁱ Productivity Commission 2013, *Major Project Development Assessment Processes*, Research Report, Canberra.

ⁱⁱⁱ See Sydney Airport submission, pp 6 – 9.