



3 March 2017

Committee Secretary
Senate Standing Committee on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: rrat.sen@aph.gov.au

Dear Committee Secretary

Re: Airports Amendment Bill 2016

Thank you for the opportunity to comment on the *Airports Amendment Bill 2016* (the bill).

Sydney Airport supports the bill, as introduced by the Minister for Infrastructure and Transport, the Hon. Darren Chester, MP.

Our comments on the bill relate only to the proposal to increase the monetary trigger (or 'threshold amount') for development defined as being major airport development from \$20 million to \$35 million and to then index that amount having regard to the cost of construction.

We have no concerns with and support the other provisions in the bill.

Background

Sydney Airport's economic contribution

As a critical economic engine for Sydney, NSW and Australia, Sydney Airport directly and indirectly generates and facilitates:

- Economic activity equivalent to \$30.8 billion, forecast to grow to more than \$54.5 billion by 2034 (or 6.4% of the NSW economy); and
- More than 306,700 jobs, growing to almost 507,000 by 2034. Of these, around 29,000 people work on the airport site itself across 800 agencies and businesses.

A relatively small activity at the airport can have a potentially large positive economic impact for Sydney, NSW and Australia. For example, an additional daily A380 service to Sydney from China would, over a year, contribute an estimated:

- \$451 million to the Australian economy;
- \$271 million to Australia's household income; and
- 5,260 jobs (4130 of which would be in NSW)

Growing tourism

Sydney Airport is a key transport infrastructure asset and Australia's international gateway airport. More than 40 percent of Australia's international passenger movements, and 47 percent of Australia's international air freight passes through Sydney Airport, driving economic growth and facilitating the interaction between Australia and the rest of the world.

We adopt a partnership approach to securing new capacity and growing demand in a vast range of markets. We have partnered with both the Australian Government (through Tourism Australia) and the NSW Government (through) Destination NSW, with a co-ordinated approach to developing inbound demand and creating awareness of what Sydney, NSW and Australia have to offer. This partnership approach, which has also closely involved tourism ministers, has been very successful. In 2016 to date, we have seen record inbound tourism, and international growth rates are at their highest since 2004.

We are investing to facilitate this growth and deliver economic benefits and jobs for Sydney, NSW and Australia. In fact, we plan to deliver \$400 million in investment projects in 2017 and \$1.3 billion over the next five years. This investment will focus on improving ground transport access, safety and security, capacity, service levels and technology.

With ongoing investment of this magnitude, the efficiency of the approvals process for development projects on airports is vitally important.

The existing approvals process under the *Airports Acts 1996* (the Act)

All investment projects at Sydney Airport must be approved by the Commonwealth Government under the *Airports Act 1996* (the Act) or the *Environment Protection and Biodiversity and Conservation Act 1998* (the EPBC Act). The only exceptions relate to maintenance work or projects that have been specifically exempted by government.

Depending on the type of development, approval is granted by either the Airport Building Controller (ABC) and/or Airport Environment Officer (AEO) – both of whom report to the Department of Infrastructure and Regional Development (DIRD) – or the Minister for Infrastructure and Transport. In some cases, the Minister for the Environment also has an approval role under the EPBC Act.

The Minister for Infrastructure and Transport is responsible for approving the types of development known as 'major airport development'. Section 89 of the Act defines 'major airport development'. As can be seen from section 89, there are some types of major airport development that include reference to construction costs exceeding \$20 million. This is known as the 'threshold amount'.

Specific comments on the bill

As noted above, Sydney Airport supports the proposal in the bill to increase the threshold amount for the major airport development from \$20 million to \$35 million and to then index that amount having regard to the cost of construction.

It should be noted that this proposal, if enacted, would not in any way affect the other definitions of 'major airport development', including those relating to:

- constructing a new runway
- extending the length of a runway
- altering a runway (other than in the course of maintenance works) in any way that significantly changes:
 - flight paths; or
 - the patterns or levels of aircraft noise
- a development of a kind that is likely to have significant environmental or ecological impact
- a development which affects an area identified as environmentally significant in the environment strategy
- a development of a kind that is likely to have a significant impact on the local or regional community.

Proposed development of these kinds would remain 'major airport development' and continue to require ministerial approval.

Application of the EPBC Act to all development proposals at the airport would also continue to occur as is currently the case.

Reasons for supporting an increase in the threshold amount

When seeking to undertake major airport development, airports must prepare and submit to the minister for consideration a major development plan, or MDP. This is the case whether the proponent for the development is the airport itself, or an on-airport tenant such as an airline, freight handler or other aviation business.

The existing process for preparing an MDP is complex, lengthy and costly. It involves the preparation of four separate versions: an Exposure draft MDP, a Preliminary Draft MDP, a Draft MDP and a Final MDP. The following indicative timeframes apply for the preparation of each MDP version:

- Up to six months (and depending on the type of development, maybe longer) for the airport operator to prepare an Exposure draft MDP. Administrative guidelines issued by DIRD indicate that this MDP version should be drafted in consultation with state government agencies, local councils, airlines and other stakeholders as necessary.
- Up to six weeks for DIRD and the Department of the Environment to assess the Exposure draft MDP and provide feedback to the airport, who then amends this version to produce the Preliminary draft MDP version.
- At least 60 business days for formal public exhibition of the Preliminary draft MDP. Those who were consulted when preparing the Exposure draft version are now consulted for a second time.
- Up to three months for the airport operator to review and consider submissions. The airport operator amends the Preliminary draft MDP accordingly, which is then submitted to the Minister for Infrastructure and Transport as the Draft MDP.

- Up to 50 business days for the Minister to consider the Draft MDP (and all the submissions received during the public comment period). The Minister has the discretion to extend this period by 10 business days without reasons or longer if more information is required. If the Draft MDP is approved, it becomes the Final MDP.

With these five separate stages, the MDP process can take up to around 18 months to complete. This is significantly out of step with equivalent state and local government approvals processes across Australia, where stakeholder consultation timeframes are typically between 21 and 28 days, including for many types of what are ordinarily considered to be major development.

For minor developments, the requirement to prepare an MDP, and the lengthy ministerial approvals process which follows, acts as a commercial impediment to doing business on airport land. We also think it unnecessary for a senior cabinet minister to be the consent authority for minor on-airport developments which, were they to be proposed on off-airport land, would likely be approved under delegated authority by a council town planner.

The real value of the threshold amount has eroded over time

When the Airports Act commenced in 1996, the threshold amount for major airport development was \$10 million. In recognition of the potential for increasing construction costs to progressively result in otherwise 'minor' developments becoming 'major' airport developments (and therefore require preparation and ministerial approval of an MDP), the then Government amended the Airports Act in 2007 to increase the threshold amount to \$20 million.

When introducing the amendments to the Airports Act in 2007, the Government also said that:

"An appropriate cost inflator will be included in supporting regulations so that the Airports Act does not have to be amended periodically to adjust the threshold."

No such cost inflator was introduced.

This means that, since 2007, inflation has significantly eroded the value of the threshold amount. We therefore again have a situation where relatively minor airport developments are potentially subject to the complex, lengthy and costly MDP approvals process outlined above and the requirement for ministerial approval.

We therefore believe the proposed increase in the threshold amount to \$35 million is an appropriate and sensible change and urge the committee to support it.

It should be noted that, were this change to be enacted, any development that was no longer major airport development and so did not require ministerial approval, would still require Commonwealth approval by the ABC and/or AEO. This protection ensures that all relevant aviation issues, be they environmental or safety-related, are still fully considered and addressed in the approvals process. Airports routinely engage with the Civil Aviation Safety Authority, Airservices Australia and DIRD concerning any development proposal that may have safety implications. This includes a development that, if approved, would intrude into the airport's prescribed airspace surfaces, in which case DIRD is the approval authority.

Yours sincerely

Kerrie Mather
Managing Director & Chief Executive Officer