Sydney Airport
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11 April 2014

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House of Representatives Standing Committee on Infrastructure and Communications
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Dear Committee Secretary

Re: Submission to Inquiry into infrastructure planning and procurement

Sydney Airport welcomes the opportunity to make a submission to the House of Representatives Standing Committee as part of its inquiry into infrastructure planning and procurement.

Attached for your information is a copy of our submission.

If you would like any further information, please feel free to contact

Yours sincerely

Kerrie Mather
Chief Executive Officer

Submission from Sydney Airport

Inquiry into infrastructure planning and procurement

Background

Sydney Airport: Creating jobs and economic activity

As Australia's largest airport, and one its most important pieces of economic infrastructure, Sydney Airport supports or facilitates significant economic activity. A recent study by Deloitte Access Economics into the economic impact of Sydney Airport measured the airport's economic and social benefits. This study found that Sydney Airport generates or facilitates:

- **Jobs.** Direct and indirect employment of 283,700 jobs (equivalent to 8 per cent of NSW employment), including 160,000 direct jobs (28,000 directly on airport)
- **Economic activity**. Direct and indirect economic contribution of $27.6 billion (equivalent to 6 per cent of the NSW economy and 2 per cent of the Australian economy)
- **Household income.** Direct and indirect contribution of $13.2 billion

It is forecast that the economic activity generated or facilitated by Sydney Airport will increase to over $42 billion in 2033, and total employment will increase to over 400,000 jobs.

The Deloitte study highlights that a relatively small development at Sydney Airport can have a potentially large economic impact on both the NSW and Australian economies. As an example, an additional daily A380 from China would, on an annual basis, contribute an estimated:

- $388 million to Australian GDP
- $233 million to Australia's household income
- 5,000 jobs (4,000 of which would be in NSW, including in regional areas).

Sydney Airport's role in supporting tourism

Sydney Airport has an unmatched route network which includes 47 international, 24 domestic and 24 regional destinations. 36 international, 6 domestic and 6 regional airlines fly to Sydney Airport.

Sydney's status as Australia's pre-eminent global city, in turn, supports the route network at Sydney Airport and the development of Sydney Airport and related businesses. The availability of direct flights to a wide network of destinations significantly strengthens the competitiveness of the Sydney and regional NSW tourism industry. This supports several hundred thousand direct and indirect jobs in the state's tourism industry, many of which are located in regional NSW.

Sydney Airport and Tourism Australia are working together to promote tourism to Australia. The partnership between Sydney Airport and Destination NSW is also actively working to boost tourism, attract new airlines and increase airline services to Sydney, in support of the NSW Government's target of doubling overnight visitor expenditure by 2020.

Master Plan 2033

New development plan for Sydney Airport

On 17 February 2014, the Australian Government approved Sydney Airport's Master Plan 2033. A copy can be downloaded at: http://www.sydneyairport.com.au/corporate/master-plan.aspx.

The development plan for Sydney Airport shown in the Master Plan would see the airport transformed into two integrated terminal precincts, combining international, domestic and regional airline services in each of the precincts. It reflects extensive consultation over more than two years with stakeholders to understand their priorities.

The Master Plan contains a development plan which is the best infrastructure plan for the airport as it can accommodate a wide range of future air traffic scenarios, increases the productivity, flexibility and capacity of the airport, and will benefit all passengers through a more balanced use of the airport's airfield, terminals and roads.

Through the development plan, airfield safety and efficiency will be enhanced and on-time performance of aircraft will improve. It also delivers significantly improved ground transport access to the airport precinct and improved traffic flows for non-airport traffic in the area.

It is designed to ensure Sydney Airport can facilitate growth over the 20-year planning period. The development plan delivers considerable benefits for all airline passengers, including regional passengers.

Forecast growth in aviation activity

In 2033, the Master Plan shows that Sydney Airport is projected to handle approximately:

- 74.3 million passengers;
- 409,500 aircraft movements; and
- Around one million tonnes of freight.

For international and domestic (including regional) passengers these forecasts represent annual average growth rates of 4.2% and 2.9% respectively. Overall, this is a forecast average annual growth rate of 3.4%.

Sydney Airport anticipates that the aviation industry shift towards larger, cleaner, quieter, new generation aircraft will continue and passenger numbers will continue to grow at a faster rate than aircraft movements.

Bilateral Agreements

Unlike other trade agreements where the free trade exists unless the government imposes restrictions, international air routes are restricted until two governments make arrangements to allow access.

Air services agreements (ASAs) are bilateral arrangements between two countries to allow air traffic (including seats, codesharing rights and air cargo access) between and beyond the two nations party to the agreement. At present, Australia currently has ASAs between more than 90 countries around the world.

Under the current ASA framework, the Department of Infrastructure and Regional Development negotiate on behalf of all Australian airlines and the tourism industry more broadly. However, little transparency exists relating to the negotiation priorities established by the Department when conducting negotiations. While a 'national interest' test exists, industry has little visibility over how this is determined.

Delays in bilateral capacity negotiations, which are running behind demand, risk economic and tourism growth. For example:

- The growth of the Malaysian route was prevented by the lack of capacity in the Malaysian bilateral. Shortly after the bilateral was renegotiated in June 2013, both AirAsia X and Malaysian Airlines added capacity

- Cebu Pacific – the Philippines equivalent of AirAsia X has deferred its planned launch due to a lack of progress on the renegotiation of the Philippines bilateral. Their intended aircraft have been reallocated to Dubai.

- The current Chinese bilateral has almost reached capacity despite strong demand from a number of secondary cities in China. This will limit future potential growth.

Sydney Airport would support a review of how these bilateral agreements are currently negotiated to place greater emphasis on jobs, economic and tourism growth. A more transparent and proactive manner should be adopted by the Government when conducting negotiations. Industry should be allowed a greater level of involvement in the determination of Australia's priorities and ability to shape the ongoing strategy in negotiating ASAs.

Enhancing productivity by optimising the use of Sydney Airport

While the development plan included in the approved Master Plan 2033 ensures Sydney Airport's continued ability to meet forecast growth under a range of scenarios beyond the plan's 20 year planning horizon, there are a number of opportunities to further enhance productivity and efficiency at one of Australia's largest infrastructure assets and the primary international gateway.

Sydney Airport supports the three core elements of the Australian and NSW Government's *Joint Study into aviation capacity in the Sydney region* (the Joint Study):

- Optimise the use of Sydney Airport as the primary airport for Sydney and NSW for international, domestic and regional passengers and related freight by ensuring that it

operates efficiently and can grow to its maximum practical operational capacity

- Protect and optimise the use of other existing airports serving the Sydney Basin
- Select a site for a supplementary airport and ensure operations commence at the appropriate time in the future in line with demand.

The development of other existing airports and, in time, a supplementary airport needs to be demand-led, incremental and flexible to changing market demand, and treated as one system to maximise planning and investment. The most successful international examples of secondary airports are where these airports operate as a system.

The importance of investment in the capacity of Sydney Airport is supported by international experience with multi-airport systems. For example, a draft policy guide developed for the US Federal Aviation Administration in April 20001 recommended that:

> *"when additional capacity is required in a region, it is most reasonable to site the immediate addition at the primary airport when it serves as a major hub for some airlines".*

As identified by the Joint Study and numerous reports generated over the last 15 years, Sydney Airport currently operates with a number of inflexible and, in some cases, out-dated restrictions designed to deliver positive environmental benefits to the community. However, the inflexible and outdated nature of the existing operational restrictions deliver suboptimal outcomes, and in some cases inferior environmental and noise outcomes for the community, than could be achieved by more modern regulations that reflect and incorporate technology improvements.

While some residents and councils support maintaining the existing operational regulations at Sydney Airport in its current form, there was significant support from other residents, airlines, tourism and trade groups, and the NSW Government to explore reform and modernisation of the operating environment. The larger key stakeholders generally support both the enhancement of operational regulations at Sydney Airport and the staged development of a commercially viable second Sydney airport in line with demand.

While Sydney Airport's infrastructure development plans, including the ground transport plans, will help to achieve the Joint Study's recommendations, the ability to fully maximise efficient operation and productivity is significantly reduced by the inflexibility of current operating restrictions.

Enhancements to reflect technological and industry improvements that have occurred over the past decades, such as the development of quieter, new generation aircraft and precision air traffic management technologies, would improve the ability to promote the sound development of civil aviation in Australia at almost zero economic cost.

In particular, consideration should be given to a more flexible application and progressive increase in the hourly movement cap (Joint Study Recommendation 5), and a more flexible interpretation of the curfew legislation and adhering to the provisions of the Sydney Airport Curfew Act 1995 (Cth).

In December 2012, the NSW Government supported key recommendations made by its Visitor Economy Taskforce to reform current operational restrictions. Specifically, the NSW Government has said that current regulations restricting curfew shoulder movements should be increased to the level allowed by the Sydney Airport Curfew Act. This would allow a further 11 morning landing slots and 14 take-off/landing slots every week. Consistent with the recommendations of the Joint Study, the NSW Government has also said that it supports the better utilisation of existing airport infrastructure through increasing the aircraft movement cap from 80 to 85 movements per hour during peak periods.

Additionally, given the interconnected nature of the national aviation network, delays created at any major airport in Australia can significantly disrupt daily operations. Introducing greater flexibility in the application of operating restrictions can help reduce delays and clear backlogs in a more timely manner at all eastern seaboard airports in the network.

These changes could potentially:

- Through alignment of the regulations with the legislation allow new flights for quieter, next generation aircraft that could inject more than $1 billion each year in to the economy;
- Improve on-time performance and reduce the impact of delays across Australia;
- Increase the potential for additional periods of noise sharing in areas around Sydney Airport and create more predictable periods of respite; and
- Reduce circling in holding patterns, reducing both emissions and aircraft noise.

While Sydney Airport welcomes the recommendations of both the Joint Study and the Visitor Economy Taskforce, any reform to the current operational restrictions must of course be accompanied by a comprehensive stakeholder engagement process to ensure the views of the community and industry are incorporated.

Reforming the airport development approvals process to improve efficiency and reduce regulatory costs

Sydney Airport believes there are a number of measures that could be implemented to improve the airport development approvals process in a way that maintained a robust regulatory system and ensured continued consultation and engagement with stakeholders.

1. Increase construction cost threshold for major airport development

When the Airports Act commenced in 1996, development on an airport of any kind with a construction cost of $10 million or more was categorised as 'major airport development'. This type of development requires the preparation of a major development plan (MDP), which is a complex, lengthy and costly exercise that is ultimately subject to Ministerial approval. In recognition of the potential for increasing construction costs to result in 'minor' developments requiring an MDP, the then Coalition Government amended the Airports Act in 2007 to increase the threshold to $20 million.

In NSW, for most developments to be classified as 'major or state significant', the capital

investment value must exceed $30 million. To maximise consistency between Commonwealth and state planning regimes, Sydney Airport proposes that the major airport development threshold be increased from $20 million to $30 million. To put this in context, Sydney Airport plans to invest around $700 million over the next three years in new infrastructure to boost capacity and improve the passenger experience, much of which will be spent on developments categorised as major airport development.

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 has been introduced. The Building Price Index (BPI) would be an appropriate cost inflator because it is the cost index recognised by government agencies for forecasting price movements in the building construction industry. It is therefore proposed that the $30 million threshold be indexed annually to the BPI.

Proposal 1: It is recommended that the construction cost threshold for major airport development in the Airports Act be increased to $30 million and that it be indexed to the BPI every year thereafter.

Review definitions of major airport development

Amendments to the Airports Act in 2010 introduced a number of new and vague definitions for major airport development. As noted above, the approvals process for such developments was already complex, costly and time consuming. These amendments exacerbated the situation.

For example, "development of a kind that is likely to have a significant impact on the local or regional community" is now major airport development. The vagueness of this definition is of concern because it has the potential to create significant regulatory uncertainty for airports. No definition is provided as to what constitutes 'significant impact'.

If the Explanatory Memorandum of the Airports Amendment Bill 2010 (Cth) is used as a guide to assist when deciding what constitutes a significant impact on a local community, airports are to ask themselves 'will the proposed development increase traffic in the immediate surrounds of the airport?' This has the potential to capture many developments that could not, on the basis of any reasonable objective criteria, be considered as 'major'.

For example, a minor extension to a terminal or airfreight handling facility, or the construction of a fast food outlet or service station could now be subject to the preparation and Ministerial approval of a MDP. This is because each would result in at least some increased traffic in the immediate surrounds of the airport. As such, minor developments would be subject to the preparation of a number of MDP versions, a public comment period of at least 60 business days and, ultimately, the approval of a senior Cabinet Minister. Had that same development been proposed for a site across the road from the airport, it would likely be subject to a simple development application, a public comment period of between 14 and 30 days and approval by a mid-level town planner at the local council, probably acting under delegated authority.

Administrative guidelines released following enactment of the new provision have not completely resolved the vagueness.

Proposal 2: It is recommended that the definitions of major airport development be reviewed (in consultation with airports and other stakeholders) with a view to increasing the certainty of their application.

Reduce approval timeframe for MDPs and reduce complexity

As noted above, the process for preparing MDPs is already highly complex and costly, and involves the preparation of four separate MDP versions:

- an Exposure draft MDP – to satisfy requirements under the Environment Protection and Biodiversity Conservation Act);
- a Preliminary Draft MDP – the version placed on public exhibition for 60 business days)
- a Draft MDP – the Preliminary Draft MDP, as revised following consideration of stakeholder submissions; and
- a Final MDP – the version as approved by the Minister.

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 the Department of Infrastructure and Regional Development 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 the Department of Infrastructure and Regional Development and the Department of the Environment to assess Exposure draft MDP and provide feedback to the airport operator, who then amends this version to produce the Preliminary Draft MDP version.
- At least 60 business days (around three months) for formal public exhibition of 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 Regional Development 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.

The entire MDP process can therefore up to around 18 months to complete and can be exceedingly costly. For genuinely significant airport developments, such a timeframe would, of course, be appropriate. However, for less significant developments, the lengthy and complex

approvals process can act as a commercial impediment to doing business on airport land. For most state and local governments across Australia, stakeholder consultation timeframes are between 21 and 28, even for major developments.

Proposal 3: It is recommended that the MDP process be reviewed with a view to streamlining the production, consultation and assessment timeframes.

Protecting airports from inappropriate off-airport development

The National Airports Safeguarding Framework (NASF) is a national land use planning framework that aims to:

- improve community amenity by minimising aircraft noise-sensitive developments near airports including through the use of additional noise metrics and improved noise-disclosure mechanisms.

- improve safety outcomes by ensuring aviation safety requirements are recognised in land use planning decisions through guidelines being adopted by jurisdictions on various safety-related issues.

It was prepared by an advisory group, comprising Australian, State and Territory Government planning and transport officials, the Department of Defence, the Civil Aviation Safety Authority (CASA), Airservices Australia and the Australian Local Government Association (ALGA).

The NASF comprises 7 Principles and 6 Guidelines.

The 7 principles are:

1. The safety, efficiency and operational integrity of airports should be protected by all governments, recognising their economic, defence and social significance.

2. Airports, governments and local communities should share responsibility to ensure that airport planning is integrated with local and regional planning.

3. Governments at all levels should align land use planning and building requirements in the vicinity of airports.

4. Land use planning processes should balance and protect both airport/aviation operations and community safety and amenity expectations.

5. Governments will protect operational airspace around airports in the interests of both aviation and community safety.

6. Strategic and statutory planning frameworks should address aircraft noise by applying a comprehensive suite of noise measures.

7. Airports should work with governments to provide comprehensive and understandable information to local communities on their operations concerning noise impacts and airspace requirements.

The 6 guidelines are:

A. Guideline A: Measures for Managing Impacts of Aircraft Noise.

B. Guideline B: Managing the Risk of Building Generated Windshear and Turbulence at Airports.

C. Guideline C: Managing the Risk of Wildlife Strikes in the Vicinity of Airports.

D. Guideline D: Managing the Risk of Wind Turbine Farms as Physical Obstacles to Air Navigation.

E. Guideline E: Managing the Risk of Distractions to Pilots from Lighting in the Vicinity of Airports.

F. Guideline F: Managing the Risk of Intrusions into the Protected Airspace of Airports.

Relevant Commonwealth, State and Territory Ministers considered the NASF at a Ministerial Standing Council on Transport and Infrastructure meeting in May 2012 at which:

> *"Ministers agreed a National Airports Safeguarding Framework, a national land use planning regime to protect airports and communities from inappropriate off-airport development, noting reservations from NSW on the format of the guideline on measures for managing impacts of aircraft noise.*
>
> *The agreement represents a collective commitment from Governments to ensure that an appropriate balance is maintained between the social, economic and environmental needs of the community and the effective use of airport sites."*

It is understood that most state governments have done little or nothing to implement the NASF. It remains only an intergovernmental agreement that, with the exception of some limited aspects of the matters addressed by Guidelines A and F (which have had some regulatory force for decades), has not been specifically activated by any relevant state or territory planning laws.

The failure by governments to implement the NASF has the potential to create a problem for major airports. Governments have signed up to the NASF and, in so doing, sent a strong signal to airports and local councils that the air safety-related issues it addresses are important. However, as they have not taken the next step and turned the NASF into an appropriate regulatory framework, it is in limbo. This regulatory vacuum is unsatisfactory and will increasingly cause confusion amongst local and state planners. Some seem unaware that the NASF even exists and, even for those that do, most don't know how to consider its technical content when they make planning and development decisions.

This confusion is bad for airports. It creates a risk that the state governments and/or local councils surrounding airports will make planning and development decisions detrimental to the operations of those airports. They could, for example, approve a development which could have significant air turbulence or windshear effects on particular runways in certain weather conditions such that CASA may impose operating restrictions on the use of a runway, thus reducing airport capacity. The collective impact of approvals such as these over several years

could see runway capacity at airports severely eroded.

A related issue concerns the location of inappropriate residential developments in aircraft noise-affected areas close to an airport or under flight paths. Such development can see large numbers of residents move into an area affected by aircraft noise, who then make complaints that could result in a future government imposing operating restrictions on the airport that reduce capacity.

As an example, a Planning Proposal now being considered by the NSW Government to rezone land on the Kurnell Peninsula to the south of Sydney Airport would, if approved, see 2,000 homes (housing several thousand residents) built on the only land in Sydney that is affected by aircraft noise both during the day and, more particularly, at night between 11pm and 6am. The noise level produced by the overnight freight and other aircraft using this flight path is loud enough to wake sleeping residents. Sydney Airport fully supports rezoning of this land for industrial, employment and recreation uses. However, residential development is entirely inappropriate.

If the relevant NASF Guideline A (Measures for Managing Impacts of Aircraft Noise) had regulatory force, this Planning Proposal would be seen as entirely inappropriate and, most likely, be refused.

Inappropriate off-airport development outcomes that result in an airport's capacity being eroded are, of course, entirely at odds with NASF's first principle, namely that the efficiency and operational integrity of airports should be protected by all governments, recognising their economic, defence and social significance.

There is currently no regulatory process whatsoever for protection against such risks and developments may be occurring now which have such consequences. In Sydney Airport's opinion, it is therefore urgent and serious that steps are taken to address this gap in the regulatory framework for the protection of the airport's capacity.

Proposal 4: It is recommended that the Australian and NSW Governments ensure the National Airports Safeguarding Framework is properly integrated within their respective regulatory frameworks.

Investment in off-airport transport infrastructure (road and public transport)

The ability of airline passengers, airport workers and other airport visitors to conveniently travel to and from an airport is vitally important. In Sydney Airport's case, there are 150,000 such people accessing the airport every day, and that number is increasing.

For this reason, it is important for airports and governments to work closely together to ensure appropriate on- and off-airport ground transport infrastructure – including roads and public transport – is provided.

In the lead up to and since the approval of Sydney Airport's Master Plan 2033, Sydney Airport and the NSW Government have been working closely together to ensure appropriate on- and off-airport roadworks can be delivered. In Sydney Airport's case, a significant package of on-airport road works will be carried out in both the T1 and T2/T3 precincts over the next several years. The NSW Government is also proposing a series of complementary off-airport road

works (known as WestConnex Enabling Works), as well as the larger WestConnex Motorway itself. Sydney Airport is also supportive of the NSW Government's decisions to increase the number of trains and buses servicing the airport.