

**Submission to the Senate Standing Committee
on Rural and Regional Affairs and Transport**

Inquiry into

'Airports Amendment Bill 2010'

Bankstown Airport Limited and Camden Airport Limited (BACA) thank the Senate Standing Committee on Rural and Regional Affairs and Transport for the opportunity to place a submission before the Committee.

Context

For the Committee's benefit Bankstown Airport and Camden Airport are classified as General Aviation (GA) airports and facilitated approximately three hundred thousand (300,000) and fifty five thousand (55,000) movements respectively in FY 2009 / 10.

Located within the geographical confines of the Sydney Basin the airports' support a range of activity including flight training, charter operations, recreation & sports, freight and emergency services. They do not currently provide for any form of Regular Public Transport (RPT) and both airports have limitations on the size of aircraft that can operate on them.

Both airports were privatized in December 2003 and as such became subject to the '*Airports Act 1996*' and associated Regulations. The '*Airports Act 1996*' applies to all privatized airports and there is no distinction between the airports, notwithstanding the disparity of operations for instance between Sydney Airport and Bankstown Airport or Camden Airport.

Business Overview

In contrast to the larger airports which have balanced aeronautical and non aeronautical revenue, the majority of GA airports rely on non aeronautical activity to contribute the majority of revenue to the business. In the case of Bankstown Airport and Camden Airport non aeronautical related revenue contributes eighty eight percent (88%) of total revenue as aviation revenue in itself does not generate sufficient receipts to meet aviation specific capital expenditure, loan servicing or return on investment. In our particular case non aeronautical activity at Bankstown Airport also cross subsidizes Camden Airport.

It is in this context that our submission will focus on matters that will impact on our business and that of the other GA airports.

Overall Intent of the Airport Amendment Bill 2010

For BACA many aspects of the Airport Amendment Bill 2010 ('the Bill') add further restrictions to Airport Leasing Companies (ALC's) ability to develop and operate the airports effectively and efficiently. For GA airports the passing of the Bill in its present form may in the long term be detrimental to the GA industry which has been stagnant for over ten years.

In particular our main concerns are that the Bill will:

- Continue the 'one size fits all' legislative approach to airport regulation.
- Introduce a greater element of external interpretation which in turn reduces 'certainty' for both aviation and non aviation activity.
- Change the intent and form of Airport Master Plans and Major Development Plans causing detrimental outcomes
- Heavily qualify any procedural gains for ALC's to render them of little or no use.

Inappropriate for General Aviation Airports

In an effort to improve airports relations with the community and governments, the Bill establishes higher levels of compliance aimed predominantly at the major airports as their operation has a greater impact with the community as well as State and Local Governments. However when passed the Bill applies equally to all airports including GA airports via its 'one size fits all' approach.

This approach continues a 25 year old framework of regulation established for airports managed by the Federal Airports Corporation (FAC) as far back as 1986. The one size fits all airport framework was developed at a time when the Australian Government and the FAC subsidised operations at GA airports.

GA Airports now operate as standalone businesses. There are no Government or Head Office direct subsidies. The '*Airports Act 1996*' regime and bureaucracy that administers airports should better reflect this reality. A common legislative framework and bureaucracy for the airports does little to promote efficiency for the GA sector.

The proposed Bill increases the cost of running GA airports but does not increase revenue capability. This is not a sustainable outcome particularly in the longer term.

BACA would propose that the Bill should exclude GA airports or specifically introduce measures to support GA airports including:

- Amend the Head Lease by side deed for GA airports to
 - eliminate Ex Gratia Land Tax & Ex Gratia Council Rates
 - create performance standards for Airport Environment Officer & Airport Building Controller
 - support GA airport cost recovery
- Support GA airports as niche freight and passenger service providers.

As an example the following table is provided to the committee to quantify the disparity between Sydney and Camden airports to which the Bill will apply equally.

Airport Activity Levels 2009

	Sydney Airport	Camden Airport
Movements	290,000	53,000*
Landed tonnes	14.5 M tonnes**	0.012 M tonnes
Passengers	33 M	0
Aeronautical Revenue	\$343 M	< \$0.2 M
Cost of Airport Master Plan & Environment Strategy as a percentage of Aero Revenue	1.45%**	160%
Distance from GPO	9 Kilometres	52 Kilometres

* Arrival / Departure 21,000, Circuits 32,000

** Estimated \$5M cost

Notwithstanding that the two airports listed above are at the extreme ends of the industry, the current legislation and proposed Bill does not differentiate between the airports. If the Bill is passed without amendment, Camden Airport will be required to meet the changes contained in the Bill including producing a Master Plan requiring higher levels of compliance at greater expense.

In the context that the current Airport Draft Master Plan and Airport Environment Strategy for Camden Airport, the cost to date is equivalent to 1.6 times of the annual aeronautical revenue for that airport. Arguably the 'one size fits all' approach of the Bill is not justified in many cases on either a needs or fiscal basis.

Increased Levels of Interpretation

Several areas of the Bill introduce new 'triggers' for Major Development Plans (MDP) where it is considered a development is likely to have a significant impact on the local or regional community. These 'triggers' are open to interpretation.

For example the guidelines for what constitutes a MDP are to include the following principles:

- impact on the amenity of the local or regional community
- increase traffic in the immediate surrounds of the airport
- likely create increased noise in the area
- create areas of risk for individuals within, or adjacent to, the airport

- likely cause significant concern by the local or regional community

Notwithstanding that 'administrative guidelines' will be supplied as to what constitutes 'impact', 'likely' etc, it is BACA's concern that this terminology will be subject to interpretation which in turn will lead to uncertainty, inconsistency and potential legal action to test the meanings of the terms by either MDP's proponents or opponents to the proposal.

This level of uncertainty will increase the development risk with both aviation and non aviation activity and will make developments less commercially attractive. This will lead to less investment in supporting infrastructure to the detriment of the GA industry and a prolonged continuation in the use of aging and inefficient airport facilities which runs contra to broader Government policy to promote and stimulate economic activity.

Changes Causing Detrimental Consequences

BACA has concerns that the Bill in its current form may create commercial and technical consequences that impact detrimentally on aeronautical and non aeronautical development as well as essential maintenance requirements. In particular BACA has concerns with the need for Airport Master Plans to:

a. Align with State and Local Government Ground Plans

- Airport Master Plans are based on a twenty year horizon and there is a concern that State and Local Governments plans may not match the vision of ALC's.
- There is concern that State or Local governments may attempt quash or unduly disrupt a development through either a perception or a false premise that it would be detrimental to the community because of traffic levels, noise levels, or any other 'significant' concern.
- There is apprehension that State or Local Governments may attempt quash or unduly disrupt a development as it may compete with their existing or proposed commercial developments.

b. Maintenance works

In addition to the current 'triggers' for an MDP with airside development, the Bill requires a MDP when 'altering a runway' which includes if closing a runway, changes to the flight paths or the pattern or levels of aircraft. As such major maintenance works will now require an MDP because these works effectively close a runway for an extended period and the traffic patterns are impacted during such works. These works include:

- Runway re-sheet where one runway is closed or severely restricted for some weeks
- Runway lighting works where one runway is closed or severely restricted for some weeks
- Major Off Airport Developments where large building cranes are required for an extensive period and impact on flight patterns

The requirement for MDP's for such tasks creates an onerous cost impost and potential delay in the provision of essential maintenance works.

Streamlined Gains for ALC's

The Bill does contain improvements to the processes that could allow the Minister in respect of specific aeronautical developments to exempt ALC's from carrying out a MDP or implement a

reduced public consultation period. However the Bill requires the satisfaction of several stringent hurdles to achieve these benefits and as the developments captured in these changes are by their nature 'major' it is unlikely that the improved process proposed by the Bill will ever be achieved.

Conclusion

BACA understands that legislation requires review and appropriate change to meet contemporary requirements.

Concurrently the Government should also recognize that the impact of the Bill does not differentiate the disparity in airports operation and the unintended outcomes of the Bill is that GA airports will not be able to implement growth strategies to economically sustain business beyond current levels.

As such BACA would seek a recommendation from the Committee that GA airports be excluded from the Bill.