



Gold Coast Airport

Gold Coast Airport Limited

A.C.N. 077 200 821

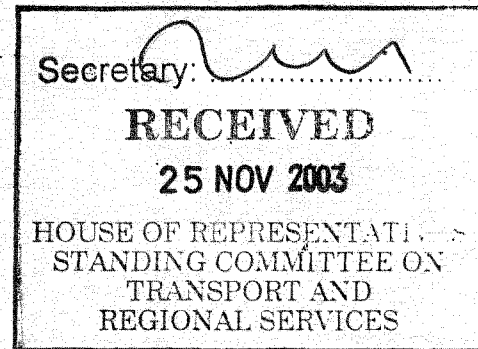
A.B.N. 91 077 200 821

PO Box 112

Coolangatta QLD 4225 Australia

24 November 2003

The Committee Secretary
Standing Committee on Transport and Regional Services
House of Representatives
Parliament house
Canberra ACT 2600



**INQUIRY INTO PRIVATISATION OF REGIONAL INFRASTRUCTURE AND GOVERNMENT
BUSINESS ENTERPRISES**

Thank you for providing the opportunity for Gold Coast Airport Limited (GCAL) to contribute to the Commonwealth Government's inquiry into the impact of privatisation of regional infrastructure and government business enterprises on the achievement of the following transport and regional services outcomes:

- Transport systems which are safe, more efficient, internationally competitive, sustainable and accessible; and
- Regional communities which have better access to opportunities and services and which are able to take the lead in their own planning and development.

On behalf of GCAL, I commend your Government on implementing an acknowledged world's best practice model for the future sustainable management of Australia's major regional and capital city airports. With GCAL's particular focus on the airport and aviation industry, it is critical to emphasise the need to ensure that Australia has the appropriate air transport infrastructure that both supports and enhances Australia's regional economic growth in a sustainable manner.

This submission concentrates on issues detailed in the Inquiry's *Terms of Reference* and Background Paper which are relevant to the operation of Gold Coast Airport. The objective is to articulate the strategic benefits to Government and community of the Public-Private Partnership (PPP) model which GCAL has embarked upon to position Gold Coast Airport as a major location of regional intermodal terminal activity promoting Australia's future economic and social development.

Strategically, GCAL's business objective is to position the airport as a key facility that will enhance the economic growth of the Gold Coast / Northern New South Wales region, through the development of collaborative, strategic alliances across diverse industry and community groups, with particular emphasis on whole-of-catchment environmental management, tourism and trade.

With our particular emphasis on whole-of-catchment environmental management, together with our pursuit of commercial efficiency, innovative management and greater autonomy, GCAL is aiming to provide leadership to represent one of Australia's premier environmental regions. GCAL's intention is to become uniquely placed to benefit both ourselves and the community through advanced international environmental alliances.

Gold Coast Airport is *"unashamedly focused on leisure"*. This strategic commitment means we need to understand and cater for the specific needs of this segment of the travel market. GCAL has become innovative by maximising the use of its current facilities and aggressively marketing its services. The commercial imperatives in such a strategy mean that we must work with our partners (airlines, Government Agencies, tourism industry, concessionaires, etc) to meet and exceed our customers' expectations.

GCAL is operating in a true PPP environment. GCAL, as a 100% Australian-owned unlisted company, has a long-term lease over the community asset that is Gold Coast Airport. The company's shareholders are predominantly superannuation funds. GCAL is required to transfer this asset back to the Commonwealth Government, meeting rigorous asset performance measures, at the end of the lease period. GCAL's strategic focus in operating within this environment is to proactively engage with our stakeholders, including the local and regional community, through such measures as co-operative marketing and other partnership arrangements.

This unique focus demonstrates the benefits of the implementation of the PPP model that has been undertaken in the case of Australia's airports over other models such as the complete sale of assets (privatisation).

In assessing the benefits of the airports PPP model, GCAL offers an alternative perspective to the views expressed in the Inquiry's Background Paper.

Regional Economic Impacts

Since GCAL acquired the operations of Gold Coast Airport, there have been two independent analyses undertaken of the economic impact that the airport has on the regional economy. The financial year 1998/99 impacts were in the order of \$1.6Bn in financial terms and in excess of 7,900 jobs in employments terms. The financial year 2002/03 saw these impacts increase to \$2bn and 8,600 jobs respectively.

Additionally, where infrastructure is privately managed, more emphasis is placed on driving business growth – i.e. in the case of Gold Coast Airport, the efforts of GCAL have been a contributing factor to an increase in airline passenger numbers, which has significant flow-on benefits to the whole regional community. When the airport was managed by a Government Business Enterprise (GBE), there was greater focus on the operation of the facility, rather than actively developing business growth opportunities. In working to improve shareholder return on investment, GCAL is focussed on maximising asset utilisation.

Implications of National Competition Policy (NCP)

The Inquiry's Background Paper indicated that, as a result of NCP, most GBEs operate fully commercially as if they were privately owned companies and where governments require GBEs to undertake non-commercial activities to satisfy public interest requirements, they are commonly reimbursed to offset the cost of such activities.

However, such GBEs are also subjected to the vagaries of political needs and wants. Consequently, investment decisions are not always made with sustainable management of the infrastructure asset in mind. This could be the case where an infrastructure-orientated GBE, operating as if it was a private entity, seeks to invest surplus funds to sustain future growth and is restricted from doing so by the relevant government shareholding Ministers. It is often the case that, in such circumstances, competing interests may require such funds be directed at a more politically expedient investment – for example an improved whole-of-government budgetary position.

Regional Social Impacts

The Inquiry's Background Paper indicates that the benefits of what has occurred in the airports program include a greater accessibility to capital funding to allow for substantial upgrading and enhancement of airport facilities, to the benefit of both regional and other airline travellers.

In the 5 years since taking over the management of Gold Coast Airport, GCAL has invested capital in excess of \$17.8 million in aeronautical developments. GCAL's investment also triggered a further \$17 million investment by major tenants located on the airport, including Qantas. These commitments are far in excess of the capital invested by the government in the 5 years preceding GCAL's involvement in the airport, which demonstrates the economic benefits of the engagement of the private sector in these enterprises.

The Background Paper also identified that a negative impact of the process has been a loss of employment at key regional aviation centres. Such a negative impact has not been experienced at Gold Coast Airport. GCAL has its head office at the airport while the Federal Airports Corporation and Commonwealth Department of Transport managers and administrative support functions were in Sydney and Canberra. This means that all Head Office services are obtained locally and all management and support functions are locally based.

As a local company, GCAL has been able to work much more closely with local government, industry and community-based organisations. As such, GCAL has become one of the most active sponsors of import regional events and individuals in the management team hold positions in local industry, tourism and regional development organisations.

The following statistics demonstrate that GCAL, as a private sector entity, has increased full time equivalent staff numbers from 32 to 41 (an increase of in excess of 30%):

Gold Coast Airport Staff Numbers (Full Time Equivalents)

| | Executive | Operations | Commercial & Development | Planning & Engineering | Finance & Administration | Business Development & Marketing & Corporate Affairs | Total (FTEs) |
|------------------------------|-----------|------------|--------------------------|------------------------|--------------------------|--|--------------|
| Federal Airports Corp | 2 | 19 | 1 | 6 | 4 | - | 32 |
| GCAL | 2 | 7 | 7 | 14 | 8 | 3 | 41 |

Corporate Governance and Safety

GCAL is an unlisted public company. Its directors are exposed to the heavy responsibilities for Occupational Health and Safety, environment and corporate governance prescribed under State and Commonwealth legislation. Such responsibilities tend to expose private sector directors to actions than may be the case for managers under many government ownership regimes.

In conclusion, GCAL considers that the Gold Coast Airport and its future management is an ideal model to ensure the achievement of the following outcomes:

- An airport network which is safe, more efficient, internationally competitive, sustainable and accessible; and
- A cross-border, regional community which has better access to opportunities and services and which is now able to take the lead in our own planning and development.

I hope that these comments are of assistance to you and I repeat GCAL's commendation to Government on undertaking this exciting initiative. Should you require any further information or explanation please do not hesitate to contact me, or my General Manager – Development, Mr Bob Bidwell, on telephone 07 5589 1100.

Yours faithfully



A D Chant
Managing Director