

83089310

RECEIVED

12 FEB 2007

12/2/07

COPY

Copy to KRAT.

FACSIMILE



**Adelaide
Airport**

1 James Schofield Drive
Adelaide Airport, South Australia 5950
Telephone +61 (0)8 8308 9300
Facsimile +61 (0)8 8308 9310

Date: 12 February 2007

To: Hon Senator Bill Heffernan
Organisation: Senator for New South Wales
Fax number: 02 6277 3614

From: Phil Baker
Phone: 08 8308 9300
Fax number: 08 8308 9310

Subject: Senate Standing Committee on Rural & Regional Affairs & Transport
Airports Amendment Bill 2006

Number of pages: 1 of 10

Good morning

Please find attached a letter including details regarding the Senate Standing Committee on Rural and Regional Affairs & Transport Airports Amendment Bill 2006.

It would be appreciated if you could also please distribute this to other members of the Committee (or if you provide us with the details, we will forward onto them).

Phil Baker
Managing Director

The contents of this facsimile are confidential. If you are not the intended recipient, you must not disclose or use the information contained in this facsimile. Please advise us by telephone immediately and shred this document.

9 February 2007



Adelaide Airport

1 James Schofield Drive
Adelaide Airport, South Australia 5950
Telephone +61 (0)8 8308 8211
Facsimile +61 (0)8 8308 9311
Website: www.aal.com.au

The Hon Senator Bill Heffernan
Senator for New South Wales
Liberal Party of Australia
Parliament House
Canberra ACT 2600

Dear Senator Heffernan

Having read the Hansard report in respect to the hearing of the Senate Standing Committee on Rural and Regional Affairs and Transport into the Airport Amendment Bill 2006, I felt compelled to write to you and your Committee colleagues to correct a significant number of misleading, incomplete or erroneous comments and apparent misinformation provided to the assembled Senators.

Some of the points I wish to raise are specific to the comments and submission provided by members of West Torrens City Council, whereas others are more generic in respect of particular developments and traffic impacts – notably Harbour Town and Ikea.

The detail is included in the attached document, however, for the sake of brevity, I have summarised the main issues below:

- | | |
|----------|--|
| Issue 1 | Alleged non payment of rates |
| Response | We are fully compliant with our lease obligation
Council seek to interpret the lease differently for their own gain and have never offered to provide services to AAL |
| Issue 2 | Concentration on non-aeronautical development |
| Response | Aeronautical income continuing to grow more than half all revenues. Pure non-aero income only 7.5% of total |
| Issue 3 | Lack of consultation |
| Response | We significantly exceeds stipulated timescales and can readily demonstrate massive changes to original plans after consultation |
| Issue 4 | No funding of Infrastructure in area |
| Response | We have paid for or foregone income for some \$20-25m of infrastructure works to date |
| Issue 5 | Has caused confirmed traffic problems (chaos) through to developments |
| Response | Apart from an initial few days on opening of Harbour Town, this allegation completely unfounded |

"Capital City Airport of the Year"

Adelaide Airport Limited ABN 78 076 176 653

In closing, I reiterate that AAL has continually worked with State and local government and contributed significantly to off airport infrastructure. This has occurred through a period of challenging aviation activity during which we have managed to significantly enhance national aviation infrastructure here at Adelaide Airport. I recognise you are extremely busy, but if you have the time available, I would appreciate a brief meeting with you to discuss the above issues further and provide more detailed insights of particular cases relevant to the current enquiry.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Phil Baker', written over a circular stamp or seal.

Phil Baker
Managing Director

**Issues Raised during the Senate Standing Committee on
Rural & Regional Affairs and Transport:
Airports Amendment Bill 2006, Canberra, 30 January 2007**

Payments of Rates

In respect of ex-gratia payments to West Torrens City Council (WTCC), whilst we recognise the issue was not within the terms of reference of the hearing, may I state at the outset that it is ridiculous to suggest that Adelaide Airport Ltd (AAL), which is majority owned by Australian Superannuation Funds (82%), who in turn are cognisant of their own reputational 'risk', *"uses every possible device to delay or evade paying their fair share of council rates and which rams through inappropriate developments"*.

It is true that there has been a long, ongoing dispute as to the payment of ex-gratia rate equivalent payments, but we would argue that it is the Airport that has been seeking to resolve the dispute, which was initially caused by the Council arbitrarily reneging on a negotiated offset arrangement confirmed in writing by the CEO (Trevor Starr). From there, the dispute has incrementally broadened due to the progressive issues the Council has sought to challenge each year from their interpretation as part of their general disaffection with the Airports Act.

It may be of interest to note that our 'demand' in 1997 was \$307k and in 2005 had risen \$3.6m, though the latter figure was subsequently massively reduced after lengthy discussions. This year we expect to pay just over \$2 million similar to last year.

AAL very recently has asked DOTARS to review what we feel is a more than generous offer to WTCC and our understanding of the ex-gratia payment liability. We have received verbal assurances from DOTARS that we are totally compliant.

We understood WTCC were seeking the same overview from DOTARS, but are not certain of that outcome, nor whether they will abide by any such determination.

Finally on this matter, I was stunned to read that: "no service normally supplied to a rate-paying business has ever been refused to Adelaide Airport"... given that the original offset negotiation referred to above was all about the fact that the airport receives little or no service from the Council, nor did they wish to provide same. That discussion and agreement pre-dates the election of the current Mayor. However, since he came to office, there has never been any suggestion made of Council providing any additional services to AAL.

Sources of Revenue

Similarly, the colourful suggestions that aviation is now "a *sideline to our main business*" we are "not an Airport any more" and that we "gain the major part of our income from non-aviation sources" is incorrect and easily disproven, as the following figures indicate.

Income		\$000's	
1999	Aeronautical	10,031	(22%)
	Aero related	5,442	(12%)
	Non aero	<u>30,791</u>	(66%)
	Total	46,264	
2002	Aeronautical	11,338	(28%)
	Aero related	6,372	(16%)
	Non aero	<u>22,205</u>	(56%)
	Total	39,915	
2006	Aeronautical	46,243	(51%)
	Aero related	9,354	(10%)
	Non aero	<u>35,055*</u>	(39%)
	Total	90,652	

As the figures above clearly indicate, AAL has altered the balance of its income streams significantly since taking over from the FAC, consistently increasing the aeronautical and related revenues.

Aeronautical revenue directly accounts for more than half the current overall total and has grown by over 450% over the period.

The non-aeronautical figure for 2006 (39%) includes income from hangars, freight facilities, flight kitchens, border agency and police accommodation etc. If we separate out all those 'aviation' related income streams and concentrate on pure unrelated commercial property in isolation, the percentage is drastically reduced to only 7.5% (\$6.7m), including all such developments at Parafield.

Building Aviation Infrastructure

Since acquiring the lease in 1998, AAL spent \$271m up until the end of the 2006 financial year. Some 83% of that income was spent on building new and improving existing aeronautical infrastructure at Adelaide Airport.

In the last three financial years AAL has spent over \$245 million on capital projects, 86% of which was on aeronautical facilities.

If further proof were necessary, we are extremely proud of the fact that we have encouraged and assisted airlines to grow traffic by 50% (from 4 million

passengers per annum to 6m) since 1999, with new throughput records being set virtually every month during the calendar year just ended.

At the same time, the Company's clear emphasis on the core business and significant expenditure applied has seen the quality of service improve significantly. We compare very favourably in the independent surveys of world airports, particularly in our geographical region (Asia) and against similar sized gateways. Our overall rating is the highest of any Australian airport and we are in the top three in the world in some important areas – staff attitude, cleanliness and baggage delivery – but fare less well in relation to a few ancillary issues – such as retail outlets.

These improvements in aviation infrastructure at Adelaide Airport have been made only because of the ability of the company to fund such activities through sound management and income from both aeronautical and non-aeronautical activities on the airport.

For example, AAL decided to relocate helicopter operations to reduce noise impacts on adjacent residents at an early stage. The site selected to be best was devoid of any infrastructure, the provision of which purely for helicopters was cost prohibitive. AAL sought a commercial development to facilitate the relocation, which became Harbour Town. Residents and local elected officials at all levels were aware of this strategy.

Land Use Planning

In regard to planning, the Council would have you believe that AAL keeps everything secret, confers and consults as little as possible, never pays for infrastructure and unveils surprises as a 'fait accompli' as a modus operandi whilst seeking to flood our neighbours! Nothing could be further from the truth and there are several examples to illustrate our positive credentials in this area.

If we start with the Master Plan (and Environment Strategy), our consultation processes begin at least twelve months prior to the formal public display period and the State and city planners are amongst the first to be consulted, which is repeated a number of times heading up to public display. We naturally involve local interest groups, associations, specific consultants and individual residents, the latter through public meetings and the airport Consultative Committee, as part of the process. We write our plans totally in-house, rather than through a consultant, so that all our management are fully aware of the detail (the same process is employed at both Adelaide and Parafield Airports).

When we are ready to move to public display we advertise in the "Public Notices" of the Adelaide "Advertiser" and "Weekly Messenger" (over a few days) being consistent with State Government Planning practice. However, this merely the formal final step, as in the meantime, as well as dozens of specific meetings, presentations, discussions, media interviews and correspondence, we also use our three regular consultative forums, the

airport website, our newsletter and the Council's own systems to ensure the widest possible coverage locally.

The same system is employed for Major Development Plans and Minor Variations.

In addition, during the consultation phase for the 2004 Master Plan review, the local council requested the ability to comment on any new development regardless of their status or complying uses, merit activities (a concept drawn directly from the SA planning scheme) or major development status, nominating a time period of 10 days for response. This was accepted by AAL, embodied in the Plan and applied equally to State and local authorities.

The Minister receives not only our précis of individual submissions and our views on each, but copies of the original correspondence and our replies to each. DOTARS audit a sample of that documentation by contacting a number of the respondents to check they have received our formal response.

As to whether we pay any attention to external commentary, the best example has already been brought to your attention. In 1999 we voluntarily agreed with the Southern Lockleys Residents Association to switch a proposed site for hangar development to a commercial estate (Burbridge Business Park) against our better judgement.

In addition, we prepared a Minor Variation to the Master Plan for the original Harbour Town development at the request of the State Minister for Transport and Planning, though it was not thought to be absolutely necessary. Similar examples can be given in respect of the LG Warehouse site and extension, Elder Smith Road (at Parafield) and the proposed relocation of the Airport Club.

Finally, we resisted several attempts to develop supermarkets on airport land for several years and are only now considering the prospect due to changed circumstances and after two independent studies into the need and impact such a development may have on surrounding areas – no decision has yet been taken.

Funding State Infrastructure

As to not being prepared to contribute to infrastructure, we offer the following examples to illustrate once again that such an allegation is simply untrue:

- AAL noted that the right hand turning lane into the airport from Sir Donald Bradman Drive traveling eastbound was woefully inadequate. We contacted the State, contributed the full amount (c. \$60k) and had the filter lane doubled in length.
- When Harbour Town was under consideration, AAL freely offered to pay \$1m towards the cost of a signalised intersection, to include necessary improvements to the adjacent Council road to West

Beach. It took eight months to gain agreement from the State and AAL eventually paid the whole cost of \$1.2m.

- Similarly, AAL always intended and expected to pay for the new intersections designed and built for access into the Burbridge Business Park and Ikea. The Airport contributed half the costs of a joint traffic access study commissioned by the State for the surrounding area (and will continue to work in such a collaborative manner).
- AAL has foregone the use of large swathes of land (worth \$m's), free of charge to the State and local councils and the general community at both airports, to allow civic amenities (linear parks), overspill flood zones for storm drain widening, construction of new State highways, large reed beds to cleanse water for aquifer recharge, recreational zones (open playing fields) and temporary storage of silt from adjacent waterways after dredging.

Adelaide Airport is located at the bottom of large stormwater catchments in Adelaide. Uncontrolled urban development over many decades in these upstream catchments has created significant water management issues for the downstream areas.

AAL is intensely aware of the potential for local flooding, which is why it has worked collaboratively with local groups and authorities and is prepared to assist further. Clearly, however, we do not accept that the airport should be flooded as a first option in the event of major rainfall (nor does DOTARS). This is the reason why we have benched new developments and navigational aids and such works do not affect surrounding residents. The building of banks along drains referred to by the Council pre-dates our takeover.

We have committed since 1998 to not increase peak outfalls and have therefore significantly upgraded internal drains and detention basins to take account of all our new facilities' additional discharge – unlike other Councils' behaviour in the metropolitan area over the years, which has exacerbated the problem for WTCC and the Airport.

Land Use Planning

Whilst it may be accurate to state that Federal airports do not have to seek State or Local Authority permission for their development plans, it is not correct to suggest that such regulations and strategies are not taken into account, nor that no planning regime exists.

Our leasehold tenure and the various relevant measures in the Airports Act discourage many would-be developers from building on airports, particularly as they perceive our processes to be disadvantageous from the perspective of time and tenure.

In addition, certainly from AAL's perspective, State planning from a continuous historic standpoint completely ignored the presence or potential of the airports' vacant land. AAL has continually challenged the planners to try to look back and consider what might have been, had they been required to include such land in their thinking. To date, whilst we have been largely unsuccessful getting the planning fraternity to 'think outside the square', the State has at least acknowledged the Master Plan as a valid planning document.

Timescales for Major Developments

Councils would have you believe that AAL 'fast tracks' all development without consultation. Recent examples to refute such a claim include:

Ikea - Meeting in AAL's office with CEO/Mayor and proponent held in June 2004 construction began in March 2005

Harbour Town - First Information to Council November 2000, formal presentation January 2001, start on site February 2003

Burbridge Business Park - Council first consulted in January 2001, Infrastructure works commenced in March 2005

In all cases, whilst Council raised specific comments and observations which were all dealt with by AAL or the respective proponents, Council did not object to the construction of any of the facilities per se.

Miscellaneous

In response to the very specific points made by the Council, our comments are as follows:-

6m high fence:

This is utter nonsense. During public discussions a comment was made by a noise consultant (not engaged by AAL) that such a fence would be necessary to cut down the noise of adjacent tennis courts. There was never any intention of building such a structure and AAL merely requested the proponent to relocate the courts.

Richmond Road:

When preparing the MDP for the new terminal construction, AAL considered it would be advantageous operationally, environmentally and aesthetically to keep construction traffic away from travelers, staff and residents as far as possible. In conjunction with Council, it was agreed to open the 'Emergency Only' access where Richmond Road ended. AAL spent several hundred thousand dollars building an internal access road to the site.

A pre construction condition audit was undertaken and the builder had several meetings with Council representatives. We understood that the condition of the road had not deteriorated during the construction phase.

Pharmacy:

AAL is unable to freely locate a pharmacy on airport, having to comply with Commonwealth (ACPA) requirements. It has had an application for a pharmacy within Terminal 1 rejected by the ACPA to date, due to its locational distance from an existing pharmacy some 1.35 km away (in a straight line) thus being detrimental to the air traveler. The impact of an airport pharmacy on the surrounding area would be negligible.

Traffic issues:

The major arterial roads used to access the airport are State roads. Sir Donald Bradman Drive also comes under the Federal Auslink banner.

AAL with its consultant deals with State Ministers, Officers and Planners in respect of traffic flow studies and design criteria for its junctions and upgrades which we pay for.

When Harbour Town opened, the new phenomenon of that class of retail attracted a massive public response, which created traffic congestion for four to five days after the opening ceremony, plus a few weekends immediately thereafter. The trading pattern has since settled down to fairly quiet on weekdays, but much busier (without causing congestion) on weekends and holidays.

Ikea has never caused any traffic congestion during normal trading hours.

As part of the commissioning process, however, the store sent out specific invitations in a manner to deliberately stress its capacity in the carpark, in the store, in the restaurants and at check outs. That particular Thursday afternoon a week prior to opening, there was congestion in the adjacent roads. However, this did not lead to any delays of aircraft or passengers missing flights.

Unbeknown to AAL, the petrol station adjacent to Ikea and the airport egress ran a promotional campaign with a local media outlet with cheap petrol available one Friday evening. That led to traffic chaos for several hours until AAL was able to halt the promotion.

The additional access points funded by AAL, especially those on Sir Donald Bradman Drive, have taken pressure off the main entrance and improved traffic flow, especially taking staff and commercial traffic volumes away from the main public access point.