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Our ref: R90/0331 Out-14630
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18 January 2007

Senator The Hon. Bill Heffernan
Chair, Senate Rural and Regional Affairs and Transport Committee
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Senator Heffernan

Inquiry into the Airports Amendment Bill 2006

The Local Government Association of NSW and the Shires Association of NSW (the Associations) are the peak bodies representing local councils in NSW.

Local Government is a key stakeholder in the provision of aviation services to regional Australia. Urban councils are directly affected by policies regulating the larger city airports, including Sydney Airport, especially relating to development on airport land and aircraft noise issues. At the same time, many airports in regional centres are owned and operated by local councils, and the infrastructure and associated airline services are vital components for the economic and social development of regional areas.

The Associations seek to raise with the committee a number of concerns with elements of the Airports Amendment Bill 2006 especially relating to the issues surrounding non-aviation related developments on airport land. The Associations support the submission made by the Australian Local Government Association (ALGA) and raise some additional issues pertinent to NSW.

1. Background

Many of the airports covered by the *Airports Act 1996* were established on Commonwealth land on the outskirts of major cities. Excluding these facilities from state and local planning at that time was arguably a reasonable approach given the relatively low impact on surrounding largely rural areas and the strategic importance of airports. In the intervening period the growth of cities has resulted in airports becoming increasingly surrounded by urban developments and have become major generators of transport demand in their own right. In contrast, Sydney airport has long existed in relatively close proximity to the city of Sydney and adjacent built-up urban areas, unlike other major airports around Australia where urban development is only now encroaching on airport lands.

The impact of airports on adjacent urban areas has been exacerbated in recent years with a significant shift in the use of airport land from purely aviation-related purposes to other commercial developments such as retail, hotels and entertainment. These developments are no different to commercial developments elsewhere, yet are excluded from normal State and Local Government planning processes due to the historical arrangements underpinning the Airports Act.

Local Government acknowledges the recognition by the Australian Government of the need to consider the impact of these developments, implicit in the amendments to the Act currently being considered by the Committee. However there remain significant concerns with the Bill as it presently stands.

2. Issues of concern for Local Government

The Associations have concerns with five matters of principle with the current arrangements for the planning of commercial developments on airport land covered by the *Airports Act 1996*.

2.1 Consultation

The *Airports Amendment Bill 2006* in conjunction with the recently released Airport Development Consultation Guidelines, makes a number of useful amendments to the current consultation requirements and is welcomed by the Associations. In particular Local Government supports the requirements to make development plans more readily available to the community via the internet and the stop the clock provisions for Ministerial consideration of development plans.

However the Associations do not support the proposed reduction in the statutory consultation period from 90 calendar days to 45 working days. This does not provide adequate time to have a matter formally considered by councils and the community. If there is a strong desire for the consultation period to be expressed in working days rather than calendar days, the Associations support ALGAs recommendation that it be 60 working days to more closely approximate the current period.

The Associations recognise that the Bill and consultation guidelines make more explicit the expectation that airport owners clearly demonstrate how they have given due regard to public comments for master plans, major development plans and airport environment strategies. However this is only an expectation with no mechanism specified as to how this should happen.

2.2 Planning

The proposed amendments to the *Airport Act 1996* do not address the fundamental concern of Local Government, both here in NSW and in other jurisdictions, that major commercial developments on airport land adjacent to urban areas can proceed without reference to State or Local Government planning policy.

Councils have rightfully expressed the view airport development proposals would face far closer and more rigorous scrutiny if it were to go before state and local planning authorities, especially a consideration of the effect of this proposed development on local and regional transport infrastructure, amenity and existing commercial activity in nearby centres.

The Associations understand that the Australian Government does not wish to change the broad policy framework under which it controls airports. We are not proposing that these strategic infrastructure aspects of airports, such as aviation capacity and management be subject to state and local planning provisions. Our concerns relate to commercial developments such as retail outlets, hotels and entertainment facilities that are not primarily provided for airport users or to support airport activities. These developments are no different to developments elsewhere and should be subject to the same planning provisions. Commercial developments on airport land have impacts on surrounding communities including traffic and environmental impacts similar to commercial developments on non-airport land that are subjected to state and local planning provisions. It could be argued that this provides an unfair commercial advantage to developments on airport land which is contrary to Competitive Neutrality and National Competition Policy principles.

ALGA has proposed that the Minister be required to consult with relevant councils and state agencies on any planning decision relating to non-aviation related developments under the legislation. Further, if the development is not consistent with state and local planning policies, the Minister should be required to explain and justify the decision. The effect of this proposal would be to make Ministerial decision making more transparent without taking decision making power away from the relevant Commonwealth Minister. It would require the Minister to give reasons for any decision to allow developments, not consistent with

state and local government planning, to proceed. The Associations would support such an amendment to the bill.

2.3 *Financial considerations*

The Associations understand that Sydney Airport Corporation Limited (SACL) currently pays local government rates equivalents totaling about \$60 million up until 2023/24 to the three councils where the airport is located. To ensure SACL operations are consistent with the principles of competitive neutrality, it is important that any payments relating to the proposed non-aviation related commercial developments do not give SACL or its tenants a competitive advantage against similar retailers in surrounding council areas.

Additionally it is common practice for councils and state agencies to seek “developer contributions” when approving major facilities to help pay for the necessary upgrading of any associated infrastructure that might be required by the development. This cannot be enforced for developments on airport land . Yet there is an expectation that State and Local Government will provide the infrastructure required to support the developments, or inherit the impact of the development on existing infrastructure without appropriate compensation. It could again be argued that this is contrary to Competitive Neutrality and National Competition Policy principles by providing a financial benefit that it is not available to developers on non-airport land. We strongly believe the Committee should examine this anomaly and give consideration to the scope for charging the commercial developments on airport land the equivalent of rates and developer contributions which could be passed to councils.

2.4 *Impact of airport commercial developments on neighboring areas*

Concerns have developed around a number of airports about the impact of new airport commercial developments on surrounding businesses and therefore the viability of local retail and commercial precincts. As part of the development approval process councils take into account the impact of a new development on existing residents and businesses. The concern is that developments on airports do not do so and can result in a conflict or an over-supply impacting upon the viability of all businesses. Such an anomaly may also provide uncertainty and a disincentive for investors on surrounding land.

The Associations ask that the consultation process and Ministerial decision making in relation to commercial development be required to take this factor into account.

2.5 *Impact on Local Transport Infrastructure*

Councils adjacent to Sydney Airport are also alarmed at the potential impact from non-aviation related development on existing traffic and transport infrastructure. Further development at Sydney Airport has the potential to add significant traffic levels to existing roads already unable to cope with the mix of local regional, airport and Port Botany related transport demands. This traffic is expected to further increase with the planned expansion of activities at Port Botany, the forecast doubling of the overall freight transport task by 2020 and the relatively low modal share of this traffic carried by rail. Consultation processes for airport-related developments therefore must also address their impact on these local and state transport issues.

3. Conclusion

Local Government recognises the importance of Sydney Airport to the region as a whole, however its ongoing development and expansion cannot be allowed to occur without a clearly defined mechanism for consultation with state and local government, allowing for a suitable consideration of the wider affects of airport development on local and regional communities, infrastructure and businesses.

The Associations believe that Local Government should have a lead role in planning for local communities with other spheres of government, and in developing an integrated approach to issues of regional development, infrastructure co-ordination, growth management and environmental management, including regionally significant developments such as those proposed for Sydney and other airports.

Local Government recognises the importance of Sydney Airport as a regional aviation hub, its significance to the local, regional and Australian economy, and its importance to Sydney as a 'global city'. The airport is also a significant employer with many of these employees residing in local government areas geographically close to the airport. There are also existing and potential economic benefits for local councils from related transport and service industry development located outside the airport perimeter. Nevertheless we are adamant that these key economic drivers should not be used to justify development outside robust, comprehensive and transparent planning procedures that take account of the broader impacts on adjacent local and regional areas.

The Associations accept the view that the aviation elements of airports are key parts of the nation's infrastructure and their planning is a matter for the Australian Government. However, the occurrence in recent years of extensive non-aviation commercial developments does not constitute key national infrastructure and therefore does not justify being excluded from state and local planning regimes.

While we understand the Australian Government's desire to keep control over the planning for airports sites as a whole, the Associations ask that in relation to commercial developments on airport land the Minister be required to appropriately consult with Local Government, assess consistency with state and local planning policy, and to take account of the proposed development on nearby residents businesses and other transport infrastructure.

Consideration should also be given to charging commercial developments on airport land the equivalent of rates or developer contributions to address any infrastructure requirements and to assist in meeting the overall community needs.

Thank you for the opportunity to contribute to the committee's deliberations on this issue of such importance to our members

Yours sincerely

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