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Aviation
Infrastructure

Aviation infrastructure

Investing and planning for responsible growth

Planning at federal leased airports

Issues Paper Themes

- > Improving consultation with state and local authorities and co-operation between airport operators and state and local governments on land use planning
- > Integrating investment on airports with improved road and rail links to and from airports
- > Ensuring non-aeronautical developments do not compromise aeronautical requirements of airports
- > Improving mechanisms for guiding development around airports to ensure aircraft noise issues are fully addressed in planning
- > Developing mechanisms for effective ongoing dialogue between airport operators and their local communities
- > Ensuring off-airport developments, such as tall buildings, do not compromise safe and effective use of airports
- > Addressing future airport needs, recognising the importance of airports as an element of the national economic infrastructure
- > Accommodating the safe and effective use by civil aviation of joint user or Defence-owned airports
- > Potential commercial impacts of non-aeronautical airport developments on off airport competition

What the submissions said


State and local governments, major airlines and peak aviation industry and retail bodies argued for improvements in the planning and development regime under the *Airports Act 1996*. In particular, they wanted Master Plans and Major Development Plans to contain more detail so that the off-airport impacts of development could be more accurately predicted and addressed. State governments wanted the Plans to be subject to review by an independent panel to better integrate airport development with local planning, improve community consultation and increase oversight of non-aeronautical development.

There was some support for making non-aeronautical developments on airports subject to local planning laws or for the Commonwealth approval process to require consistency with local planning requirements. This was seen as a mechanism to remove the perceived competitive advantage for some on-airport non-aeronautical developments. One factor identified was the payment of developer contributions for infrastructure support costs.

The submissions from the leased federal airports were generally supportive of current planning and development arrangements.

A number of airports and other aviation organisations supported greater regulatory protection of airports from incompatible off-airport developments that may compromise the safe and effective use of the airports.

A significant number of submissions commented on the capacity of Sydney Airport.



Sydney Airport Corporation Limited argued that there was no need for a second Sydney airport, expressing confidence that capacity could be well-managed for the foreseeable future.

However, the NSW Government noted that continued aviation growth would mean that a new international airport for Sydney would be required. Some airlines also commented that capacity at Sydney Airport was already being fully utilised at peak times and supported a process for identifying and securing a site for a second airport.

There were also suggestions, from Singapore Airlines and Qantas in particular, for a relaxation of curfews and movement caps at Sydney to take account of the introduction of newer quieter aircraft.

Other submissions suggested that other major east coast airports have the capacity to accommodate greater numbers of international flights. Canberra Airport suggested that it could become a domestic and international freight hub, thereby reducing the load on Sydney Airport. Bankstown Airport argued that greater use of Sydney Basin airports would alleviate congestion at Sydney Airport.

Proposals for use of supplementary airports noted a need for road or rail transport to ensure connectivity of the airports. Regional councils and airlines, however, argued that rural and regional passengers would be disadvantaged if they were unable to access Sydney Airport, with its close proximity to the central business district.

Investment in Australia's airports – a work in progress

The Australian Government privatised the operation of 22 major airports between 1997 and 2003 by selling long-term leases over the airport sites to the private sector. These airports were formerly operated by the Federal Airports Corporation, a Government Business Enterprise established in 1986 to operate the Commonwealth owned airports. The privatisation of the airports' operation was part of the reform of the aviation sector that began with the deregulation of the domestic aviation market in 1990.

The Australian Government's oversight of the operation of the leased airports is set out in the *Airports Act 1996* and its regulations, in the leases for the sites, and in the sales agreements with the airport-lessee companies.

Since the privatisation program began in 1997, the airport-lessee companies have invested just over \$2.2 billion in new aeronautical infrastructure. A further investment of over \$4 billion is expected in the future from just seven of the largest airports.

Investment to date has allowed Australian airports to prepare themselves for new opportunities, such as the advent of the A380 aircraft, and to respond to the strong growth in aviation in recent decades.


However, investment and development has not been without controversy. Arguments have been raised in particular about excessive use of land on airport sites for developments not directly related to airport operations.

Key challenges

Ensuring ongoing investment in airport infrastructure

The Bureau of Infrastructure, Transport, and Regional Economics predicts that passenger movements through all airports will increase by four per cent per annum over the next 20 years resulting in a doubling of passenger movements over the period. With privatisation, it is the airport lessees who plan and finance investments in major airport infrastructure to meet industry growth. Recently, there have been a number of announcements by airports of significant investments in aeronautical infrastructure. Of particular note:

- Brisbane Airport is expected to invest approximately \$2.2 billion on a parallel runway,



domestic and international terminal improvements, and a northern access road;

- Perth Airport is expected to spend approximately \$1 billion on consolidating the international and domestic terminals and building a charter terminal;
- Sydney Airport is expected to spend approximately \$550 million on extensions to the international terminal; and
- Melbourne Airport is expected to spend \$330 million on extensions to the apron and international terminal.

However, a supportive framework is important if such investments are to continue. Demand in the aviation industry can be volatile and the lead-times for investment lengthy. While growth has been strong over the long term, cyclical downturns can occur as economic circumstances change. The industry is also especially sensitive to sudden shocks, such as those experienced with the collapse of Ansett, September 11 and the outbreak of SARS.

The Government proposes to continue with regulatory arrangements which support investment. This includes pursuing:

- balanced regulatory intervention in relation to pricing, planning or development approval;
- certainty in future planning for airport sites through improved arrangements for airport Master Plans and other development plans;
- a greater sense of shared commitment to the development of the airport site through improved coordination with state and territory and local governments and better integration of on-airport and off-airport planning; and
- a clearer framework for protecting airport operations from inappropriate development around airport sites.

Future airport needs: the Sydney region

The Government will work to ensure that airport infrastructure needs for the Sydney region are met well into the future.


The pressure on Sydney Airport in the face of increasing demand is an ongoing cause for concern. Sydney Airport is approaching capacity, with limited scope for new services during the high demand periods.

Sydney Airport Corporation Limited has begun its five-yearly revision of its Airport Master Plan, which is due to be submitted to the Minister for Infrastructure, Transport, Regional Development and Local Government in March 2009. The Plan, which sets out the forecast of activity and development at the airport for the next twenty years, will be finalised following consultation with the community, industry stakeholders and government agencies over the coming months. The process provides an opportunity for all those interested in the future operations at Sydney Airport to have input.

While Sydney Airport may have the physical capacity to cope with some growth in the short to medium term, the Government is concerned that the capacity limitations may over time constrain the development of our aviation industry and have a negative impact on broader economic growth, given the airport's strategic importance in the national network.

Continued growth at Sydney Airport may also exacerbate the impact on the community, by spreading the peak of operations, limiting options for noise sharing and reducing respite. The progressive introduction of quieter, new generation aircraft is a welcome development, but it will not remove the impact of aircraft operations on the community.

The legislated curfew and movement cap will remain in place. The Government does not intend to remove these operating restrictions, which provide the surrounding community with some relief from aircraft noise. These arrangements have strong community support.



The consideration of the Sydney Airport Master Plan will provide a better understanding of the future patterns of traffic to and from the Sydney region and the implications of continued growth for Sydney Airport, its users and the surrounding community.

Following consideration of the Master Plan, the Government proposes to initiate processes to identify additional aviation capacity for the Sydney region, consistent with the Government's policy of support for a second airport for Sydney.

The construction of an airport at Badgerys Creek is no longer an option. The future use of the Badgerys Creek site will be subject to further consideration.

A more effective planning regime

Responsible planning and development of airports as airports

The Government recognises the importance of continued investment in aeronautical infrastructure at airports, and the Government is committed to ensuring that this development is responsible.

The Government will ensure planning of the airport sites is consistent with the long-term development of the sites as airports and that it supports an optimal mix of aeronautical uses.

Airport sites are scarce and valuable. The encroachment of city development around airports, particularly the secondary airports at capital cities, has increased pressures for use of airport land for other purposes, with potentially higher commercial returns. The Government respects the right of the airport operators to a reasonable return on capital invested, but will not support proposals for uses of the site which work against the realisation of the full potential of the site for a range of aeronautical uses. Planning also needs to ensure proper provision is made for the necessary aeronautical infrastructure, including air traffic facilities and fire fighting services.

The Government will also work to ensure that an appropriate balance is maintained between the social, economic and environmental needs of the community and the development of the site. There is no intention to over-regulate.


Better integration with state and local government planning

The Government is keen to work with state and territory governments and industry on improved arrangements for planning and development on airports, subject to some key principles:

- the Commonwealth Minister will retain final decision-making authority for land use planning and development;
- arrangements for assessing plans and development proposals on airports and their supporting consultative procedures should be designed to encourage investor certainty and community confidence; and
- cooperative arrangements will be developed with the states and territories to better integrate airport planning and development and regulatory oversight with local and state and territory planning and regulatory arrangements, whilst ensuring reasonable provision for the protection and development of the airports.

The Government proposes to work with the representatives of state and territory and local governments, and the airports, to finalise specific proposals. The Government's preferred position is that the Australian Government Minister be given the power to establish expert Airport Planning Advisory Panels for each of the major airports to assess, at the Minister's request, airport Master Plans and Major Development Plans. The Panels would report to the Minister, who would retain the final decision-making authority.

The Panels would comprise people with planning and/or aviation expertise drawn from government, industry and the community. The Panels would enable expert independent analysis and advice to



be provided to the Minister on the implications of airport projects for things such as traffic and public transport, and other areas of local planning. The assessments could include consideration of the outcomes of public consultation and the airport's response.

Strengthening arrangements for community consultation

In submitting their Master Plans and Major Development Plans to the Minister for approval, the airport-lessee companies are required under the Airports Act to demonstrate how they have taken account of comments from the public received during the public consultation period. Submissions from key stakeholders indicate that they do not consider that this element of the approval process has adequately addressed their concerns.

The use of expert panels would help to ensure community views are given due consideration within the development approval process.

The Government also proposes that the Minister be empowered to require airport lessees to establish community consultation groups for each major airport to foster effective community engagement in airport planning and operations issues. It is envisaged the groups would:

- have an independent Chair;
- include airport and government representatives, as well as representatives from local communities and users;
- be funded by airport lease holders;
- have scope to address ongoing and current planning and development issues and other key areas of airport activity that impact significantly on the community, e.g. aircraft noise; and
- monitor community complaints relating to the airport and their handling.

More clarity about future planning

The Government believes that the airport Master Planning process can be strengthened to provide greater transparency and certainty about future land uses at the airports. The airport Master Plans outline the proposed use of the airport site with a 20 year horizon and are updated on a five year cycle. While the planning for 20 years ahead is necessarily at a broad level, a more detailed articulation should be possible of plans for aviation and other developments proposed in the immediate three to five year period.

The articulation of more specific development plans for the next Master Plan cycle would provide a better basis for community input to the process. In turn, the approval of Master Plans with more detailed articulation of the nature of developments proposed over the cycle would provide airport operators with more confidence to proceed with those developments.

To improve clarity about the implications of airport development for surrounding communities, the Government proposes to examine options such as requiring a ground transport plan to be annexed to a Master Plan and incorporation of Airport Environment Strategies into the Master Plan process.

A ground transport plan could be expected to consider issues such as public transport and car parking access for passengers and 'meeters and greeters' as well as access to commercial developments on the airport site. It could also be expected to consider the transport needs of workers employed at the airport, who need to travel to and from their employment, sometimes at irregular hours.

The Government will also consider the introduction of powers for the Minister to call for, consider, and approve precinct plans for areas which are to be used for non-aeronautical development, setting out the nature of the proposed development in the precinct, identifying its impacts on and off-airport, and proposals for addressing those impacts.



Strengthening the triggers for Major Development Plans

Current threshold requirements for submitting Major Development Plans may not capture a number of relatively significant non-aeronautical proposals. Under the Airports Act, a non-aeronautical development is subject to the Major Development Plan requirements only if it is to be a new building with a cost exceeding \$20 million or it is likely to have significant environmental or ecological impact. The Government will review the triggers to ensure they do not allow proposals that may have significant community impacts to proceed without community consideration.

The review of these triggers would look at how thresholds might be defined so as to address the range of potential community impacts an on-airport development may have, including environmental or economic impacts, impacts on access to the airports, traffic congestion, local transport networks, and noise.

Recognising that any defined triggers will not be able to encapsulate all local issues, the Government also proposes to provide a Ministerial call-in power to require lodgement of a Major Development Plan that may have significant community impacts. This would ensure consideration of the proposed development, which may not otherwise have been subject to the Major Development Plan process. Objective criteria for the use of the call-in power will be developed in consultation with other levels of government, the industry, and the community.

Identifying uses which are not compatible with airport sites

The Government believes there are a range of activities such as long-term residential development and the operation of residential aged or community care facilities, nursing homes, child-care facilities for the public, hospitals, and schools that may not be compatible with the operation of an airport as an airport.

The Government will move to identify the categories of development which are likely to be incompatible and consider options to prohibit or otherwise restrict any such new developments on the leased federal airports sites. The Government believes that the public interest may best be served by creating certainty on these issues for the airport operators, planning agencies, and the community.

Honouring environmental obligations

A range of environmental issues arise in relation to development on airport land including impacts on biodiversity, runoff from the site, noise, and dust and other emissions.


The Government expects the airports to adopt high standards in environmental management and to take all necessary action to implement their Airport Environment Strategies consistently and fulfil their obligations under the *Environment Protection and Biodiversity Conservation Act 1999*.

Monitoring and enforcement

The Government recognises particular caution is required about any environmentally significant developments which would require ongoing monitoring on airport sites. Further consideration will be given to how best to manage effective monitoring of any such development and ensure appropriate environmental standards are met throughout the life of the development.

In summary, the Government considers that processes for the approval of non-aeronautical and aeronautical development on airport sites should be refined and new measures applying to it could include:

- examining the impact of airport development on surrounding transport and community infrastructure and how the leased federal airports might contribute to this infrastructure;
- reviewing the triggers for the major development process to ensure that those developments of most interest to the community are subjected to proper consultation



processes;

- strengthening the airport master plan process to provide greater transparency and certainty about future land uses at airports, including the detailed articulation of plans for aviation and other development proposals for the three to five year period following the master plan review;
- providing a power for the Minister to call for additional detail in precinct plans for areas which have been proposed for non-aeronautical development;
- a call-in power for the Commonwealth Minister to ensure consideration of sensitive proposals, which would not otherwise have been subject to consultation; and
- a prohibition on future non-aeronautical facilities or uses that are likely to be incompatible with the effective and efficient operation of the airports, including residential use, aged care facilities, schools, hospitals, and child care facilities (other than those designed principally for staff working on the airport site).

Safeguarding future aeronautical needs from inappropriate development in surrounding areas

As airports form a critical part of Australia's infrastructure, the Government is concerned to ensure that development around airports does not restrict the long term operation and growth of the airport. The Government is committed to working with the states and territories to improve national arrangements for all government planning processes relating to airports.

To date there has been limited coordination to ensure airports are protected from development in surrounding areas that is incompatible with aviation operations and growth. For example, buildings of excessive height or inappropriate reflective material may interfere with flight paths or radar, and new residential development under flight paths can bring pressure to limit aircraft operations, including through curfews.

A related concern is to ensure airports do not pose an unacceptable level of risk to nearby residents. There has to date been limited use of regulatory processes such as the definition of public safety zones to prevent building in areas where there are quantifiable risks to the public. Uniquely in Australia, this is addressed in a Queensland State Planning Policy that is used by its regional planning authorities.

While the use of Master Plans and Safety Management Systems are the basis for planning considerations on airports, these stop at airport boundaries and have little, if any, influence off-airport.


The regulations and planning policies that do influence off-airport planning decisions, such as airspace protection and managing noise impacts, are piecemeal and disconnected, leading to uncertainty in planning, both at airports and for off-airport development.

There would be benefits to airports, airlines and governments in having a clear regulatory environment for land use planning, both on and off airports, that safeguards the public and aeronautical infrastructure and provides for the safe operation of airports.

A unified risk-based framework could be developed to enable all levels of government to take responsibility for safeguarding airports from off-airport development that is incompatible with the future safe and effective operations of an airport.

This framework would also need to consider whether safeguarding provisions should apply to both new and existing development or, if it is to apply to existing development, which criteria should be applied.

The Government will initiate this approach through the public release of a more detailed discussion paper on a national airport safeguarding framework.



As a result, in addition to the planning reform package outlined above under section 8.1.4, the Government is committed to working with the state and territory governments to develop the following initiatives:

- national airspace protection legislation that protects approaches to major airports to prevent intrusion into airspace by buildings approved at state and local government level;
- developing a clear policy on the definition of public safety zones around airports which can be taken into account in local planning with a view to ensuring that the community is not exposed to any undue level of risk from aircraft operations; and
- developing strategies and plans to address other airport related issues, such as aircraft noise, traffic linkages, and best practice community consultation models.

Economic regulation: balancing incentives to invest with fair pricing

Issues Paper Themes

- > Ensuring the regulatory framework for the pricing of airport services and monitoring of service quality is appropriate in the current environment
- > Transparency in the setting of charges for services at airports not subject to price or quality of service monitoring

What the submissions said

Airports and other supporters of airport investment favoured continuation of the current price monitoring regime, suggesting that it delivered efficient outcomes and provided the confidence for continued strong investment at airports.

Some, but not all, airline interests claimed the light-handed price monitoring regime had not been effective in curbing airport market power. The Board of Airline Representatives of Australia broadly supported the current pricing regime, but believed price monitoring should apply to all of Australia's international airports.

Some submissions suggested adopting an enforceable structured pricing framework that specified the basis of pricing calculations (i.e. detailing a specific form of building block model to calculate charges) and an airport-specific dispute resolution mechanism.


The current regulatory regime for airport pricing

Australia's airports are a major component of the national transport infrastructure and make a significant contribution to Australia's overall economic prosperity. Continued efficient investment in aeronautical infrastructure is a key objective of the Australian Government. At the same time, airports have significant market power and this is an important factor in determining the most appropriate pricing and regulatory regime.

In 1997 and 1998, following the privatisation of the federal airports, the former Government implemented a prices oversight regime for the Phase I²³ and Phase II²⁴ privatised airports, and

²³ Brisbane, Melbourne and Perth Airports

²⁴ Adelaide, Alice Springs, Canberra, Gold Coast (Coolangatta), Darwin, Hobart, Launceston and, Townsville



Sydney airport (which was corporatised in 1998 but not sold until 2002), consisting of:

- price notification for aeronautical services;
- a Consumer Price Index (CPI) minus X price cap on aeronautical services;
- price monitoring of certain aeronautical-related services; and
- cost pass-through provisions for necessary new investment and government-mandated security services.

The airports subject to price oversight were also subjected to quality of service monitoring.

Based on the findings of a 2002 Productivity Commission (PC) inquiry, a lighter-handed regulation of airports was introduced in place of price-caps and price notification of aeronautical services. A regime comprising aeronautical pricing principles, commercial pricing negotiations between the airports and their airline customers, and price monitoring of both aeronautical and aeronautical related services was implemented at Adelaide, Brisbane, Canberra, Darwin, Melbourne, Perth and Sydney airports. Quality of service monitoring of the seven airports was also continued.

Under the light-handed regime, the seven designated airports were required to provide annual financial statements in relation to the provision of aeronautical services and non-aeronautical services separately to the Australian Competition and Consumer Commission (ACCC). The airports were also required to report costs, revenues and profits relating to the supply of aeronautical and aeronautical-related services to the ACCC.

A lighter-handed approach to airports regulation was intended to provide greater scope for the airports to price, invest and operate efficiently. The purpose of price monitoring was to assist the competitive process by allowing the community to scrutinise prices and market outcomes and to provide evidence of unjustifiable price increases were this to occur. It was also considered that price monitoring would act to curb any abuse of market power by the airports.

Following a second PC Inquiry in 2006, the former Government decided to maintain the light-handed regulatory approach, but to exclude Canberra and Darwin airports from the price monitoring regime.

The decision to exclude Canberra and Darwin means that the current price-monitoring arrangements apply only to five Australian airports – Adelaide, Brisbane, Melbourne, Perth and Sydney. Other leased federal airports as well as airports coming under state and local government jurisdiction have no formal price monitoring or control.

Another potential gap in the system is that airline operated domestic terminals that are subject to a lease that existed prior to airport privatisation are excluded from quality of service monitoring

The way forward

The Australian Government has decided to expand the range of services monitored by the ACCC to include car parking costs and revenue at the five major airports. The Government is concerned to ensure that airports do not use their monopoly position to exploit the travelling public and the inclusion of car parking in the ACCC's monitoring regime will provide greater transparency and accountability for car parking costs.

While the current pricing system has allowed effective commercial arrangements to be struck between airlines and airports, the Government considers it important to strengthen the regime to balance incentives for investment with accountability and transparency in the provision and pricing of airport services. The Government considers there are some areas which can be refined to improve the system, to make it more transparent and to ensure the public is fairly served by Australia's critical aviation infrastructure.



Continuing the current pricing system

The Government recognises that regulatory stability is important for airports as they make long term investment decisions. The Government proposes the continuation of price monitoring as the basis for economic regulation until 2013, with the modifications addressing the Issues raised in this Green Paper to be introduced following full consultation with both industry and the public. A full review of Australia's airport economic regulatory regime will be undertaken in 2012.

Quality of service

Quality of service monitoring of major airports seeks to ensure airport operators are not obtaining improved short-term returns through running down assets or reducing their standards of service below levels reasonably expected by airport users, particularly the travelling public.

To date quality of service monitoring has focused on a range of services that are relevant to the maintenance of the asset and use of that asset by airlines. The Government will review the quality of service monitoring arrangements to enable improved reporting on the passenger experience, including complaint-handling systems and disability access at airports.

To enhance transparency and promote consistency, the Government will examine whether there is a need to include airports other than the current five for quality of service monitoring.

The first step in this process will be the development of a consultation paper on proposed changes to Part 8 of the Airports Regulations, which address quality of service monitoring, in the near future.

Car parking

The Government is aware of concerns that airports could use their monopoly positions to charge excessive prices for parking, especially in comparison to international standards. It is important to ensure the travelling public and their families are not over-charged.

The Government recognises airports must be able to obtain a reasonable return on their investments, and car parking is an important element in that. Also, airports must be able to manage traffic in areas around the terminal.

Nonetheless, the Government recognises the significant public interest in ensuring car parking fees remain at a reasonable level. The Government has directed the ACCC to monitor car parking prices, costs and profits at Australia's five major airports. The monitoring of car parking prices will ensure greater transparency and accountability for the car parking facilities at these airports.


Refinement of the price monitoring system

While the current regulatory arrangements have worked well for the five major airports, the Government considers this system could be adapted to monitor behaviour at other airports. However, an important element in this will be to provide investment certainty and limit the regulatory burden on those airports.

In the first instance, the Government is examining options to re-introduce a level of price-monitoring at Canberra and Darwin airports. Darwin is a remote community and has experienced significant price increases since privatisation. Canberra is largely a business market with a relatively low sensitivity to price, which may reduce competitive pressures to keep prices down. Both Canberra and Darwin airports were subjected to price and quality of service monitoring from 1998 until last year.

A tiered approach

The Government will investigate options for a tiered approach to economic regulation which might apply scaled-down monitoring and reporting requirements to airports with lesser market power than the five major airports currently monitored.



The Government recognises the compliance costs that regulatory requirements can impose, particularly on smaller airports, and would embark on appropriate consultation before finalising a decision to expand the scope of airports to be monitored.

A show cause mechanism

One of the key benefits of the price monitoring regime is that it provides transparency while minimising the regulatory burden for airports. However, this system provides only a limited range of remedies where there is suspicion of an abuse of pricing power.

The Government therefore proposes to implement a 'show cause process' which would apply if there is prima facie evidence of serious pricing misbehaviour by an airport. Under this process airports will have the opportunity to formally respond before further action is taken, such as a formal price inquiry under the Trade Practices Act or other investigation.

A 'show cause' guideline will be released to relevant stakeholders for consultation.

Dispute resolution

Some airlines and industry associations have indicated concern with the lack of a binding dispute resolution process to apply in the event that airlines and an airport operator cannot reach commercial agreement on aeronautical charges.

The Government considers that aeronautical prices should ideally be established through commercial negotiations undertaken in good faith. Parties can agree on processes for resolving disputes commercially, such as through an independent commercial mediation or a legally binding private arbitration.

In considering the issue in 2002 and 2006 the PC generally did not support airport-specific dispute resolution provisions because of concern that access to compulsory dispute resolution may remove incentives for the parties to reach commercial agreement – that is, parties might proceed to invoke the dispute resolution provisions without seriously attempting to negotiate.

Part IIIA of the Trade Practices Act is the legislative regime to facilitate access by a party to the services of a nationally significant essential facility (a natural monopoly). Part IIIA applies to all airports deemed to be nationally significant. One of the main criticisms of Part IIIA mechanism is that it is time consuming and subject to merits and judicial review. The Government is currently considering possible amendments to the effectiveness and timeliness of processes under Part IIIA of the Trade Practices Act. The Minister for Competition and Consumer Affairs is expected to bring forward a package of reforms to Part IIIA following appropriate consultation.

Accordingly, the Government is considering an approach along the following lines:

- continuation of price monitoring for the five major airports, with a review in 2012;
- improvements to quality of service monitoring;
- responding to public concerns with car parking prices by its re-inclusion as a price monitored service;
- re-introduction of a level of price-monitoring at Canberra and Darwin Airports;
- developing a proposal for different 'tiers' of price monitoring depending on airport size and market power; and
- implementation of a "show cause" mechanism, requiring airports to demonstrate why their conduct should not be subject to closer scrutiny where there is prima facie evidence of abuse of market power.



Major regional airports

In responses to the Issues Paper there was support from some regional airports and airlines and the Regional Aviation Association of Australia for government investment in regional airports.

The policy context

While the Australian Government has responsibility for the regulation of Australia's major capital city airports, most regional airports come under state and local government controls.

Aerodrome Local Ownership Plan

From 1958 to 1990, the Australian Government encouraged local ownership under the Aerodrome Local Ownership Plan (ALOP) by contributing funding to aerodrome maintenance and development in exchange for agreement to transfer responsibility free of charge to local owners. The Government partially recovered this funding through Commonwealth aerodrome charges. The Government also provided funding to aerodromes already in local ownership that supported a regular scheduled air service.

In 1990, the Government announced its intention to withdraw completely from the ownership of local airports over a period of five years. The Government subsequently accelerated its withdrawal from ALOP and allocated additional funding to ensure its completion in 1992-93, with no further funding to be provided or Commonwealth aerodrome charges levied.

Most aerodromes were transferred to local councils with the underlying principle that local councils were best qualified to manage them according to the needs of their communities. Councils agreed to operate and maintain the aerodromes without ongoing funding support from the Commonwealth. Aerodromes were transferred under freehold title.

To assist in the transition from government-subsidised operations and to encourage a vigorous, cost-effective regional aviation market of more efficient, locally operated aerodromes the Australian Government provided one-off grants totalling \$73.8 million. Since that time the Australian Government has not had a direct role in funding ongoing maintenance and capital upgrades at regional aerodromes.

State and territory programs

The degree of financial assistance available to regional and remote aerodromes varies between states and territories.

In Western Australia, the Regional Airports Development Scheme is designed to assist the development of airport infrastructure. Through this Scheme, the State works in partnership with airport owners to develop regional airport infrastructure that meets access needs and contributes to regional economic growth.

The Queensland Government operates a Regional Airport Development Scheme to assist local government in the upgrade of regional and remote airport infrastructure. Funding is offered on a matching grant basis with airport owners for projects that are necessary to maintain basic access or that promote regional development.

The Northern Territory Government provides funding for 72 strategic aerodromes throughout the Territory. This funding ensures that communities have access to government services and is provided for ongoing repair and maintenance and periodic upgrade of these aerodromes.

Although the South Australian Government has no dedicated airport infrastructure program it does contribute to various airport projects from a variety of agencies. Contributions tend to be on the basis of wider economic benefits delivered by particular projects and occasionally may be on the basis of safety or social equity. In most cases they are made in partnership with other funding



bodies.

In Victoria, there is no dedicated airport infrastructure program but project specific funding is available through the Regional Infrastructure Development Fund and Small Towns Development Fund. Through these funds, the Victorian Government's contributions tend to be based on wider economic benefits delivered by particular projects, but occasionally may be on the basis of safety or social equity. In most cases, they are made in partnership with other funding sources at the local government level or with business partners of the airport or aerodrome.

New South Wales has no program dedicated to airport funding although country grant programs have in the past funded minor works at some regional airports.

Tasmania has no program dedicated to airport funding and, while the Tasmanian Government has in the past contributed to the cost of airport infrastructure, it has not done so for a number of years.

Flexible financial support

The Australian Government recognises that the experience has varied following the transfer of aerodrome ownership to local councils. Some airports have a sufficient frequency of services to recover ongoing costs, with a few able to make a profit. Others do not generate sufficient revenue to cover more than basic costs and are subsidised by local governments.

The Government has provided around \$31.1 billion in Financial Assistance Grants to local government since 1974-75, including an estimated \$1.8 billion in 2008-09. These grants are untied and local governments can prioritise spending, including on airport infrastructure, based on the needs of the local community.

The Government has also announced a \$300 million program for 2008-09 to build local community infrastructure in all of Australia's 565 local council areas. The \$300 million Regional and Local Community Infrastructure Program will boost local economic development and support jobs in communities around the country. Ongoing funding for the RLCIP will be determined as part of the 2009-10 Budget process.

Sustainable regional airports

Decisions on the application of airport charges, ongoing maintenance expenditure and infrastructure investment are the responsibility of the airport operator.

Many of Australia's regional airports owned by local councils impose user charges which provide funds for administration, maintenance and upgrading of facilities.

In setting airport charges councils must appreciate the price-sensitivity of airline travellers and the limited ability of regional operators to pass on airport charges.


As airport owners, local councils have an important role in balancing the establishment and growth of regional airline services. Councils can discount or waive fees where the services are judged to be a priority for the community and balance this against the requirement to generate revenue to maintain and manage the airport.

Australian Government policy provides an environment free of artificial constraints where these decisions can be taken by the relevant authority based on market demands, available resources and an assessment of the future transport and infrastructure needs of the community.

Remote airports

The Government acknowledges the essential nature of air services for the social and economic well being of remote and isolated communities. A regular air service provides basic access needs for these communities along with emergency and medical services.

In recognition of their status as critical infrastructure for isolated and transport disadvantaged



communities, the Government provides ongoing funding to ensure the continued operation of some remote aerodromes.

Remote Aerodrome Safety Program

The national Remote Aerodrome Safety Program assists airstrip upgrading in remote and isolated communities to improve safety and accessibility and to facilitate the provision of non commercial but essential goods and services.

The program operates through cooperative funding arrangements with states and local governments, who provide matching payments towards safety related projects at remote aerodromes.

The program has been working well in delivering outcomes and cooperative planning and funding by all levels of government. The Australian Government allocated almost \$1 million to improve safety and access for 25 airstrips in remote and isolated parts of Australia in the first round of funding under the program. State and territory governments and local councils also provided significant financial contributions.

The Australian Government's contribution of \$6.6 million under the second round will deliver airstrip upgrades worth about \$11 million, with state and territory governments contributing \$2.1 million and local councils \$1.8 million.

The next round of the program is expected to open in early 2009.

Remote Aerodrome Inspection Program

The Remote Aerodrome Inspection Program provides aerodrome safety inspection services and technical advice to remote northern Australian indigenous communities that rely on air services.

Normally, aerodrome inspections of this type would be the responsibility of the aerodrome owner and/or operator. However, they require specialised technical expertise not readily available in remote communities.

Australian Government funding provides for this expertise to ensure the continued operation of these essential services.

Use of Defence airports for civil aviation


Fundamentally, Defence airports serve military aviation users and the development of military capability and the conduct of military operations.

Defence airport facilities such as Newcastle (Williamtown), Darwin, Townsville, Learmonth and Curtin play an important role in providing services to civil air passenger transport operations. Some general aviation operations also use Richmond (NSW) and Tindal (NT) Defence airports.

At some of these locations (Williamtown, Darwin and Townsville) Defence provides air traffic control services, while at Williamtown, Defence also provides aviation rescue and fire fighting services.

The shared use of airports such as at Darwin, Townsville and Newcastle has provided a relatively inexpensive and convenient method of providing for civil aviation needs at these locations – especially when compared with the significant costs of establishing a separate civilian airport.

These arrangements were established when civil traffic levels and complexities were much lower than today and when civil and military operations were largely independent. Defence does not currently recover the full costs of providing these services, particularly air traffic control, to civil aviation. A further issue is the ability of Defence to provide services at these locations to full civil standards with the consequent costs incurred.



These developments can place significant additional resourcing requirements on Defence in terms of the provision of infrastructure facilities and provision of air traffic and rescue and fire fighting services over and above what would be provided for military operations.

Where there are emerging infrastructure and service provision constraints on some of these Defence airports (such as Williamtown) the Government will be examining how best to ensure that the future military aviation operational requirements are met, while recognising and determining how to cater for the increasing civil use, where appropriate, of Defence facilities and growing community dependence on them in some instances for commercial air services.

The way forward

The Government proposes to improve oversight of Australia's critical airport infrastructure by:

- improving planning coordination between the Australian Government, the states and territories and airports, while maintaining regulatory arrangements that promote investment, efficiency, and innovation.

Planning for the Sydney region's long-term aviation needs

Following consideration of the Sydney Airport Master Plan, the Government will:

- initiate processes to identify additional capacity for the Sydney region, consistent with the Government's policy of support for a second airport for Sydney.

Better integration with state and territory and local government planning

The Government is keen to work with state and territory and local governments and industry on improved arrangements for planning and development on airports, subject to some key principles:

- the Commonwealth Minister will retain final decision-making authority for land use planning and development on-airport;
- arrangements for assessing plans and development proposals on airport and their supporting consultative procedures should be designed so as not to act as barriers to investment; and
- cooperative arrangements will be developed with the states and territories and local government to better integrate airport planning and development and regulatory oversight of the airports with local and state and territory planning and regulatory arrangements, whilst ensuring reasonable provision for the protection and development of the airports.


The Government's preferred position is that the Australian Government Minister be given the power to establish expert Airport Planning Advisory Panels for each of the major airports to assess, at the Minister's request, airport Master Plans and Major Development Plans.

- The Panels would report to the Minister, who would retain the final decision-making authority.

Community engagement

The Government proposes that the Minister be empowered to require airport lessees to establish community consultation groups for each major airport to foster effective community engagement in airport planning and operations issues. It is envisaged the groups would:

- have an independent Chair;
- include airport and government representatives, as well as representatives from local

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- communities and users;
 - be funded by airport lease holders;
 - have scope to address ongoing and current planning and development issues and other key areas of airport activity that impact significantly on the community, e.g. aircraft noise; and
 - monitor community complaints relating to the airport and their handling.

Improved planning processes

The Government considers that processes for approval of non-aeronautical and aeronautical development on airport sites should be refined and new measures applying to it could include:

- examining the impact of airport development on surrounding transport and community infrastructure and how the leased federal airports might contribute to this infrastructure;
- strengthening the airport master plan process to provide greater transparency and certainty about future land uses at airports, including the detailed articulation of plans for aviation and other development proposals for the three to five year period following the master plan review;
- providing a power for the Minister to call for additional detail in precinct plans for areas which have been proposed for non-aeronautical development;
- reviewing the triggers for the major development plan process to ensure that those developments of most interest to the community are subjected to proper consultation processes;
- a call-in power for the Commonwealth Minister to ensure consideration of sensitive development proposals, which would not otherwise have been subject to consultation; and
- a prohibition on future non-aeronautical facilities or uses that are likely to be incompatible with the effective and efficient operations of the airports including residential use, aged care facilities, schools, hospitals, and child care facilities (other than those designed principally for airport staff).

Protecting our airports


The Government is committed to working with the state and territory governments to develop the following initiatives:

- developing a national risk-based framework to guide all levels of government in taking responsibility for safeguarding airports from off-airport development that is inconsistent with future operations and the development of the airports;
- developing a clear policy on the definition of public safety zones around airports which can be taken into account in local planning with a view to ensuring that the community is not exposed to any undue level of risk from aircraft operations; and
- developing strategies and plans to address other airport related issues such as aircraft noise, traffic linkages, and best practice community consultation models.

Economic regulation of airport services

The Government is considering an approach to the economic regulation of federal leased airports along the following lines:

- continuation of price monitoring for the five major airports, with a review in 2012;
- improvements to quality of service monitoring;

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- re-instating price monitoring of with car parking at Australia’s five major airports;
 - re-introduction of a level of price-monitoring at Canberra and Darwin Airports;
 - developing a proposal for different ‘tiers’ of price monitoring depending on airport size and market power; and
 - implementation of a “show cause” mechanism, requiring airports to demonstrate why their conduct should not be subject to closer scrutiny where there is prima facie evidence of abuse of market power.

Regional and remote airports

Australia’s regional airports play a major role in facilitating connections to capital cities and to essential services. The Australian Government proposes to:

- Work with state and territory governments and local airport owners through the Remote Aerodrome Safety Program to fund essential upgrades aerodromes in remote locations to ensure safe access to essential air services. The Government will continue with investment of \$20 million over four years with matching contributions from state and local governments ensuring a coordinated approach to improving aerodrome safety in remote areas.
- continue with flexible financial support for local governments through untied Financial Assistance Grants and through the Regional and Local Community Infrastructure Program which boosts local economic development and support jobs in communities around the country.