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Airport**

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The Secretary  
Department of Infrastructure  
Transport Regional Development and Local Government  
GPO Box 594  
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Dear Sir

**Adelaide Airport Limited (AAL) Submission to National Aviation Policy – Green Paper**

In response to the invitation extended to comment on the proposed policy initiatives identified in the Green Paper, AAL now encloses its submission.

The enclosed submission is designed to achieve two main purposes. First it is intended to lend support to the comprehensive industry submission of Australian Airports Association, into which submission AAL has provided input. Second it seeks to articulate AAL's views on the potential impact and effect of the proposed policy initiatives on the day to day operations and management of Adelaide Airport and Parafield Airport.

As the enclosed submission makes it plain AAL is committed to reform which is both necessary and beneficial to the future development and advancement of the aviation industry. However, it cannot be emphasized enough that in the adoption and implementation of all or any of the proposed initiatives a primary objective must be the preservation of the ingredient most valued by business namely "certainty" and in particular certainty with respect to contractual arrangements which are in place. Without it the prospects for future investment in and financing of airports will be nothing less than bleak.

AAL therefore sincerely trusts that this objective, which is echoed in aspects of the Green Paper, does not somehow get lost or overlooked in the process.

AAL would welcome the opportunity to discuss its submission with your department in greater detail or to participate in any further consultation process which may be beneficial to or assist with development of the National Aviation Policy White Paper.

Yours sincerely

**Phil Baker**  
**Managing Director**  
**Adelaide and Parafield Airports**

# Submission of Adelaide Airport Ltd to the National Aviation Policy Green Paper

## *Issues Raised in the Policy Green Paper – Executive Summary*

- 1. Aviation Safety**

AAL generally supports the initiatives raised and priority given.
- 2. Aviation Security**

Whilst AAL is supportive of the Government's general philosophy and priority quoted, AAL would encourage more emphasis be placed on risk and threat level. Issues of cost require greater analysis and understanding and should not be seen purely as a 'cost of doing business' on aviation in isolation (from other competitive forms of transport).
- 3. International Aviation**

AAL supports the Government's position.

However, whilst not seeking to place any impediment in the way of bilateral negotiation, we believe the 'regional package' has failed to encourage any growth in regional ports.
- 4. Domestic & Regional Aviation**

AAL fully endorses the current position. We are discussing how we may more formally assist selected regional ports in SA and would encourage Federal and State Governments to facilitate any such outcomes.
- 5. General Aviation**

AAL is aware of the problems facing GA, but would not subscribe to being part of the problem as alluded to in the Green Paper.
- 6. Industry Skills**

Despite these rapidly changing times, AAL would contend that investigation into bolstering the relevant job skills be maintained to avoid a repetition of the skills shortages when the global economic situation improves.
- 7. Consumer protection**

AAL is generally in agreement with the direction outlined in the Green Paper in terms of Transport Accessibility for persons with disabilities. We would simply urge that a pragmatic approach is taken through the Working Group in finding solutions specific to individual circumstances considering existing infrastructure and facilities.
- 8. Airport Investment**

AAL has concerns with issues raised in the Green Paper as it suggests that something requires fixing, which AAL would contend is not the case. In particular, most of the suggested initiatives are either available now from the regulatory perspective or already undertaken by AAL in terms of our obligations in respect of planning and consultation.

AAL therefore questions the need for Airport Planning Advisory Panels (APAP) in principle.

AAL is proud of its 100% record of Master Plan, Environment Strategy, Major Development Plan and Minor Variation approvals, where we have always sought to provide as much detailed information as is available at the time of submission.

We do not believe that 'one size fits all' is the best approach and more especially are concerned that regulation may be based on the 'lowest common denominator' principle, rather than specific processes for individual issues.

Airport privatisations have been an excellent example of a successful privatisation of infrastructure assets. The combination of the 'call in provisions' with the 'show cause' mechanism as proposed has significant ramifications for continuing development in airport infrastructure and the associated economic growth.

We are particularly concerned with any suggestion that the ACCC monitoring report be used as a yardstick for the 'show cause' mechanism, given what the industry perceives to be the inherent and significant flaws in that report.

If one is to be developed it should only apply in circumstances where there is not a pricing agreement in place between an airport and the majority of its significant airline customers.

#### **9. Aviation Emissions and Climate Change**

AAL will be in a position to achieve carbon neutrality (as a company) in the very near future.

We fully support the work already done by the AAA in conjunction with the Department of Climate Change.

#### **10. Noise Impacts**

AAL believes that the level of debate on aircraft noise has been insufficient to date. We are pleased that recognition is given to the level of noise reduction achieved by aircraft and engine suppliers, but wonder why this receives no tangible favour when applied to curfew situations, which are politically driven.

AAL recognises it is highly likely there will always be a curfew at Adelaide Airport. We also believe there is room to review the regulations to better relate the curfew to noise rather than types or numbers of flights.

AAL further believes that flight paths and navigation procedures which reduce exposure to noise (for the majority) should be investigated.

AAL believes in narrowing corridors and minimising exposure to the minimum population rather than noise sharing.

AAL strongly supports a holistic review of the existing ANEF/AS2021 noise modelling program and land-use planning system.

## **Introduction**

Adelaide Airport Ltd (AAL) has operated the airport since acquiring it from the Federal Government in May 1998. During that ten year period the passenger traffic has grown from just over four million to almost seven million a year (+69%), whilst the aggregate number of flights has actually declined slightly (-2%).

The airport is currently the fourth largest domestic operation in the country and sixth largest for international passengers. It is the only gateway airport in South Australia. AAL also operates Parafield Airport, a busy GAAP airport primarily used for pilot training, which has around 300,000 movements per year (including circuits by the various schools).

Adelaide Airport is only 6/7 kms from the CBD, which is both a blessing and a burden in terms of accessibility for travellers and proximity to residential areas, resulting in a curfew between 2300 – 0600 daily.

Approximately 8500 thousand persons are directly employed by businesses on the airport site, making it arguably the largest single-site job provider in the State. It is estimated that 8,100 others are indirectly employed as a result of the on-airport businesses. The airport business contributes 2.3% of the Gross State Product (GSP). These figures do not include Parafield Airport's contribution.

However, whilst clearly servicing the capital of SA, the airport leads a somewhat 'schizophrenic' existence due to being on the one hand a 'core' or 'major' airport for the purposes of regulation but a 'regional' airport for the purposes of international bi-lateral agreements (and possibly in the general mind set of many Australians).

During the last decade, AAL has achieved a significant level of success in addition to growing the aeronautical performance indicators, including a number of 'firsts' in Australia such as negotiating agreements with airlines to surrender their Domestic Terminal Leases (DTL) and to pay for a new integrated terminal through a Passenger Facilitation charge (PFC). The new terminal, completed over three years ago has facilitated the Company winning a number of prestigious international and national awards. It remains the top airport in Australasia for Quality of Service (ACI – Airports Council International).

AAL's shareholders are predominantly major superannuation investment funds and have been continuously involved since commencement of the lease.

Likewise, our Executive Management Group has been constant for the last eight years and collectively the group has over two hundred years direct experience in aviation.

In addition, the General Manager Corporate Affairs, John McArdle was first elected Chairman of the Australian Airports Association (AAA) in 2001 and has retained the position, which has been ratified annually by the membership ever since.

AAL has been involved with several other airports in the drafting of the AAA response to the Green Paper, which we fully support on a generic basis.

The submission below represents the views of the AAL Board and Management on the potential impact and effect on the operations and management of our specific airports, Adelaide and Parafield.

## ***Expanded commentary on issues raised***

### **Chapter 1 – Aviation Safety**

#### **Safety Regulation**

A safe and secure aviation industry in all of its component parts is essential to the well being of users of its services and the economy of the country as a whole. In this regard, we fully support the appointment of a Board of Directors for the Civil Aviation Safety Authority and to the establishment of the Australian Transport Safety Bureau as a Statutory Authority.

#### **Airspace Management**

We would encourage a review of airspace standards to encourage more efficient use of our infrastructure, minimise fuel burn and enhance social and environmental benefits to surrounding communities.

AAL is opposed to any form of noise sharing and is prepared to manage the issues that may arise from a controlled flight corridor as against possible adverse affects on the whole of metropolitan Adelaide.

In that regard, we welcome the initiatives of Airservices Australia (AsA) in the introduction of Required Navigation Procedures (RNP's) and Constant Descent Approaches (CDA's) in addition to any other new initiatives and technologies that will enhance flight path maintenance, adherence and efficiencies.

AsA is to be encouraged to share in a timely manner, materials that can assist our airport to satisfy community enquiry in respect of noise, flight paths and controlled airspace.

### **Chapter 2 – Aviation Security**

We encourage the advent of Security measures being assessed under local threat, likelihood and consequence across the board and recommend that the principles of the CASA Safety Management System model be adopted for security programs.

At present the pass on of security costs is purely based on an administrative understanding – we would recommend that Government provide a more positive commitment to the pass on process perhaps by way of mandate.

### **Chapter 3 – International Aviation**

Adelaide Airport Ltd (AAL) supports the "Open Skies" Policy in principle.

However, we understand that unilateral declaration of such status on all routes may adversely affect Australia's base carriers and thereby engender instability in the market. Open skies needs to work for all parties and not just foreign-based companies, especially those still run by their respective States (openly or otherwise).

In relation to bi-lateral negotiations, from our perspective there is some uncertainty with the definition of the word "Regional" and it may create the wrong impression when negotiating with International Carriers.

Our existing curfew impost also is a major detrimental factor in this region securing the level of operations commensurate with the tonnage available (to the economic advantage of Victoria.)

We understand the staffing levels of border control agencies are budgeted no less than one year behind the demand and therefore we suggest the Australian Government review its border agency staffing allocations and use the most up to date data available.

In respect of airport infrastructure as previously stated at a recent Senate enquiry into the increase of the Passenger Movement Charge (PMC), the "hypothecation" of a portion of the tax, as identified in previous Australian National Audit Office audits, should be provided to airports with International services to support the maintenance of areas occupied by Border Agencies.

#### **Chapter 4 – Domestic and Regional Aviation**

##### **Domestic Aviation**

Some of the CASA and simplistic socially-driven Regulations such as "noise sharing," "slot limits," "selective curfews" impede the Australian industry's (both airline and airport) ability to maximize the efficient use of capacity and infrastructure. Consequently there is a significant loss of jobs and economic revenues to regions and communities we serve. AAL recommends that the Regulatory review currently being undertaken by CASA be provided the necessary resource to finalise the review.

In regard to the issues surrounding the curfew and our respective comments, we advise that we leased the airport in the full knowledge that at the time there was an administrative curfew but have since had a legislated curfew thrust upon us and our customers with the inherent uncertainty of future commercial and operational opportunities.

##### **Regional Aviation**

AAL recognises the vital role regional air services play in South Australia and recommends that the Australian Government provide a supportive role to State/Territory and Local Governments in encouraging air services to Regional and Remote communities – aviation provides an essential service in the provision of medical, legal, educative, tourism and welfare resources in a time sensitive manner. Regional aviation is a key driver for the development of regional infrastructure throughout Australia.

We also suggest that Regional and Rural planning must be encouraged to respect future aviation growth and support infrastructure with funding from the beneficiaries i.e. the business and tourism sectors not just the passenger base.

AAL currently provides advice and support to State Regional ports in an 'ad hoc' manner and is considering whether or not a more formal arrangement would be appropriate. In that regard, we are currently consulting with a range of airports and their major airline customers on this issue.

We believe a mutually beneficial solution is possible which may include "network price" within the State for RPT and GA operators alike.

## **Chapter 5 – General Aviation**

Initiatives proposed in the Green Paper will have a significant impact on the regulated General Aviation Approach Procedures Airports (GAAP) because of their high levels of GA traffic and low revenue streams. The Government needs to be fully aware of the limited ability of these smaller airports to generate revenue and recover the expenses associated with the proposed initiatives.

As a result we would recommend that any new measures should be implemented only after a comprehensive and satisfactory cost/impact study which includes both the cost to the airports and to their General Aviation customers has been undertaken by an independent party.

## **Chapter 6 – Industry Skills and Productivity**

Through our association with Western Futures, we have developed sound programs with local schools, Henley Beach High School, Immanuel College, Star of the Sea College to mention a few, in career work placement programs and would recommend that the education system be encouraged to focus on aviation-related career path studies and that schools and or parents be offered tax breaks in the equipping and supply of necessary machinery or infrastructure.

The whole of industry is at risk in this arena and any initiative must apply equally to airports, airlines and the support industries. We would particularly recommend that policies be initiated that give as much credence to the Trades as to Degrees.

## **Chapter 7 – Consumer Protection**

We would recommend that Consumer Protection in our industry should not be treated any differently than any other business and be subject to the provisions of the *Trade Practices Act 1974* and any amendments to that Act.

## **Chapter 8 – Aviation Infrastructure**

### **Consultation**

AAL recognises the Green Paper's intent to encourage effective consultation and is confident that our procedures and scope will more than adequately meet the proposed policy.

We have in place a consultative committee complete with independent chair. Membership includes Federal, State and Local Government elected members and executive, State government representatives of Infrastructure, Planning, Environment and Transport, resident action group representatives, freight industry and Airline stakeholders and airport tenants and concessionaires.

In addition, we convene quarterly meetings with State and local government planning staff and executive on issues both on and off airport that may be of interest to those present.

Bi-monthly meetings are also convened on airport between the surrounding five city Mayors, CEO's and major stakeholders to discuss and lobby on matters that affect or could influence our respective jurisdictions.

In a related form all senior executive of AAL are constantly on the speaking circuit of industry, service and social clubs.

We are also encouraged that Federal Government agencies have referred other airports to us to assist them as leaders in the field on consultative matters.

AAL believes it is worth noting that a prominent Member of Federal Parliament is on the public record as saying; *“Adelaide Airport Limited has been demonstrably supportive of the resolution of residents’ concerns and contributed toward their resolution. Outcomes may not always be to the residents’ satisfaction, but efforts are nevertheless demonstrable.”*

### **Precinct Plans**

AAL suggest that the Government identify in more detail just what it expects in the issue of 'precinct plans'.

Since the very first Master Plan 1998 AAL has adopted the State Planning regime in South Australia which clearly depicts the various precincts within the Airport Master Plan identifying complying and non-complying uses together with the principles of design control and objectives germane to each precinct.

On that basis over the last ten years, Adelaide Airport Limited has forwarded 19 separate documents to the Minister’s office for both Adelaide and Parafield airports and had them approved without any adverse issue.

### **APAP’s**

AAL is generally supportive of the AAA submission on the subject of Advisory Panels, despite our contention that they are not necessary as the existing legislation allows for this purpose. However, given that the matter appears to be a fait accompli, we strongly recommend that they:-

- a. be initiated when required at Ministerial direction on MDPs and Master Plans;
- b. to advise the Minister over any significant issues of concern that may have arisen;
- c. appoint 'expert' independent panellists applicable to the issue of concern;
- d. conduct any review during the Minister’s period of assessment, and
- e. be funded from Government revenues.

The very process of preparation and consultation regarding MDP’s and Master Plan’s etc., necessitates the input of experts from industry, Federal, State and Local Government which in our view may make independence difficult to achieve in an appointment to a panel for the Minister from those agencies.

We further suggest that the Minister may see some merit in activating the panel on other aviation-related issues such as Required Navigation Procedures and Constant Descent Approach assessments, as well as off-airport development proposed by State, Territory or Local Governments that may have an impact on aviation operations or airport capacity.

Finally we do proffer the caveat that, in our view, the introduction of Advisory Panels carries with it the very real risk of potential conflict, confusion and dysfunction arising out of the Advisory Panels taking positions which are at significant odds with the policy objectives of the Minister and his Department.

### **Show Cause**

Adelaide Airport opposes the show cause mechanism on the basis proposed. The five major Airports, to which the mechanism is intended to apply, undertake long-term pricing agreements to support long-term capital investment which is generally funded with long-term debt. Financiers, even more so in these uncertain economic times, require clear contractual arrangements to be in place for time and cost certain construction of aeronautical facilities and unambiguous contracts in place for the payment of aeronautical fees, the cash flow from which supports the long-term debt.

Financiers are expressing significant concern over a regime that can be unilaterally applied to 'unravel' these long-term contracts, thus creating considerable uncertainty over the reliability of the underpinning aeronautical cash flow.

The ACCC annual price monitoring and quality of service report gives scant regard to the cost of capital, and no consideration of one year's return on aeronautical assets in the context of a five year pricing cycle. Combined with a flawed quality of service reporting framework, as outlined elsewhere, this annual 'snapshot' is a tenuous basis for a unilateral process as proposed and will introduce considerable uncertainty. This uncertainty may be mitigated to some extent if the show cause mechanism contained the following;

- the show cause mechanism should be available only in cases where action under Part VIIA of the *Trade Practices Act 1974* is in contemplation;
- the existence of pricing agreement(s) between an airport and the majority of its' major customers should prevent the show cause mechanism being invoked for that airport - the mutually agreed airline/airport agreements include processes for the resolution of disputes that may arise, and
- the mechanism should be triggered only where there is *prima facie* evidence of serious pricing misbehaviour as measured against the Pricing Principles and not merely on the basis of unsubstantiated allegations.

### **Compatible Uses**

On a separate issue, AAL was surprised to note the Government's views in terms of Child Care and Aged Care centres, both of which are situated at Adelaide Airport. AAL would like to invite the Minister and others to visit both sites on his next visit to the area. We believe that such a visit would assuage any fears held about their unsuitability for airport sites.

## **Chapter 9 – Aviation Emissions and Climate Change**

Adelaide Airport recognised the direction that global warming and carbon emission control was going and has introduced significant measures towards being carbon neutral as a company in the very near future.

In addition, we were a working partner and test airport with the Australian Airports Association in liaising with the Federal Department of Climate Change to investigate, design and develop a template for airports in measuring and reporting on greenhouse gas emissions and energy production and useage.

The template delivered in November 2008 and supported by the Executive of DCC is recommended as the way forward for measuring and reporting by industry.

## Chapter 10 – Noise Impacts

If the outcome of a curfew is to limit the noise exposure of surrounding residents, then background (non-aviation) noise must be considered. If an increase in aircraft movements can be achieved with no increase in aviation noise levels, or in many cases, a decrease in noise levels, then such changes must be considered in a regular curfew review program. Simply limiting aircraft movements does not achieve good outcomes for either the surrounding populations or the airport infrastructure.

The ANEF system is not easily understood by the community at large and is an inaccurate indicator of aviation noise footprints.

We would recommend that the whole process needs to be reviewed and that an improved planning tool be developed.

We also accept that Airports will always be the focal point for noise-related issues and would welcome more timely support and provision of data from Airservices Australia to enable effective consultation with the communities that raise concerns.

The current noise reporting regime centralises noise issues to the nearest major airport even when those issues may be some 100 km or more distant.

We also recommend that the Federal Government direct State/Territory and Local Governments, where applicable, to include in relevant planning documentation that, where properties are in the vicinity of an airport/highway/rail corridor or whatever that they require the buyer to be aware that they will be responsible for any mitigation measures that may be required.

AAL feels that since curfews were developed in the late 1970's and:-

- given the advances in aircraft technology;
- the socio-economic benefits that aviation infrastructure brings to a community;
- the measures already introduced to minimize noise in nearby residents and paid for by the travelling public, and
- the need to minimize carbon emissions and fuel burn,

then it would be irresponsible for Government not to review this archaic impost of curfews going forward – particularly as this review is to set policy into the future and presumably not to justify past actions.

In South Australia the business and tourism communities would encourage a review of the airport curfew or to at least identify some measures that could control the arrival, departure and ground management of aircraft – we therefore feel it is a prejudicial impost when Government says it cannot look at Adelaide unless Sydney changes.

It was not our shareholders understanding that the privatization of airports was done on a Sydney-centric condition

The current curfew legislation and regulation creates major business inefficiency in addition to the restrictive time frames – scheduling of aircraft is such that the operators avoid getting close to the curfew times and in effect the airport can only hope for a 14 hour operational period as against the perceived 17 hours the curfew limits it to.

AAL is willing to consult with the Commonwealth on recommended amendments to the current Regulations particularly in relation to:-

- management of the shoulder periods;
- restriction on noisy aircraft as against numbers of aircraft;
- rationalise the freight/passenger imbalance – if an aircraft can carry freight why not passengers as well?;
- approaches/departures over the gulf where operationally safe to do so;
- the banning of the use of reverse thrust after a revised and nominated time, and
- the use of aircraft tugs where ground running may be intrusive.

In this period of uncertain economic times, AAL is keen to work with the Commonwealth to improve the economy of the State with the associated benefits of new infrastructure and employment.

### **Conclusion**

Adelaide Airport generally supports many of the initiatives in the Green Paper but has highlighted several areas where improvements can be made in the future drafting of changes to policies or regulations. AAL would be pleased to provide further detailed input in these areas and work with the Government to better refine the current regulatory environment for aviation. AAL recognises the importance of a regulatory regime which encourages the development of economically sustainable and environmentally responsible aviation infrastructure in Australia. The importance of aviation to the development of rural and regional Australia can only continue in the current difficult economic climate if governments sponsor the full development of airports for both aeronautical and associated development

Given the significant economic drivers that aviation infrastructure provides of the Australian economy, a regulatory environment which supports and encourages continued private sector investment and development of aviation infrastructure is essential.