



AMAC Australian Mayoral Aviation Council

ABN 37 291 727 890

PO BOX 331, MASCOT NSW 1460

Telephone: 61 2 9366 3528

61 2 9366 3647

Facsimile: 61 2 9667 1793

EXECUTIVE COMMITTEE

President
Mayor Ron Hoenig
City of Botany Bay NSW

Vice President
TAS Representative
Mayor Jock Campbell
City of Clarence

WA Representative
Mayor Glenys Godfrey
City of Belmont

VIC Representative
Clr Adem Atmaca
City of Hume

SA Representative
Mayor John Trainer
City of West Torrens

QLD Representative
Clr Paul Tully
Ipswich City Council

Executive Director
Mr Peter Fitzgerald

16 February 2009

Department of Infrastructure, Transport,
Regional Development & Local Government
GPO Box 594
CANBERRA ACT 2601

Dear Sir/Madam

Submission on the National Aviation Policy Green Paper "Flight path to the Future – December 2008"

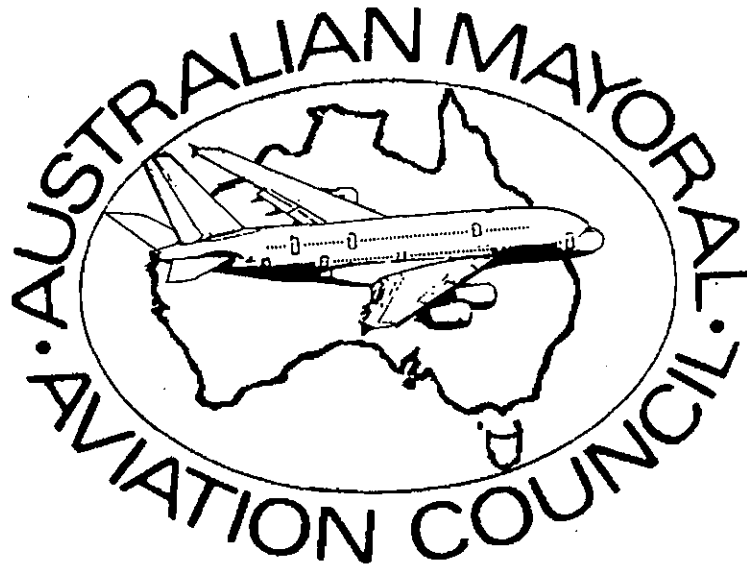
Please find attached the Australian Mayoral Aviation Council's submission to the above mention Green Paper.

Yours sincerely


PETER FITZGERALD
EXECUTIVE DIRECTOR

Att 1.





Australian Mayoral Aviation Council

Submission on
the Department of Infrastructure, Transport, Regional
Development and Local Government's

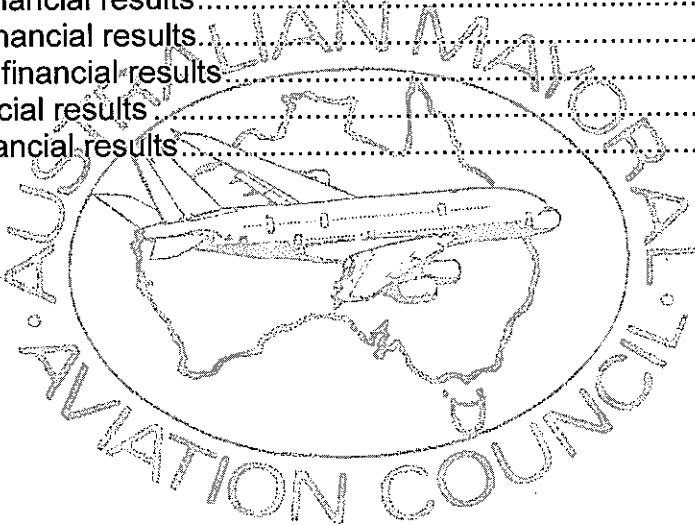
National Aviation Policy Green Paper

"Flight path to the Future"
December 2008

Dated: 16 February 2009

Contents

- 1. Consumer protection – Aviation Ombudsman..... 1
- 2. Airport investment – planning for responsible growth 1
- 3. Aviation Infrastructure 2
- 4. Future airport needs..... 4
- Attachments 6
 - Adelaide airport financial results..... 7
 - Brisbane airport financial results..... 8
 - Melbourne airport financial results..... 9
 - Perth airport financial results 10
 - Sydney airport financial results..... 11





Australian Mayoral Aviation Council

Submission on the National Aviation Policy Green Paper “Flight path to the Future – December 2008”

1. Consumer protection – Aviation Ombudsman

In the Green Paper the question of Consumer Protection seems to be largely restricted to concerns about the accessibility of air travel to people with a disability. While the Australian Mayoral Aviation Council would support the concept of equality of access for all people its major concern in the area of consumer protection is wider and more encompassing and believes that such concern can only be properly addressed by the establishment of the office of Aviation Ombudsman.

At the present time airlines and airport operators are the final arbiters of any complaints and there is no provision for appeals to a higher authority for complainants who are dissatisfied with the response to their complaints.

The Green Paper refers to the “conditions of carriage” as an avenue of resolving disputes but the problem with that is the “conditions of carriage” are written by the airlines, are interpreted by the airlines and are administered by the airlines.

Often complaints are not related to “conditions of carriage” and may simply relate to the airlines failing to act reasonably.

It is apparent that the airlines have a conflict of interest and passengers should have an avenue of appeal or complaint to an independent arbiter.

The “conditions of carriage” are irrelevant to complaints about airport operators and other aeronautical bodies.

2. Airport investment – planning for responsible growth

The Green Paper asserts that “The Government’s aim is simple – to give industry the certainty and incentive to plan and invest for the long term.....”

If that is the Government’s aim it is imperative that the Government should amend the legislation to remove the current unfair competitive advantage which airport operator companies have over developers of non airport land. All commercial land on airports should be subject to the same standards and planning principles which apply off airports.

“Since privatisation there has been significantly increased investment in airports, with over \$2.2 billion invested in new terminals, runways and other infrastructure at the leased federal airports.”

The actuality since privatisation raises significant concerns about the financial model employed by some airport operator companies and the viability of airports in the long term.

Using the financial statements (table attached) from Sydney airport, for example, when privatisation commenced in 2002 the airport operated with a profit of \$87m and had net assets of \$1,894m. By 2007 the airport had a loss of \$182m and net assets had deteriorated to negative \$492m. This deterioration of \$2,386m over six years does not augur well for the long term. Over that same period the liabilities increased from \$1,894m to \$7,834m.

The 2007 borrowing costs alone account for 78% of the total income.

Sydney airport has not produced a profit for any year except the first since it was privatised in 2002 and in that time total losses amount to \$982m. Notwithstanding the accumulated losses, the airport still managed to pay dividends in 2007 of \$601m.

In the Financial Statements for the year ended 30 June 2007, it was reported that "Part of the additional debt facilities of \$959m will be used to fund planned capital expenditure projects and to provide additional liquidity and working capital for the business".

All of these factors of increasing debt and decreasing equity coupled with borrowing costs of three quarters of the total income require a more sophisticated analysis as a basis for long-term viability.

A comparison of the financial statements of Melbourne, Perth, Adelaide and Brisbane airports over the same period, from 2002 to 2007, shows very marked differences from Sydney airport. (No comparable figures are available for Hobart for the period as it was owned for part of the time by the Tasmanian Government and sold in 2007.)

None of the other major airports have negative equity and most of them make a profit most years and pay tax on those profits. In all cases their Assets exceed their liabilities.

What is there about Sydney airport which makes it financially different to other airports?

Rather than accepting the current Sydney model of financing airports it would be more beneficial if that financial model were subject to further scrutiny, particularly, in view of the financial crisis which is resulting in many previously acceptable practices to be subject to a more objective and critical analysis. The same thing should be done for Sydney airport model.

3. Aviation Infrastructure

The control of non-aeronautical development on airports is inadequate and ineffective and need to be changed to protect the needs of both residents and airports.

No commercial development on airports should not enjoy any competitive advantage over similar developments located off airports.

The current land use planning system is structured so that land immediately surrounding airports is largely restricted to airport related development. Conversely, the land on airports for non-aeronautical development is available for the "highest and best use", whatever that may be, in each particular case as determined by the airport operator company.

The Green Paper proposes that there be better integration with State and Local Government planning.

The current airport master plans all contain lists of the instruments, regulations and legislation which do not apply to their developments. None of them list any such instruments which do apply to their developments.

The Green Paper proposes to mandate consultation between the airports and their communities but consultation can only ever be of value if the principles and standards to apply are widely published and understood by the public and the airports.

The real value of meaningful consultation will only be apparent when the final consideration of the results of the consultation is made in a properly transparent decision making process.

The current concept of public consultation on airport development is deeply flawed because the public is denied any knowledge of the rules which may or may not apply to developments on airports.

Local government councils are chiefly concerned with the assessment and approval of development proposals and they have very broad and extensive experience in dealing with such matters. Notwithstanding this experience every development considered by a council is the subject of a comprehensive report from a professional Town Planner and if necessary with input from other technical experts which assesses the development against the relevant legislation and standards.

The contrast with on airport developments could not be more extreme. The public is, at best, provided with the details of the proposed development as determined by the airport company. Such details are generally rudimentary and are always devoid of independent technical advice but that is of little consequence as the public has no idea of what standards apply to on airport development. The consultation process is, therefore, of little or no real value.

The Master Plans contain no basis for assessing developments, the Department of Infrastructure, Transport, Regional Development and Local Government has no Town Planning legislation which would apply and Local Government's expertise is excluded by legislation.

The establishment of Airport Planning Advisory Panels to provide independent expert analysis and advice to the Minister is welcomed. AMAC has long argued that

there has been nobody to fulfil this role and the Minister has been forced to rely upon the Airport Operator Companies as the sole source of advice on non-aeronautical commercial developments.

The Airport Planning Advisory Panels will be a step in the right direction but the initial challenge will be to establish exactly what standards are to apply to development on airports.

Airport operator companies make much of their "internal development assessment processes" but the only ones who know what that entails are the companies themselves.

It is equally important that land use planning on airports should become a transparent process with airport operator companies' decisions open to public scrutiny.

At the present time it is not possible for anybody other than airport operator companies to begin to assess a proposed "on airport" development because there is no published basis for such an assessment.

In future all non-aeronautical developments on airports should be subject to clearly understood and publicly available controls which are compatible with the surrounding land use planning controls of the local government authority. Only developments which comply with those controls should be approved.

The Green Paper further proposes that Master Plans may have to include a Ground Transport Plan and that is something that AMAC would heartily endorse. However, no airport exists only within the boundary fence and as it is intended that the current exclusion of State Land Use Planning is to continue it remains that there still needs to be some process which coordinates the sometimes conflicting objectives of the airport and its surrounding community in many matters other than just transport

All these communities accept that they need the airports but the integration of each of their needs is not accommodated within the existing structures.

Planning should not stop at the boundary fence. The airport master plans and the land use planning objectives need to be coordinated so that the interests of both parties can be advanced.

This would be another role for the Aviation Ombudsman to monitor compliance with the applicable land use planning requirements at airports and the administration of the aviation legislation and instruments such as leases.

4. Future airport needs

The Green Paper focuses upon the airport needs of the Sydney region but the capacity of Sydney airport will impact upon the operations of every other major airport in Australia.

The emphasis, in a National Aviation Policy, on Sydney airport, arises from the fact that of the six capital city airports Sydney accounts for 32% of all traffic movements and 36% of all passengers

The Green Paper accepts that Sydney is at or near capacity and an alternative airport is required.

It will not be practicable to dispatch aircraft from any other major airport in Australia if it is not possible to land such aircraft in Sydney. The Sydney airport is fast reaching capacity during peak times and the Master Plan indicates that even during non peak times it will become more and more difficult to obtain slots when required.

By 2029 the airport will have 60 flights every hour for the 15 out of the 17 hours it is free from the curfew. For 5 of those hours the airport will be at the maximum capacity of 80 flights per hour.

The Green Paper exceeds 200 pages in length but the current site for a second airport for Sydney at Badgery's Creek is dismissed in the following thirteen words – "The construction of an airport at Badgery's Creek is no longer an option." The Commonwealth purchased approximately 1800 hectares of land upon which to build the airport. It appears that what was once an option has been overtaken and the decision on a second airport is to be further deferred, presumably, with the risk that other options may similarly cease to be an option.

This is too important a decision to be rejected out of hand and without adequate consideration of the merits of the site.

The people of Australia deserve a more considered decision of a second Sydney airport and deserve to see an urgent enquiry canvassing the options.

The selection of a site and construction of a second airport will always be a difficult decision but it is unlikely to become easier by deferring it. Sydney traffic and the Australian network require a site now.

The Green Paper proposes that consideration of an alternative site will await the finalisation of the 2029 Master Plan.

It would be infinitely preferable for the National Aviation Policy to be deferred till the question of the site for a second airport is determined or at least the question of the Badgery's Creek site should be deferred so that it can be properly considered with all the other options.

The National Aviation Policy will always be compromised if it proceeds without this essential part of the National Aviation infrastructure.

A decision on a second airport will result in a more cohesive and complete National Aviation Policy.

Attachments

Adelaide airport financial results

	2002	2003	2004	2005	2006	2007	Total
Revenue	44,191	52,547	63,168	71,979	100,505	135,091	467,481
Revenue from non operating Change in fair value							
Expenses	20,951	20,758	23,422	26,144	38,635	45,946	175,856
EBITDA	23,240	31,789	39,746	45,835	61,870	89,145	291,625
Depreciation and amortisation	10,752	11,694	11,436	11,464	15,211	17,540	78,097
Book value of assets sold							
Borrowing costs	18,923	18,487	24,830	37,826	58,623	66,765	225,454
Interest paid to shareholders							
Income before tax	- 6,435	1,608	3,480	- 3,455	- 11,964	4,840	- 11,926
Income tax		222				4,383	4,605
Income tax Benefit	102				897		999
Changes in AASB 1028							
Net profit	- 6,333	1,386	3,480	- 3,455	- 11,067	457	- 15,532
Changes in equity							
Current assets	32,465	41,133	55,586	63,816	68,269	49,117	
Non-current assets	444,558	441,501	489,154	635,001	807,639	819,096	
Total assets	477,023	482,634	544,740	698,817	875,908	868,213	
Current liabilities	8,526	9,627	21,005	30,427	21,450	23,330	
Non-current liabilities	451,174	454,308	501,556	649,666	784,909	791,535	
Total liabilities	459,700	463,935	522,561	680,093	806,359	814,865	
Net assets	17,323	18,699	22,179	18,724	69,549	53,348	
Equity	17,323	18,699	22,179	18,724	69,549	53,348	

Brisbane airport financial results

	2002	2003	2004	2005	2006	2007	Total
Revenue	146,867	169,138	192,985	228,925	315,225	332,817	1,385,957
Revenue from non operating							
Change in fair value							
Expenses	43,978	52,029	56,431	67,154	73,495	79,684	372,771
EBITDA	102,889	117,109	136,554	161,771	241,730	253,133	1,013,186
Depreciation and amortisation	34,944	33,698	34,363	45,124	36,631	36,990	221,750
Book value of assets sold							
Borrowing costs	75,759	79,600	84,512	76,528	78,563	75,489	470,451
Interest paid to shareholders	5,610	23,001		37,424	37,640	42,344	146,019
Income before tax	- 13,424	- 19,190	17,679	2,695	88,896	98,310	174,966
Income tax		6,300			26,316	22,042	54,658
Income tax Benefit	6,300			24,988			31,288
Changes in AASB 1028							
Net profit	- 7,124	- 25,490	17,679	27,683	62,580	76,268	151,596
Changes in equity							
Current assets	25,268	37,780	77,287	98,872	175,274	136,279	
Non-current assets	1,534,074	1,529,684	1,536,748	1,997,938	2,419,907	2,683,799	
Total assets	1,559,342	1,567,464	1,614,035	2,096,810	2,595,181	2,820,078	
Current liabilities	20,535	36,037	17,201	68,164	117,319	54,709	
Non-current liabilities	1,256,640	1,274,750	1,322,478	1,537,469	1,892,981	2,070,721	
Total liabilities	1,277,175	1,310,787	1,339,679	1,605,633	2,010,300	2,125,430	
Net assets	282,167	256,677	274,356	491,177	584,881	694,648	
Equity	282,167	256,677	274,356	491,177	584,881	694,648	

Melbourne airport financial results

	2002	2003	2004	2005	2006	2007	Total
Revenue	201,536	243,426	286,308	323,380	348,465	384,399	1,787,514
Revenue from non operating							
Change in fair value						76,833	76,833
Expenses	65,420	74,237	82,713	93,457	102,876	114,589	533,292
EBITDA	136,116	169,189	203,595	229,923	245,589	346,643	1,331,055
Depreciation and amortisation	36,119	39,931	45,050	41,350	41,624	36,605	240,679
Book value of assets sold							
Borrowing costs	96,428	96,730	90,557	79,560	79,992	83,542	526,809
Interest paid to shareholders							
Income before tax	3,569	32,528	67,988	109,013	123,973	226,496	563,567
Income tax	5,183	13,203	27,074	36,264	37,313	68,578	187,615
Income tax Benefit							
Changes in AASB 1028							
Net profit	- 1,614	19,325	40,914	72,749	86,660	157,918	375,952
Changes in equity							
Current assets	13,867	21,640	26,388	15,892	27,065	28,574	
Non-current assets	1,369,650	1,365,618	1,345,344	1,416,715	1,582,368	2,347,075	
Total assets	1,383,517	1,387,258	1,371,732	1,432,607	1,609,433	2,375,649	
Current liabilities	33,769	44,833	55,507	77,608	72,820	516,405	
Non-current liabilities	1,333,136	1,306,488	1,239,374	1,236,105	1,395,059	1,226,486	
Total liabilities	1,366,905	1,351,321	1,294,881	1,313,713	1,467,879	1,742,891	
Net assets	16,612	35,937	76,851	118,894	141,554	632,758	
Equity	16,612	35,937	76,851	118,894	141,554	632,758	

Perth airport financial results

	2002	2003	2004	2005	2006	2007	Total
Revenue	76,541	93,987	115,709	139,779	136,365	156,155	718,536
Revenue from non operating		643	783	1,037	36,472	83,774	122,709
Change in fair value							
Expenses	29,499	34,899	41,719	63,612	59,534	71,541	300,804
EBITDA	47,042	59,731	74,773	77,204	113,303	168,388	540,441
Depreciation and amortisation	15,733	15,165	15,367	16,819	11,463	14,728	89,275
Book value of assets sold	28	20	68	27			143
Borrowing costs	39,450	51,922	57,001	60,013	77,506	95,028	380,920
Interest paid to shareholders							
Income before tax	- 8,169	- 7,376	2,337	345	24,334	58,632	70,103
Income tax					6,997	23,805	30,802
Income tax Benefit							
Changes in AASB 1028		36					36
Net profit	- 8,169	- 7,412	2,337	345	17,337	34,827	39,265
Changes in equity				8,414			
				8,759			
Current assets	15,676	26,096	40,310	51,320	48,195	41,016	
Non-current assets	643,551	649,015	814,181	840,479	886,530	1,016,415	
Total assets	659,227	675,111	854,491	891,799	934,725	1,057,431	
Current liabilities	15,095	23,459	30,122	30,285	506,099	38,382	
Non-current liabilities	605,065	619,997	625,455	653,841	262,543	807,072	
Total liabilities	620,160	643,456	655,577	684,126	768,642	845,454	
Net assets	39,067	31,655	198,914	207,673	166,083	211,977	
Equity	39,067	31,655	198,914	207,673	166,083	211,977	

Sydney airport financial results

	2002	2003	2004	2005	2006	2007	Total
Revenue	453,991	501,745	548,443	619,219	659,304	727,712	3,510,414
Revenue from non operating							
Change in fair value							
Expenses	137,721	125,459	124,952	125,946	135,466	143,050	792,594
EBITDA	316,270	376,286	423,491	493,273	523,838	584,662	2,717,820
Depreciation and amortisation	101,209	136,148	140,885	139,418	149,900	170,837	838,397
Book value of assets sold							
Borrowing costs	74,840	528,582	547,135	571,988	521,212	574,372	2,818,129
Interest paid to shareholders							
Income before tax	140,221 -	288,444 -	264,529 -	218,133 -	147,274 -	160,547 -	938,706
Income tax	53,104		-	-	425	21,747	75,276
Income tax Benefit		32,297					32,297
Changes in AASB 1028							
Net profit	87,117 -	256,147 -	264,529 -	218,133 -	147,699 -	182,294 -	981,685
Changes in equity							
Current assets	68,567	540,057	486,645	327,531	271,331	857,811	
Non-current assets	3,131,945	5,796,431	5,760,432	5,853,640	6,354,159	6,484,323	
Total assets	3,200,512	6,336,488	6,247,077	6,181,171	6,625,490	7,342,134	
Current liabilities	114,752	211,034	1,337,455	178,167	165,959	195,964	
Non-current liabilities	1,190,953	5,913,699	4,962,396	6,273,911	6,505,755	7,638,867	
Total liabilities	1,305,705	6,124,733	6,299,851	6,452,078	6,671,714	7,834,831	
Net assets	1,894,807	211,755 -	52,774 -	270,907 -	46,224 -	492,697	
Equity	1,894,807	211,755 -	52,774 -	270,907 -	46,224 -	492,697	