

NORTHERN TERRITORY AIRPORTS RESPONSE TO THE GREEN PAPER ON NATIONAL AVIATION POLICY

Submission to the Minister for Infrastructure, Transport, Regional Development and Local Government

1. CONTEXT OF NORTHERN TERRITORY AIRPORTS SUBMISSION

Northern Territory Airports is uniquely placed as a regional airports group to put a response to the Green Paper – Flight path to the Future.

Darwin International Airport is a low volume capital city airport which:

- is a regional international gateway;
- provides airport facilities for general aviation operations equivalent to Archerfield, Brisbane's general aviation airport;
- is a joint user Defence-Civil airfield;
- has experienced recent volatility in airline services;
- has reached terminal and RPT apron capacity, but is struggling to establish the financial viability of the much needed terminal and aircraft apron expansion project necessary for further development of domestic-international low cost carrier hubbing;
- provides the home airport for northern Australia's jet operating regional and international airline; and
- is one of Australia's 11 security designated airports.

Alice Springs Airport is a low volume domestic regional airport in the geographical centre of Australia which:

- includes significant general aviation operations;
- is one of Australia's 11 security designated airports;
- services thin airline markets with consequent recent history of volatile airline services; and
- is the gateway to the joint US-Australian Pine Gap facility.

Tennant Creek Airport is an aerodrome which does not have any Regular Public Transport services but provides aviation access to the surrounding region.

Northern Territory Airports is hence uniquely placed to offer informed views and policy propositions from the regional airport perspective.

The response to the Green Paper is organised under the Key Principles which provide the themes for the Proposed Initiatives.

2. PRINCIPLE 1 – SAFETY

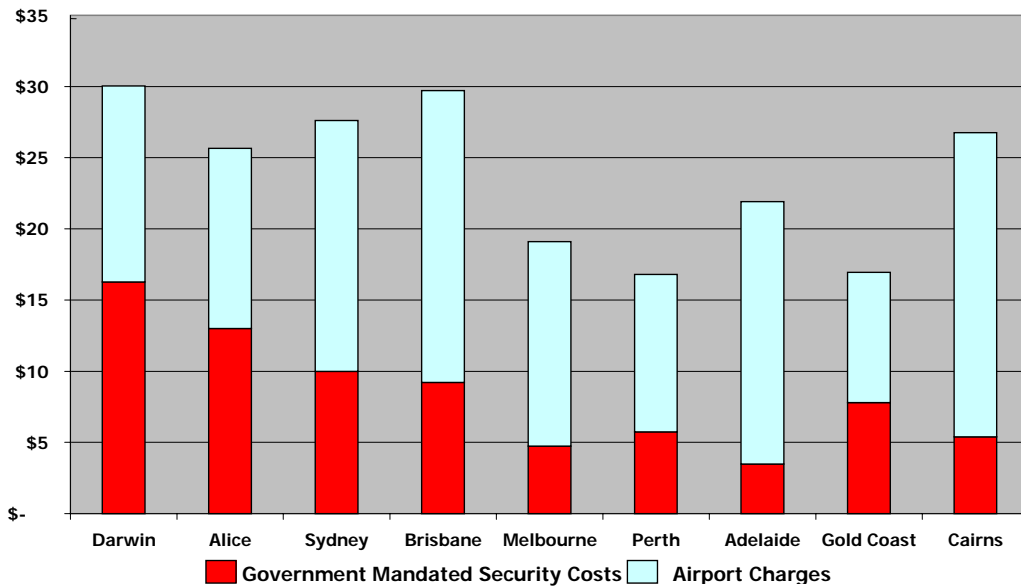
2.1 Aviation Security

The Green Paper recognises that “There are substantial economies of scale in the provision of screening services ...” (p88). Although there is no initiative highlighted under Proposed Initiatives, page 88 of the Green Paper does say that the Australian Government is considering the high security costs at low volume airports.

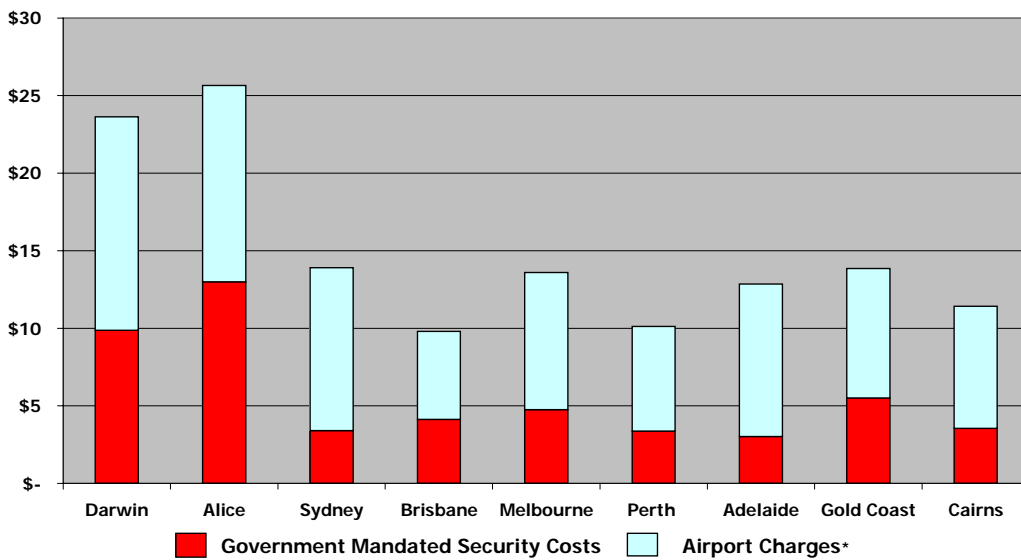
Both Darwin international Airport and Alice Springs Airport are “Designated” or Counter-Terrorist First Response airports. As can be seen from the table below the Airports are low volume airports. This has a dramatic impact on security costs on a per passenger basis.

Australia's Top 20 Airports		
Airport	Total Passengers 2007/08	% of Total Australian Market
Sydney**	32,700,964	27.2
Melbourne**	23,943,342	19.9
Brisbane**	18,297,730	15.2
Perth**	8,952,069	7.5
Adelaide**	6,619,267	5.5
Cairns**	3,777,154	3.1
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Hobart**	1,758,241	1.5
Darwin**	1,562,216	1.3
Townsville	1,365,959	1.1
Launceston	1,106,375	0.9
Newcastle	1,065,972	0.9
Maroochydore	919,393	0.8
Mackay	837,416	0.7
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Alice Springs**	627,425	0.5
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Currently subject to price monitoring		
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Charges Breakdown per International Departing Passenger



Charges Breakdown per Domestic Departing Passenger



As can be seen from the above tables, both Darwin and Alice Springs suffer from implementing the mandated security standards across low passenger volumes. The mandated security standards are becoming increasingly more costly eg the full implementation of the Enhanced Inspection regime (includes physically checking

ASIC holders, including AFP in uniform, to ensure the ASIC is current) will add around **\$2 per passenger** to the above charges for Darwin.

Stage 1 of Enhanced Inspection is already in place at short notice and means \$800,000 of cost in 2008/09 for Darwin which was not budgeted.

These high costs at low volume airports are particularly visible to Low Cost Carriers who are extremely cost conscious. Tiger Airways, on announcing their ceasing of Darwin domestic and international services, cited Darwin security costs as a factor (NT News 26 August 2008). The other Low Cost Carriers similarly complain about the aggregate level of security and airport charges per passenger.

Almost all Australian Government policies attempt to alleviate the impact of high costs in regional and remote areas and/or encourage economic and social development, even within the Infrastructure, Transport, Regional Development and Local Government portfolio (eg Remote Air services Subsidy Scheme, Auslink). Mandated aviation security standards and location specific costs/charges, regardless of passenger throughput, are a policy exception.

The impact of location specific charges and low volume are dramatically indicated by the fact that the security component of total Darwin and Alice Springs airport charges on passengers/airlines is some 50% of total charges. When you consider that runways and taxiways, aircraft apron, terminal, road system, all airport staff etc comprise the other 50% of costs, it really puts security costs into perspective.

No wonder the Low Cost Carriers complain about them.

There is a clear rationale for some assistance to low volume airports which need to maintain the highest of aviation security standards.

There are basically 2 options:

- some form of network pricing model such as uniform national pricing; or
- full or partial funding of the security costs at low volume airports (say less than 3 million passengers per annum).

Outlined below are domestic and international network pricing model calculations taken from "Extract from Aviation Policy Options to Support Regional Development in the NT" – Report by Access Economics for the NT Department of Business & Employment and Tourism NT.

NETWORK PRICING MODELS: DOMESTIC AIRPORT SECURITY COSTS*

Airport	Domestic PM ('000) 2007-08	Est. current security charge	Indicative security charge - full network pricing	% change	Indicative security charge - partial network pricing	% change
Sydney	20,053	\$3.40	\$4.21	24%	\$3.40	0%
Melbourne	18,579	\$4.75	\$4.21	-11%	\$4.75	0%
Brisbane	13,360	\$4.12	\$4.21	2%	\$4.12	0%
Perth	5,975	\$3.36	\$4.21	25%	\$3.36	0%
Adelaide	5,633	\$3.02	\$4.21	39%	\$4.90	62%
Gold Coast	4,062	\$5.50	\$4.21	-23%	\$4.90	-11%
Cairns	2,772	\$3.55	\$4.21	19%	\$4.90	38%
Canberra	2,261	\$5.00	\$4.21	-16%	\$4.90	-2%
Hobart	1,757	\$5.00	\$4.21	-16%	\$4.90	-2%
Darwin	1,285	\$9.87	\$4.21	-57%	\$4.90	-50%
Alice Springs	627	\$13.00	\$4.21	-68%	\$4.90	-62%

*Note that such comparisons are indicative only as differences in accounting methodologies across airports, limit the extent to which security charges are a true reflection of the full security cost.

NETWORK PRICING MODELS: INTERNATIONAL AIRPORT SECURITY COSTS*

Airport	Int'l PM ('000) 2007-08	Estimated current security charge	Indicative security charge - full network pricing	% change	Indicative security charge - partial network pricing	% change
Sydney	10,641	\$10.00	\$8.12	-19%	\$10.00	0%
Melbourne	4,673	\$4.75	\$8.12	71%	\$4.75	0%
Brisbane	3,986	\$9.22	\$8.12	-12%	\$9.22	0%
Perth	2,490	\$5.73	\$8.12	42%	\$5.73	0%
Adelaide	473	\$3.49	\$8.12	133%	\$6.42	84%
Gold Coast	259	\$7.80	\$8.12	4%	\$6.42	-18%
Cairns	668	\$5.40	\$8.12	50%	\$6.42	19%
Darwin	173	\$16.27	\$8.12	-50%	\$6.42	-61%

*Note that such comparisons are indicative only as differences in accounting methodologies across airports, limit the extent to which security charges are a true reflection of the full security cost.

As can be seen, the greatest increase would be faced by Adelaide for both domestic and international security charges. The impact on Sydney for a national uniform pricing system would be an increase of 81 cents per passenger for domestic and a reduction of \$1.88 for international.

An alternative is to have a price cap for airports and for the Australian Government to fund additional costs above the cap. One option which seems to enjoy general support among airports is that a benchmark cap be set relative to the average cost

of Australia's 8 busiest airports. Beneficiary airports would be the low volume airports with passenger throughput less than 3 million passengers per year. Any eligible airport with security costs exceeding twice the average of the 8 busiest airports would have the difference funded by the Australian Government.

This would minimize the disincentive to regional development posed by very high security costs at low volume airports.

It is estimated that the costs of the subsidy scheme could well be less than \$15M per annum.

3. PRINCIPLE 2 – DRIVER OF ECONOMIC PROSPERITY

3.3 Recognition of Cost pressures on Low Volume Airports International Traffic

Ireland has recognised the impact of departure tax (Passenger Movement Charge equivalent) on low volume airports serving short to medium haul markets. It has announced the removal of departure tax from all airports with less than 50,000 flights per annum.

The rationale is that the 10 Euro departure tax is a dis-incentive to travel in those short to medium haul international markets.

Whether the Passenger Movement Charge is a tax or a charge it has the same cost increasing effect on international travel, with the proportionate effect increasing as the international fare reduces. It is a regressive measure which needs to be reviewed.

4. PRINCIPLE 3 – INFRASTRUCTURE

4.1 Economic Regulation/Price Monitoring

The Green Paper contemplates;

- re-introduction of a level of price monitoring at Darwin Airport;
- developing a proposal for different “tiers” of price monitoring depending on airport size and market power (this has potential for application to Alice Springs Airport); and
- implementation of a “show cause” mechanism where there is prima facie evidence of abuse of market power.

The Green Paper also contains the observation that Darwin has experienced significant price increases since privatization.

In relation to the show cause mechanism as a response to abuse of market power, this is of little concern to Northern Territory Airports as you cannot abuse what you do not have. The relative market power of Northern Territory Airports and the airlines is discussed below.

The Productivity Commission investigated Darwin pricing in 2006 and, in its Inquiry Report **Review of Price Regulation of Airport Services** (December 2006), recommended removal of Darwin from price monitoring by the ACCC. It highlighted that Darwin:

- is a relatively small airport dealing with some major airlines that can withdraw services (and have done so), and hence have some countervailing power;
- faces some competition from other airports and/or other modes of transport;
- has less passenger traffic than some of the larger non-monitored airports; and
- although charges at Darwin Airport have risen steadily under the light handed regime, these increases appear justifiable in terms of the cost of new investments and (mandated) security upgrades, and the unwinding of previously uncommercial charging arrangements (page XXVI).

The independent Productivity Commission did not reach this conclusion lightly.

Darwin International Airport and Alice Springs Airport could superficially appear to be monopoly infrastructure providers with classic monopoly power and behaviour. However, delving into the airport-airline market dynamics and current circumstances of the Northern Territory's two largest airports clearly demonstrate this is far from the case.

Airport – Airline Market Context

Neither Darwin or Alice Springs Airports or the domestic or international airline routes served by the Airports are typical. Some context is outlined below:

- along with other Australian airports, Darwin and Alice Springs operate in a peculiar commercial environment. There is no regulatory right to charge airlines for their use of airport airside or landside facilities. Additionally, major investments are not backed by airline take or pay provisions or even long term contracts with airlines (airports take 100% of long term demand risk). Airlines are charged for their use of airport facilities through a “Conditions of Use” agreement whereby a condition of using facilities is that they are charged;
- Darwin and Alice Springs share passenger load factor risk on individual flights with the airlines through applying passenger charges rather than landing charges based on maximum aircraft take-off weight (MTOW). Darwin and Alice Springs were the first Australian privatised airports to move to wholly passenger based charges when these were introduced in December 2001. This was particularly welcomed by the Low Cost Carriers at the time;
- both airports are low volume regional airports, have considerable unused capacity, and are located on the end of long-thin passenger routes. Because tourist and recreational traffic dominate the routes, they are not as profitable as the higher density routes in southern Australia which have significant higher yielding business traffic. For these reasons, Darwin and Alice Springs routes are more tenuous. The fact that airport assets, unlike airline assets (aircraft) are not mobile provides an inbuilt incentive for both airports to offer prices which are competitive; and
- Darwin International Airport (DIA) is a Joint User Airport. The RAAF owns, maintains and develops the Joint User Area (runways, taxiways), with DIA bearing the majority of maintenance and development cost under the terms of the Joint User Deed. The Department of Defence control the timing and quantum of Joint User Area capital expenditure and, even though DIA bears the majority of the cost, it has less control over forward looking capital expenditure than other airports; and
- both Airports support significant general aviation communities and operations which cannot meet the costs of infrastructure and services provided (ie general aviation is subsidised as discussed above).

Recent Price Setting History

In terms of setting prices in conjunction with customer airlines, recent history is instructive. This is best illustrated through development of the current prices agreement with our customer airlines.

At the financial policy level, pricing should be consistent with the Government Review Principle for airports which are not operating at full capacity:

“At airports without significant capacity constraints, efficient prices broadly should generate expected revenue that is not significantly above the long run costs of efficiently providing aeronautical services (on a 'dual-till' basis). Prices should allow a return on (appropriately defined and valued) assets (including land) commensurate with the regulatory and commercial risks involved.” Productivity Commission (2006)

Following the change from aircraft landing charges to passenger charges in 2001, DIA desired to enter into a longer term agreement with its airline customers. It hence engaged KPMG to develop a long term pricing model based on accepted ACCC “building block” principles

The price modelling undertaken by KPMG, which provided the basis for negotiations with airlines, is consistent with the above Government Review Principle, as it:

- used a Weighted Average Cost of Capital (WACC) consistent with the ACCC approved nominated new investment process and was reflective of the regulatory and commercial risks faced;
- was based on conservative asset values;
- included forecasts of capital expenditure over the five year period of the analysis, and thus approximated the long run cost of service provision; and
- was determined on a “dual till” basis (separation of core airport services from non-core services).

The outputs and inputs to the model were shared with airlines. In discussions with our airline customers we provided a detailed passenger forecast, a forward-looking capital plan, information on our forward-looking operating expenses and details of the WACC used. The same information was provided to all airlines. In short, the pricing model inputs and outputs were shared freely.

After some 18 months of consultation and negotiation a pricing agreement for the period January 2006 to June 2009 was struck with all airlines. The agreed prices provided transparency and certainty for both airlines and airports.

Countervailing Airline Market Power

The basis of any Government price or service regulation of Darwin or Alice Springs Airports must be that the airlines are in a significantly weaker position than the Airports when prices are negotiated. Specifically, a regulated outcome (a price determination), or threat of a regulated outcome (price monitoring), is required to level the playing field.

For Darwin and Alice Springs Airports this is clearly not the case.

The experience of both Darwin and Alice Springs Airports is that airlines withdraw or add services at short notice with little or no consultation with the airport operator.

This is a critical aspect of the countervailing market power of airlines when taken in the context of the reality that airlines have no legal or moral commitment to a particular level of flights into Darwin and Alice Springs Airports - now or in the future (aeronautical revenue of course = price X passengers).

This was demonstrated in 2008 by the complete withdrawal of Tiger Airways domestic and international hubbing services from Darwin, the withdrawal of Royal Brunei Airlines after 25 years of Darwin services and the downgrading of Virgin Blue services to the extent that they offered no more capacity than when they first entered the Darwin market in 2001. This was all before the Global Financial Crisis started to bite. Within 24 hours of Tiger Airways announcing their exiting the Darwin market, Jetstar announced the development of a Darwin domestic-international narrow body hub over the period 2009 to 2012.

These recent developments in rapid succession are a graphic illustration of the relative market power of airlines and low volume airports. Darwin International Airport (DIA) obviously is in a position of responding to airline decisions, not dictating or even strongly influencing them.

Another highly visible indicator of the countervailing market power of airlines at both Northern Territory airports is the dominance of the Qantas Group. Until the advent of Tiger Airways the Qantas Group operated around 85% of total Northern Territory airline capacity.

Presented below are 3 snap shots, spanning 3 years, of the Qantas Group domestic share of capacity by route for the Darwin and Alice Springs markets. It is a telling story.

Qantas Group Domestic Capacity Share By Route (Direct Flights)

Route	Oct 2005	June 2008	Dec 2008
Darwin - Adelaide	100%	100%	100%
Darwin - Brisbane	73%	68%	68%
Darwin - Sydney	100%	100%	100%
Darwin - Melbourne	73%	40%	100%
Darwin - Perth	100%	100%	100%
Darwin - Cairns	100%	100%	100%
Darwin - Alice Springs	100%	100%	100%
Darwin - Gove	100%	100%	100%
Alice Springs - Adelaide	100%	100%	100%

Alice Springs - Sydney	100%	100%	100%
Alice Springs - Perth	100%	100%	100%
Alice Springs - Melbourne	100%	70%	70%
Alice Springs - Brisbane	100%	100%	100%
Alice Springs - Cairns	100%	100%	100%

To provide additional perspective, the Qantas Group held 100% of the RPT jet capacity into Alice Springs from 2005 until March 2008 when Tiger entered the Alice Springs – Melbourne market.

Qantas Group International Capacity by Route

	June 2008	December 2008
Darwin - Singapore	67%	100%
Darwin - Denpasar	20%	18%
Darwin – Ho Chi Minh	Flights commence Sep 08	100%
Darwin - Dili	Nil	Nil
Total	53%	76%

The relative overall Qantas capacities at both Airports for October 2005, June 2008 and November 2008 are outlined below. The November capacity reflects the above service changes.

Qantas Group Share of Domestic and International Capacity			
	Alice Springs	Darwin	Total
October 2005	100%	80%	85%
June 2008	95%	73%	79%
December 2008	95%	84%	87%

The dominance of the Qantas Group has been reinforced by the recent Virgin downscaling, Tiger departure and the coming development of the Darwin Jetstar hub. In looking at capacity share alone, it would be very difficult to argue that they have a weaker position in any price negotiations with Northern Territory Airports. They are certainly not a “price taker”.

Indeed, with there being no Qantas Group legal commitment to certain capacity levels at either Airport and with mobile assets, it can be strongly argued that Northern Territory Airports occupies the weaker position in any price negotiations. The conduct and results of the last round of price negotiations appear to bear this out:

- Northern Territory Airports conducted “open book” negotiations, revealing all parameters of its forward looking costs, revenues and rate of return; and
- the WACC proposed accorded with the ACCC new investment process and was not contested by Qantas Group or the other airlines.

In short, the negotiations were conducted by Northern Territory Airports on an objective basis and with a rate of return that was considered reasonable by the airlines. This is certainly not the behaviour of a negotiating party that considers it is dealing from a position of market power.

The next round of negotiations has been underway for 12 months and is being conducted in the same way. That is, we are utilising the ACCC endorsed 'building block' approach and providing full details of the model to the airlines for their scrutiny and review.

Any new pricing agreement will by necessity require Qantas Group support and with 87% market share at Darwin and 95% market share at Alice Springs, the Qantas Group is in a strong position to reject any pricing arrangements that are not in their best interests.

Qantas Group dominance in the Darwin airline market is projected to grow over the next 5 years and is expected to exceed 90% in the next 18 months. This will further entrench the Qantas Group market power in any dealings with DIA.

Threat of Re-regulation or Declaration Under Part IIIA

The Productivity Commission in its 2006 Review noted that a key element of the light handed approach to price regulation is the ultimate threat of re-regulation if there is abuse of market power by airports. All airports are aware that the Productivity Commission will review the performance of airports in 2012 prior to expiry of the current arrangements on 30 June 2013.

Additionally, there is the ability of airlines to seek declaration of an airport under Part IIIA of the *Trade Practices Act* if it believes an airport is behaving unreasonably. The 2006 Federal Court decision on the declaration of Sydney Airport's domestic airside services makes this regulatory instrument more accessible to airlines than in the past.

Both of the above, individually or acting together, should impose discipline on the part of airports in airport-airline commercial negotiations.

Compliance Costs

Any regulatory regime, whether it is price regulation or price monitoring, imposes compliance costs. The smaller the business, the greater the relative compliance costs.

Price monitoring for Darwin finished in June 2007. The compliance costs amounted to \$130,000 per annum. Putting that into perspective, 1 person out of a total staff of 70 was devoted to price monitoring compliance. This is an inordinately high cost imposition on a small organisation.

In contemplating a possible price monitoring regime for Alice Springs, with a total of 13 staff and low traffic levels, the relative resource cost would be high.

Car Parking Prices

A possible candidate for price monitoring is car parking prices.

	Short Term Carpark					Long Term Carpark		
	1 hr	2 hrs	3 hrs	4 hrs	24 hrs	1 day	2 days	3 days
Sydney Domestic	\$15	\$20	\$25	\$50	\$50	\$25	\$44	\$50
Perth	\$5	\$7	\$8	\$9	\$25	\$17	\$34	\$51
Melbourne	\$12	\$18	\$20	\$30	\$45	\$25	\$40	\$50
Cairns	\$6	\$8	\$10	\$11	\$14	\$14	\$26	\$38
Adelaide	\$4	\$7	\$9	\$12	\$24	\$20	\$35	\$45
Hobart	\$4	\$4	\$4	\$5	\$13	\$13	\$26	\$39
Darwin	\$5	\$7	\$7	\$8	\$12	\$12	\$24	\$36

As indicated above, Darwin International Airport parking prices are no where near Sydney or Melbourne, less than all listed airports except Hobart for short term parking and less than all airports for long term parking. We are hardly an example of profiteering.

Moreover, prices of themselves are only a part of the picture. There are thousands of unregulated carparks around Australia which are much larger than DIA's 844 bay public and staff car parks. Actual carpark revenue is less important at Darwin with projected 2008/09 carpark revenue being 5% of total revenue with the major airports being between 8% and 13% for 2006/07 (the latest year comparative published figures are available). Additionally, with a local catchment area population of 130,000 in the greater Darwin area, the potential for significant growth is similarly small.

Audit Against Recent European Community Directive on Airport Charges

The European Parliament passed the Directive on Airport Charges on 23 October 2008. The principles of the Directive are reconciled below against current charges practice by Northern Territory Airports.

It is emphasized that the Directive only applies to airports with greater than 5 million passengers annual throughput. Darwin has less than 2 million.

EU Airport Charges Directive Principle	NT Airports – Airlines Charges Practice
Non-discrimination: charging system must not discriminate among carriers and passengers unless justified.	All charges are published and same charges apply to all carriers. Incentive discounts for new services apply equally to all carriers. These are temporary and apply in the start up phase only.
Consultation: airports and airport users must consult on all inputs to airport charges	All inputs to airport charges are actually negotiated with airlines with both parties needing to agree.
Tariff Setting: charges should be set by negotiation with airport users with referral to an independent body in the event of non-agreement	Charges are negotiated with airlines and commercial tenants. The airlines can apply to have an airport declared under Part IIIA of the Trade Practices Act and the ACCC then becomes the regulator (Federal Court 2006 Sydney Airport decision makes this avenue more accessible).
Transparency: components of airport charging must be revealed to airport users. Airport users must give detailed information to airports.	Charges negotiations with airlines are conducted on an open book basis on the part of the airports using the ACCC endorsed building block model. The same cannot be said for airlines who take no long term demand risk. Additionally, a dual till approach is utilized.
Quality Standards: service level agreements on level of service and charges should be concluded	This is standard practice as part of long term Pricing Agreement with airlines. Quality of Service Monitoring (QSM) principles apply throughout the aeronautical range of services.
Differentiation of Services: different levels of service should attract different levels of charges on a non-discriminatory basis	All charges are published. Non-standard services are negotiated on a consistent methodology case by case basis.
Independent Supervisory Body: a national body should exist to enforce the Directive	The ACCC is the point of appeal if airlines or airports feel it is in their best interests to have an airport declared under Part IIIA of the Trade Practices Act.

Summary

It is emphasised that low volume airports such as Darwin and Alice Springs do not have any semblance of monopoly power when negotiating airport prices with airlines. Indeed, with no take or pay provisions associated with large infrastructure investments, and in the absence of even short term enforceable contracts, it could be reasonably argued that low volume airports have the fundamentally weaker market power position.

It would be a retrograde step to reintroduce any level of price monitoring for either Darwin or Alice Springs. There would clearly be no airline – airport market benefit but airport costs would be increased through compliance requirements.

4.2 Airport Planning and Development

4.2.1. General

Northern Territory Airports welcomes the Australian Government intention to improve planning coordination and integration between all levels of government and airports,

while maintaining regulatory arrangements that promote investment, efficiency and innovation.

5.1 Definition of Major Airport should not include Darwin/Alice Springs

Australia's Top 20 Airports		
Airport	Total Passengers 2007/08	% of Total Australian Market
Sydney**	32,700,964	27.2
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As can be seen from the above table, Darwin and Alice Springs do not comprise 2% of the total Australian market between them. Every RPT statistic (domestic passengers, international passengers, heavy aircraft movements etc) reflects that fact.

It is difficult to comprehend that Darwin, with less than 2 million passengers per annum would be classified exactly the same as airports with 18 million, 24 million or 32 million passengers, but that is the case under all aviation related law. **This should not be extended to further requirements for 'major airports', including any Airport Planning Advisory Panel.**

5.1 Community Engagement

Northern Territory Airports works closely with the Northern Territory Government at the political and agency level on all Airport developments which raise issues for Northern Territory ministers or agencies. Similarly with the Darwin City Council and Alice Springs Town Council elected members and officers. As a result, Northern Territory Airports enjoys a good working relationship with local planning and service authorities.

A recent example of the good relationship is the large Bunnings store, which opened in 2006, and was the first significant development in Darwin Airport's Business Park. This development was the culmination of close co-operation between Northern Territory Airports and the Northern Territory Government. Agreement was reached on new access points to the arterial road network to facilitate the Bunnings development. A formal agreement was also entered into with the Government on a 20 metre landscaping buffer and superior landscaping standards to apply to commercial developments in the Business Park abutting arterial roads.

Northern Territory Airports has a long history of effective community engagement in the Darwin and Alice Springs communities. Examples are;

- DIA has provided active support for the Rapid Creek Advisory Committee for some 10 years;
- the CFO is on the executive of the Northern Territory Chamber of Commerce and Industry;
- the Alice Springs Airport General Manager is currently on the executives of Tourism Central Australia and the Alice Springs Branch of the Northern Territory Chamber of Commerce and Industry;
- both airports support school and sporting events;
- both airports are active supporters and participants in several charities; and
- both airports are active in landcare and wildlife preservation (the most recent public tree planting day at DIA was on 6th December 2008 – copy of Newsletter at <http://www.darwin-airport.com.au/Portals/1/Touchdown%20December%202008.pdf>).

The point is that Northern Territory Airports **does not operate in a politically charged environment** and is seen as both an essential service and contributor to Darwin and Alice Springs communities and the wider Northern Territory society (extensive general aviation and regional airline operations).

An imposed community consultation group would be seen as window dressing. **The least effective part of community engagement is formalised groups.** The most effective community engagement is an embedded culture of consultation and reaching out to the community. Northern territory Airports has made conscious efforts over a decade.

In fact, the individuals we deal with on a one to one basis would likely be the same people on the community consultation group. Community engagement is likely to become less effective as people are dealt with collectively rather than individually.

A telling point about Northern Territory Airports existing community relationship is that the recently approved Terminal Expansion Major Development Plan and the Home and Lifestyle Centre Major Development Plan currently before the Department and Minister drew **one comment each from the public**.

It is submitted that if there is evidence that airport community consultation is lacking or ineffective, the Minister always has the option to instruct that a formalised community consultation group be instituted. Otherwise, airports that enjoy good community relations such as Darwin and Alice Springs should be left to continue their good work.

The Green Paper mentions that one function of a community consultation group may be to monitor complaints. This may be well intentioned but is fraught with practical difficulties. It is suggested, that if any community consultation group is to consider complaints, that it is restricted to noise complaints (which are genuinely community related).

5.1 On-Airport Planning and Development

Cost of Further Regulatory Compliance

The cost of proposed measures, on top of existing planning and development consent cost, is a real concern for low volume *Airports Act* airports.

To put this into context. The 2009 Master Plans for Darwin and Alice Springs Airports will cost around \$1M. While master planning every 5 years is a good discipline, this is a considerable cost for a \$70M business and only value adding planning measures can be afforded.

The potential cost of measures such as the Airport Planning Advisory Panel could be considerable. If the Airport Planning Advisory Panel is nationally constituted body of experts, there would be a significant cost associated with them visiting different airports and assessing Major Development Plan projects, Precinct Plans etc.

Any additional planning or development consent process costs should be funded by the Australian Government. Airport costs are already well above local planning scheme costs and should not be further increased.

Competitive Neutrality in Planning – Competition Policy

Care needs to be exercised that airports are not subject to planning or development consent requirements which are not required of other major businesses which have land use planning requirements. Security considerations and aircraft noise aside, probably the best comparison to an airport is a port.

Ports (and some top 20 airports) are subject to state and local government planning requirements. All airports rely on state and local government planning schemes to protect future aircraft operations from inappropriate development around airports.

Airports Act airports are already subject to statutory planning and development consent requirements that do not exist for ports or other major businesses. However, these were known and costed at privatisation.

Compared to the Northern Territory development consent process, the Airports Act Major Development Plan process already takes twice as long. Under the Northern Territory Planning Act non-determination of a development application after 12 weeks (including public consultation period of 30 calendar days) is grounds for appeal.

The potential requirement for detailed precinct plans and detailed articulation of development plans for the 3 to 5 year period following a master plan review is definitely not a statutory requirement of a port or other major business. Additionally, it runs the danger of:

- reducing short term development and operational flexibility; and
- may trigger the requirement for more frequent variations to a Master Plan which is an expensive and time consuming process.

While there is no objection to providing additional development plan information such as Precinct Plans for public information reasons, they should not increase airport costs and development timelines or reduce the flexibility of changing short term airport development plans. This would further increase the disparity between on-airport and off-airport private sector planning and development.

Review of Major Development Plan Triggers

Northern Territory Airports looks forward to participating in the review of MDP triggers. A review is needed.

Examples of aspects needing review are:

- the \$20M trigger should be increased. It is only a small commercial/non-aeronautical development that will not exceed \$20M. In our parlous economic climate the last thing any government regulator would want is to deter projects because of regulatory cost or the regulatory hurdles look difficult; and
- the 10% trigger on terminal development is too low (eg a 1201 sqm terminal expansion in Alice Springs would trigger an MDP)

Ministerial Call-in Power

Any call-in power, as in state/territory planning schemes, should be able to operate both ways (ie the Minister should also be able to exempt specific projects which would normally require an MDP from undertaking the MDP process).

Protecting Aviation Operations from Inappropriate Development

The commitment to working with state/territory governments to develop a risk based off-airport development framework, public safety zone policy and integrated land use and transport planning is very welcome.

The issues involved are complex and, within a national policy framework, the detail may need to be resolved bilaterally with each jurisdiction.

In the Northern Territory context, Northern Territory Airports stands ready to assist in any way it can. The existing sound relationship with Northern Territory ministers and officials may be helpful.

5. PRINCIPLE 4 – ENVIRONMENT

5.1 Curfews

The commitment to retain existing curfew free airports is welcomed.

Darwin's curfew free status is crucial to the future of airline operations and must be preserved:

- 2 of the 4 daily peaks occur between 11.00pm and 7.00am;
- 41% of daily seat capacity is operated between 11.00pm and 7.00am; and
- one of the low cost carrier domestic-international hub peaks occur in this time.

5.2 Managing Future Aircraft Noise

The commitment to develop a new noise information framework, work with state/territory governments to ensure existing curfew free airports stay that way and that inappropriate development near airports is avoided, and investigate more appropriate roles for all parties to aircraft noise are all welcomed by Northern Territory Airports.

Darwin is a joint-user airport and Department of Defence will need to be incorporated in any new aircraft noise planning and information arrangements.