



PERTH AIRPORT

Submission to
Department of Infrastructure, Transport,
Regional Development and Local Government

Response to the National Aviation Policy Green Paper

27 February 2009

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1 EXECUTIVE SUMMARY

1.1 Introduction and Background

In December 2008, the Minister for Infrastructure, Transport, Regional Development and Local Government released the National Aviation Policy Green Paper and called for further comment as part of a second round of consultation prior to the preparation and release of the National Aviation Policy Statement (White Paper).

As the operator of Perth Airport, Westralia Airports Corporation (WAC) applauds the Government's decision to review national aviation policy settings and the regulatory/administrative regime controlling civil aviation. We also record our appreciation for the inclusive manner in which the review is being undertaken, including the forums provided by the Department which have promoted dialogue on the many important issues.

1.2 Response to the Green Paper

The Green Paper contains numerous statements of general policy intent and specific proposed reforms with which we agree. In the interests of efficiency, rather than confirming our areas of agreement, we have only addressed in this submission matters in the Green Paper about which we are concerned.

While our response covers a number of issues, the most significant are:

- Airport Investment, including planning/development approval processes and economic regulation;
- Aviation Security; and
- International Aviation.

1.2.1 Airport Investment

The current global economic decline and major disruptions in global financial systems are being described as the most serious threats to our standards of living in this generation. Unemployment is again emerging as a significant national issue. Governments worldwide are involved in dramatic and unprecedented mitigation processes. State and Commonwealth budgets are struggling to cope with the combined impacts of declining revenues, increasing demand for social services and the need for fiscal stimulus, including investment in productivity enhancing infrastructure. The outcome and full impacts of this crisis are unknown, including particularly how global financial systems will function.

What is known is that the capacity of private enterprise and governments to deliver required productivity enhancing infrastructure investment is now being severely compromised, due primarily to depleted credit availability.

This is the "elephant in the room" and, after safety, must be the central consideration in the Government's policy settings in relation to airport planning, development and economic regulation for the foreseeable future.

In this context it is absolutely critical that all proposed changes to the policy framework impacting airport development be supportive and enabling of investment. The possible changes to the planning/development regime and economic regulation described in the Green Paper (and the draft “show cause” guideline relating to airport pricing oversight) fail this test.

Perth Airport, like many other large Australian airports, is planning major investments in aeronautical infrastructure. Two interrelated elements that are critical to making these investments are firstly to have reasonable certainty in relation to future revenue streams, and secondly, access to debt and equity funds.

Both of these factors are currently being adversely impacted by the global economic and credit market changes, and the adverse impact of any poorly conceived regulatory change is going to be magnified in the prevailing business environment.

While the Green Paper indicates that the Government understands the need to ensure that the regulatory regime provides investor certainty, a number of the proposed regulatory/administrative changes are materially inconsistent with this general statement of intent.

The Green Paper broadly describes a number of possible changes to the current planning/development regime for airports. It is difficult to assess these proposals in the absence of specific information describing deficiencies in the existing regime based on actual experience to date. There are no case studies or examples demonstrating the way in which the current regime has failed to meet policy objectives or resulted in outcomes that are against the public interest.

Our submission to the Issues Paper in June 2008 demonstrated that on-Airport development at Perth Airport has been sensible, appropriate, well executed and entirely in the public interest. We are concerned that the cumulative impact of the numerous adjustments that are being contemplated, if not very carefully considered, will materially harm continuing airport development. At a time when the Government needs to be doing all it reasonably can to support private investment in large fixed infrastructure there seems to be an under-current running through the Green Paper that on-airport development needs to be constrained.

The various changes to the planning/development approval regime described in the Green Paper are not presented as an integrated whole. We think assessment of each mooted change severally is of very limited relevance. For instance, the concept of “Expert Advisory Panels” cannot be usefully assessed until such time as the proposed nature and construct of the master and major development planning processes are defined, given that the former is proposed to be a part of the regime assessing the latter.

There are a range of general tests that the final proposed regulatory regime applicable to airport development must pass. These include competitive neutrality, minimising the regulatory burden, etc. Page 166 of the Green Paper states that the Government is keen to work with representatives of state, territory and local governments and airports to finalise specific proposals in relation to airport planning/development. It is during this process that the efficacy of the overall final proposed regime must be fully tested. We look forward to actively participating in this process.

1.2.2 Aviation Security

As was the case with our submission in response to the Issues Paper, our further submissions in relation to aviation security are being made conditional upon them being kept private and confidential between ourselves and the Government. They are being provided under separate cover.

1.2.3 International Aviation

The Green Paper did not address the proposal put forward by the Western Australian Government and Perth Airport that Perth be subject to an “open-skies” approach in bilateral international air service negotiations. We request that the Government demonstrate that it has actively considered this proposal, and if it is to reject it, that the reasons why be published.

The Green Paper indicates that the Government intends to review cost recovery methods and funding models for border agencies to meet continued growth. At the same time, the Passenger Movement Charge (“PMC”) is not transparent and not reconciled in any way to the cost of providing services. The Government’s recent increase in the PMC came at a particularly inopportune time for aviation and tourism. We urge the Government to adopt a more sophisticated and transparent approach to delivering and funding services relating to international aviation.

Given the nature of Australia’s aviation markets (in many cases relatively thin routes, emergence of a number of major hubs, an extensive domestic route network) the Government needs resist calls by others to distort route economics through cross subsidisation. Such distortions may be in the interests of specific organisations; they are not in the public interest.

2 AVIATION SAFETY

There is evidence of dramatic under utilisation of people who are deployed at airports to provide fire and rescue services. These very capable and committed people could be deployed to airside functions, in addition to their existing core responsibilities, and in the process improve aviation safety and efficiency. Government policy should support efforts by Air Services Australia and airport leasing companies to increase the productivity of fire and rescue services personnel in ways that do not compromise their core responsibilities.

3 INTERNATIONAL AVIATION

It is pleasing that the Green Paper reflects that the Government does not intend to seek to artificially support aspirations of some airports to have international services.

The Australian economy, including tourism, is well served by the current international airports, and visitors being dispersed to regional Australia via the extensive domestic network, expansion of which has been assisted by Government policies which promote competition in air services markets.

Any action that seeks to distort route economics through cross subsidisation of border control, security and safety infrastructure or forcing airlines to serve regional ports in order to get bilateral rights to where they really want to fly, will result in inefficient outcomes, higher costs and no benefit to consumers.

The Western Australian Government and Perth Airport submitted that a complete “open skies” approach should apply to Perth Airport in bilateral air services negotiations, in the same manner this approach has been adopted for regional Australia. Given Perth’s remoteness from the high density east coast of Australia, an open skies approach would not compromise Australia’s negotiating position in bilateral negotiations and would assist to grow international air services capacity into Western Australia. The Green Paper does not address this matter. The Government should demonstrate that it has actively considered this matter.

The recent substantial increase in the Passenger Movement Charge (PMC) amounts to a tax on international aviation and tourism. It erodes Australia’s position in the intensely competitive international tourism sector. The timing of this increase, just as long-haul tourism motivated travel is being greatly impacted by deteriorating economic conditions, could not have been worse.

Perth Airport cautions the Government that the cumulative impact of PMC, security and other charges is contributing to the poor results now being seen in the tourism export sector. Additionally, the Green Paper refers to reviewing cost recovery methods and funding models for border agencies to meet continued growth. At the same time the PMC is not transparent and not reconciled in any way to the cost of providing border services. No further increase in the PMC or any other cost recovery/funding mechanism should be undertaken until the revenue from the PMC is reconciled with the current costs of operating the border agency services.

Perth Airport is supportive of the initiatives being undertaken by the Passenger Taskforce and in particular the Express Path Trials and trials of in-line quarantine x-ray processes. Perth Airport would welcome the opportunity to participate in an expanded program for either of these processes.

4 DOMESTIC, REGIONAL AND GENERAL AVIATION

Of the capital city airports, Perth has a substantially higher volume of general aviation and regional traffic to support the resources sector requirements. General aviation now accounts for more than 40% of aircraft movements at Perth Airport and requires substantial infrastructure to provide the aircraft parking needs since all of these aircraft are on the ground overnight. As a result, Perth Airport is strongly supportive of the Green Paper position that General Aviation needs to operate on a user pays basis.

Given that a high proportion of the General Aviation traffic at Perth Airport is resource sector related, there is no reason why the sectors should be subsidised by the Government and certainly there should be no preferential treatment available to the General Aviation sector in relation to access to services at Perth Airport, which would have the effect of disadvantaging other users of the airport, including the public.

5 AIRPORT INVESTMENT

5.1 Airport Planning

The Green Paper states that the Government wishes to improve arrangements for planning and development in airports. At page 166 the Paper states *“the Government proposes to work with state and territory and local governments, and the airports, to finalise specific proposals”*¹ and also includes statements which outline the Government’s current predisposition on a number of airport planning/development matters.

It must be said that the Green Paper contains no evidence to support the apparent conclusion that the current planning/development regime needs to change. Very general statements are made of concerns or reservations in relation to potential outcomes, but there are no supporting examples of actual sub-optimal outcomes. It is very difficult therefore to prescribe a remedy without a description of symptoms and a diagnosis of the illness. Perth Airport therefore requests that the Government provides further information that demonstrates:

- sub-optimal airport planning/development outcomes; and
- that the sub-optimal outcomes arose from deficiencies in the regulatory regime (as opposed to deficient application of the current law).

This could be achieved by a further discussion paper which includes specific case studies and would be a useful (necessary) input into the further work on these matters that the Government contemplates.

Perth Airport emphasises the importance of comprehensive consultation with airports in relation to any regulatory or administration reform, as foreshadowed in the Paper.

If the Government’s view is that the current regulatory regime for airport planning/development is deficient, additional processes must not simply be grafted onto the existing regime. To add processes, such as the foreshadowed Advisory Panels, without proper consideration of the efficacy of the resulting overall regime, will likely result in poor outcomes, which would be inconsistent with one of the Government’s central economic development tenants to *“improve productivity through investing in infrastructure and skills, reducing the regulatory burden on business ...”*². The final regime must be both efficient and effective to support timely delivery of airport investment. Adding process to appease interest groups will cost society.

In all planning matters, time frames for decisions should be explicit and consistent with best practice time frames in decision processes.

¹ Department of Infrastructure, Transport, Regional Development and Local Government, *National Aviation Policy Green Paper: Flight Path to the Future*, 2008

² *ibid*, page 105.

5.1.1 Airport Planning Advisory Panels

The Government's preferred changes include "Airport Planning Advisory Panels", which would report to the Minister, who would retain the final decision making authority. It is not possible to assess this "Panel" concept until such time as it is more fully defined and seen in the context of the proposed overall airport planning/development regulatory regime. However the following points can be made at this stage:

- If the Panels are to provide "expert independent analysis and advice to the Minister" on matters listed in the Green Paper ("*traffic and public transport, and other areas of local planning*" and "*consideration of the outcomes of public consultation*")³ the nature of the appointees to the Panels becomes critical. While the Paper refers to "independent experts", the model described is one of "representative interests". Perth Airport is of the view that Panel members can either be "independent" or "representative", not both.

The existing consultation processes for Master and Major Development Plans are, in our view, more than adequate processes for various interested/impacted stakeholders, including state and local government, to have their views "represented" and considered. It is instructive to note that to date local and state governments' use of their rights under existing airport planning legislation has been limited.

- It is difficult to envisage how any appointee to such a Panel drawn from the community, local and state governments in which the airport in question is located could meet any reasonable "independence" criteria.
- The role of an appointed panel would need to be carefully defined. If the terms of reference are too wide in relation to a Master or Major Development Plan there is a risk that the Panel would be duplicating work that the airport leasing company and statutory authorities already undertake.
- There are no reasonable grounds for the view that the airport leasing company should be required to fund such panels. As proposed, they form part of the Minister's assessment process, noting there already exists a very material cost burden to develop the various plans to the standards expected by the Commonwealth.

5.1.2 Airport Master Plans

The Green Paper states that "*the Government believes that the Airport Master Planning process can be strengthened to provide greater transparency and certainty about future land uses at airports*"⁴. The Paper does not provide any rationale or evidence as to why this belief is held. The Paper goes on to state that "*while the planning for 20 years ahead is necessary 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.*"⁵ Perth Airport questions this view. The following points should be made in relation to this belief:

³ *ibid*, pages 166-167.

⁴ *ibid*, page 167.

⁵ *ibid*, page 167.

- Airport Master Plans are required to contain significant amounts of information about long-term airport land use and are transparent. The current Perth Airport Master Plan is very explicit about the nature of land uses proposed for the various precincts. None of the uses of the Perth Airport land to date have been in any way inconsistent with the stated land uses in the Master Plan.
- While it may be desirable to seek to have the Master Plan more fully define the timing, nature and rate of actual developments that will unfold in precincts identified for aeronautical and non-aeronautical precincts, it is simply not realistically achievable.

As demonstrated by the experience in Western Australia in the past five years, the rate of economic growth and the resulting nature of demand for aviation and non-aviation related property services is difficult to predict and is volatile. While Perth Airport can reliably predict “what” land is to be used for, the timing of the developments is quite uncertain as it depends on many variables, most of which relate to market demand.

In this respect aviation and airports are no different to most other industries that invest in response to market demand. The WA resources sector is a poignant example (and one which has a direct bearing on the nature and rate of development of Perth Airport). The five year investment plan for a large mining company in WA would likely have varied markedly each year for the past five in WA.

The validity and/or currency of any details in the latter years of the five year window is questionable given the broad range of factors that influence any major development at an airport.

- It would appear that the Green Paper anticipates a level of detail in Master Plans in relation to development over a five year horizon that is not realistic and not required of any other industry, private sector company, or land developer.
- The current master planning regime provides:
 - clarity on what purpose land is to be used for;
 - estimated timing of the use;
 - mechanisms to ensure the views of all interested/impacted stakeholders are communicated and properly considered;
 - assessment of the appropriateness of the plan; and
 - mechanisms to ensure that any material changes during the five years the plan exists are communicated to stakeholders, and fully tested for impact.

A case has not been made to change this regime to require more detail.

5.1.3 Ground Transport Planning

The Green Paper anticipates a requirement that a “ground transport plan” be annexed to Master Plans and that this proposal is motivated “to improve clarity about the implications of airport development on surrounding communities:” We have the following concerns about this proposal and its rationale:

- The Green Paper generally, and this specific proposal, contains no solutions to the important issue of ensuring that road network planning and investment in the vicinity of the airport is undertaken by State and Local Governments in a manner which supports the efficacy of the airport. A requirement on the airport leasing company to develop an airport ground transport plan does not resolve this issue.

Perth Airport is currently badly affected by congestion on the road network surrounding the airport and is the victim of poor road planning. Traffic studies indicate that Perth Airport is not the substantial cause of this congestion. The periods of congestion are the traditional morning and evening metropolitan peaks that do not coincide with the airport's peak hours of operation.

Perth Airport is able to provide examples of Governments paying little heed to the ground transport infrastructure needs of Perth Airport, notwithstanding an abundance of information being available to those governments of the need for the infrastructure, both in the Perth Airport Master Plan and from other sources.

One such example is the current activities by Kalamunda Council to upgrade Abernethy Road, which is an important arterial road bordering the airport and upon which the Airport depends. These works are being funded by the Commonwealth. Neither Kalamunda Council nor the Commonwealth consulted with Perth Airport about the nature of the road "upgrade" and consequently they do not meet the airport's needs. It is of relevance, we think, that the Airport does not materially fall within the boundaries of Kalamunda Shire (so the airport is a minimal source of rates) yet the road in question is within the Shire. A fact that makes this example all the more galling for Perth Airport is that previously we had made a financial contribution to the Shire to establish the very access that the Shire is now curtailing. A requirement on the airport leasing company to prepare a "ground transport plan" will not remedy such failures in government.

- Perth Airport has neither the expertise, nor the information to develop a transport plan that brings together both the on-airport and off-airport data that is required to develop a cohesive plan that integrates the airport into the wider regional road network. This is a case where the airport leasing company and the state and local governments need to work together to develop a plan. Requiring that "a plan" be included in the Airport Master Plan would seem to place an obligation on the airport leasing company over which it has only limited scope of control. Having said this it is fully acknowledged that the Airport Master Plan should contain information that facilitates local and state governments to undertake their road network planning. In this respect a requirement that the Master Plan includes detailed forecasts on ground transport movements that are expected to be generated by the airport may be appropriate.

We think that a better course of action in relation to road network planning would include the following elements:

- A requirement on the airport leasing company to provide information to state and local governments that is required for those governments to develop plans that take into account the needs of the airport. Such information would include detailed forecasts of vehicle movements relating to the airport's activities and road network plans within the airport lease boundary.
- Agreement with the State Governments that they will maintain a ground transport plan in relation to the regional road network that interfaces with the airport that is updated coincidentally with the airport master planning cycle.

The Western Australian Government is currently developing a “Perth Airport Transport Master Plan” using funds provided by the Commonwealth. This process happens to coincide with the development of the next Perth Airport Master Plan and appears to be working well.

- A requirement on Local Councils that the airport leasing company be provided an opportunity to comment on any road network planning impacting a commonwealth leased airport.

5.1.4 Airport Environment Strategy

The Green Paper proposes incorporation of Airport Environment Strategies into the Master Plan process.

We believe that there are close interdependencies between the Master Plan and Environment Strategies and our experience is that the non-alignment of the timing of their development that often exists is unhelpful. We support closer integration of both processes but believe that the outcome should remain two separate documents as they serve different purposes.

5.1.5 Precinct Plans

The proposal to create additional Ministerial approval powers in relation to precincts to be used for non-aeronautical development contemplates a level of scrutiny for such precincts that is totally unprecedented in relation to land use. Such precincts would be subject to the following cumulative scrutiny under what appears to be proposed:

- The Master Plan process, which the Green Paper foreshadows would include “*more detailed articulation ... of developments proposed in the immediate three to five year period*”⁶ and a ground transport plan;
- The Environmental Strategy process, which by its very nature addresses on and off-airport impacts of all airport development, including non-aeronautical precincts;
- The Major Development Plan (MDP) process, which the Green Paper foreshadows will include reviewed triggers that will address a wide range of impacts (the same ones being assessed by the aforementioned processes); and
- The Airport Building Controller approval processes (which includes advice from the Airport Environment Officer), which are extensive.

In the context of this regime it is surprising that the Commonwealth perceives that it would not have sufficient information at its disposal to oversee airport development and that it would require, in addition, precinct plans.

The proposed regime for non-aeronautical development on airports would result in scrutiny far exceeding that which applies under state and local planning regimes for other development areas and would seem to epitomise “over regulation”.

⁶ *ibid*, page 167.

5.1.6 Major Development Plans

The Green Paper foreshadows that the MDP triggers are to be reviewed, “*to ensure they do not allow proposals that may have significant impacts to proceed without community consideration*”⁷ (such impacts being described as environmental, economic, airport access, traffic congestion, local transport networks and noise).

It can only be assumed that there are examples of on-airport developments that have not triggered the MDP requirement and which have proceeded without adequate consideration of impacts, as the Green Paper provides no such examples.

The stated intention of the trigger review is laudable; however it is vital that the resulting triggers do not result in proposed developments being subject to the very thorough MDP processes if their projected impacts are not significant.

The anticipated “call-in” power, that would require lodgement of a MDP for a development that has not met the defined triggers, would create an intolerable level of uncertainty that would threaten the viability of on-airport development. The MDP processes are likely to take many months to complete, and to have such timeframes imposed on a proposed development soon before it is to commence, or potentially during construction, would make time sensitive developments unfeasible.

A proliferation of MDP submissions may also devalue the process. A reduction in the relevant level of trigger will generate more MDP’s. Given that the responses are in most cases limited in number and are generally only made by groups specifically interested in the particular development or by State agencies a significant increase in the number and the scope of projects requiring an MDP has the potential to result in a downgrade in the assessment and in the level of comment.

The Green Paper also fails to address a number of very obvious deficiencies in relation to the application of the MDP processes, which inhibit timely and effective delivery of core non-controversial aeronautical infrastructure. These are outlined at pages 44 and 45 of Perth Airport’s submission in response to the Issues Paper (June 2008). For example, the requirement for an MDP for a 10% expansion of an existing passenger terminal is nonsense, as such a small change to a terminal will not have a material impact on the surrounding community and in any event the growth in passenger numbers through the terminal is identified in the Master Plan.

5.1.7 Community Consultation

The proposal to provide the Minister power to require airports to establish community consultation groups “*to foster effective community engagement in airport planning and operations issues*”⁸ would need to be carefully defined having regard to the following:

- To ensure that such a group promotes effective community consultation it would be important that it is not hijacked by individuals or interest groups. In this regard the processes for determining the members of such groups would need to be scrupulous.

⁷ *ibid*, page 168.

⁸ *ibid*, page 167.

- There are currently a number of community consultation groups in existence in relation to Perth Airport. The relationship between the proposed group and existing forums would need to be defined.
- The terms of reference of the proposed group would need to be agreed with the airport leasing company and clearly define the role of the group in relation to airport operational and planning issues.

5.2 Economic Regulation

The Green Paper states that the Government proposes the continuation of price monitoring as the basis for economic regulation until 2013. A full review of the airport economic regulatory regime is to be undertaken in 2012.

The Green Paper states that the Government proposes to implement a “show cause process” which would apply if there is prima facie evidence of serious 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 TPA or other investigation.

Perth Airport has serious concerns about the draft “show cause” guidelines that have been circulated by the Department. These concerns are articulated in a separate submission.

The Green Paper confirms the Government’s intention to proceed with monitoring of car park charges, despite the Productivity Commission concluding that “a ‘second tier’ monitoring instrument is not warranted.”⁹ As noted on page 67 of its original submission, parking charges are subject to competitive pressure from off-airport operators, taxi fares and pick up and drop off of passengers. If car park price monitoring is to proceed, it is important that it is sufficiently robust to ensure that incorrect conclusions are not reached by reacting to superficial data without understanding the underlying reasons for changes to headline figures.

6 AVIATION EMISSIONS AND CLIMATE CHANGE

The Green Paper contains no proposed measures that are of specific concern to Perth Airport. While the Green Paper is silent on the matter, it appears that the Department of Climate Change has accepted that emissions from air services are most properly the responsibility of airlines to control, given they have operational control and airports do not.

Having said this Perth Airport fully appreciates its role in ensuring that airport infrastructure is designed to mitigate greenhouse gas emissions associated with air services (including matters such as aircraft taxiing efficiency).

The Green Paper notes that “activities directly controlled by airport operators are not a major source of emissions.”¹⁰ Perth Airport agrees with this statement and would like to further note that airports do not have operational control of the emissions of tenants on the airport lease. Having said this Perth Airport’s Sustainability Strategy incorporates measures aimed at assisting our tenants mitigate their green house gas emissions.

⁹ Productivity Commission 2006, Review of Price Regulation of Airport Services, page 116

¹⁰ Department of Infrastructure, Transport, Regional Development and Local Government, *National Aviation Policy Green Paper: Flight Path to the Future*, 2008, page 183.