

## Towards a National Aviation Policy Statement

### Northern Territory Airports Submission to the Minister for Infrastructure, Transport, Regional Development and Local Government

#### 1. EXECUTIVE SUMMARY

Northern Territory Airports is uniquely placed as a regional airports group to put a submission on national aviation issues.

This submission makes comment on a number of areas and policy recommendations:

- International air services;
- Price monitoring;
- Airport planning and development;
- Aircraft noise;
- Aviation security; and
- Air Services Australia charges.

#### International Services

The long standing foreign carrier focussed Regional Access Package has not encouraged the increase in international services to regional gateways that was hoped. The existing Package needs to be strengthened through a policy initiative that recognises airline industry developments and newer narrow body aircraft performance.

Barrier agency costs for charter programs to non-designated gateways are prohibitive. This needs to be rectified.

*It is recommended that the Australian Government:*

1. *Introduce a New Regional Access Package with the following elements:*
  - *existing foreign carrier concessions retained;*
  - *any Australian domestic carrier, regardless of ownership, could operate limited international services under the following conditions:*
    - *gateways must be outside Sydney, Melbourne, Brisbane and Perth;*
    - *sector length up to 2,500 nautical miles;*
    - *narrow body (single aisle) aircraft must be used; and*
    - *capacity under the relevant Bilateral International Air Services Agreement would be allocated in accordance with normal International Air Services Commission procedures; and*
2. *adopt a policy whereby the Passenger Movement Charge is the only charge levied on charters to non-designated gateways for barrier agency services.*

The recommended Regional Access Package is a targeted policy initiative, is pro-Australian and pro-regional development, recognises industry and aircraft developments, expands coverage of Australian safety and security standards for Australian travellers, extends the benefits of competition among Australian carriers and accrues the economic benefits of these operations to Australian regional economies.

### **Price Monitoring**

In December 2006 the Productivity Commission recommended that Darwin International Airport be excluded from price monitoring (Alice Springs had been previously excluded).

It is essential that the deregulated pricing environment for Darwin and Alice Springs continue if optimal future investment in aeronautical facilities is to occur. There is sufficient discipline in the airport – airline negotiation process to ensure both that only needed facilities are built and that airports earn only reasonable rates of return.

The view recently reached by the Productivity Commission that Darwin not be subject to price monitoring is strongly endorsed by Northern Territory Airports.

*It is recommended that the Australian Government:*

- 3. recognising both that NT Airports has acted responsibly and the countervailing power of the airlines, continue to exclude Darwin International Airport and Alice Springs Airport from price monitoring.*

### **On-Airport Planning and Development**

As highlighted in the Issues Paper Australia's airports are a key element of national economic infrastructure. The Issues Paper also highlights that key challenges surround future aeronautical and commercial developments on leased airports.

Those challenges manifest themselves in:

- natural tension which arises between the different levels of government given the planning and infrastructure responsibilities of state/territory/local governments and significant on-airport commercial developments being outside their control;
- off-airport developments which can have an impact on the current or future aviation operations of airports but are not within the control of the airports or Australian Government.

As indicated above, planning and development consent for non-aeronautical (commercial) developments under the *Airports Act 1996* does create tension with state/territory/local government and the business community because on-airport developments are perceived to be in a privileged and "non-accountable" position. This is a natural outcome of strategic planning, "zoning" and development consent processes being outside local influence and control.

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 elected members and officers. As a result, Northern Territory Airports enjoys a good working relationship with local planning and service authorities.

The Australian Government has a desire for "meaningful engagement" with State/Territory/local government on commercial developments and has strengthened

consultation requirements over time. However, “engagement” will always only be limited to consultation under *Airports Act* approval processes because:

- there can only be one development consent authority (Australian Government or local authority); and
- the fundamental conditions of the original sale transaction which included Australian Government development approval.

Northern Territory Airports has given considerable thought to this issue and proposes that the non-aeronautical (commercial) land at Darwin International Airport and Alice Springs Airport be “normalised”.

The essential policy basis for the proposal is that a separate planning and development process was instituted for leased airports non-aeronautical land. This created a planning anomaly for large tracts of centrally located high value commercial land at a number of capital city and regional city airports. The sale prices realised for airport leases recognised the value of the land.

*It is recommended that the Australian Government:*

- 4. make amendments to the Airports Act 1996 that enable airport-lessee companies to voluntarily opt to have non-aeronautical land subject to the local planning regime in exchange for gaining freehold tenure over that same land.*

### **Off-Airport Planning and Development**

Airlines, whether full service or low cost carriers, have always deployed aircraft to Darwin overnight because the average yield per seat is significantly higher on east coast routes (particularly the Brisbane-Sydney-Melbourne triangle) than can be obtained on Darwin routes. Hence, aircraft are deployed on long haul Darwin routes when curfews restrict east coast operations.

The peak airline flight period is a late night peak from 11.00 pm to 3.00 am, with further flights between 4.00 am and 7.00 am.

Hence, any restrictions on Darwin night time operations would be a disaster for:

- Darwin’s level of airline services;
- Darwin International Airport’s aeronautical revenue;
- Darwin’s capability to support a domestic-international Low Cost Carrier hub.

The Northern Territory Planning Scheme and the development consent process have to date prevented inappropriate development around Darwin International Airport. However, there are pressures for development to occur in land off both main runway ends that has been protected from development in the past.

The required ANEF is the 2024 ANEF constructed for the 2004 Final Master Plan. Significant weaknesses of the 2024 ANEF are the relatively short horizon in development terms and the lack of Department of Defence noise forecasts (despite the requirement under the Joint User Deed for the Department of Defence to do so).

It would seem obvious that an ultimate capacity or long range 40 year ANEF is a more useful planning tool than a 20 year ANEF. The simple reason is that in 25 years the occupants of a particular land use (eg a commercial building) may have moved from say marginally inside the 25 ANEF on development to inside a 30 ANEF which is now proving a noise nuisance.

Additionally, there has been considerable debate around whether the ANEF system combined with AS 2021 is actually an effective mechanism for controlling development around airports. High Noise Corridors have been touted as more effective.

High Noise Corridors recognise that aircraft do not follow the same approach or departure track and hence a wider corridor is necessary to protect noise sensitive land uses from aircraft operations. The High Noise Corridor planning tool also allows for traffic to increase over time within that corridor and do not depend on detailed projections which may be exceeded or not occur.

*It is recommended that the Australian Government:*

- 5. adopt the Ultimate Capacity ANEF, or at least a long range 40 year ANEF, as the ANEF planning tool;*
- 6. incorporate Department of Defence military aircraft noise forecasts into the Darwin ANEF as per the Joint User Deed; and*
- 7. investigate the use of High Noise Corridors as a planning tool to prevent noise sensitive land uses near airports.*

### **Aviation Security**

Both Darwin and Alice Springs are security designated airports and hence subject to the full suite of aviation security measures. Both are low volume airports compared to most security designated airports and some non-security designated airports.

A national aviation security system, which applies national security standards at 11 airports with wide variation in passenger volume and location specific security charges, expects passengers at the lowest volume airports to bear a disproportionate cost compared to passengers elsewhere. This is clearly inequitable, anti-regional development and out of kilter with other Australian Government policies.

The Wheeler Review recommended that "... criteria be established to determine under what conditions an airport should become or cease to be a Counter-Terrorism First Response airport, and that the Department of Transport and Regional Services be required to review CTFR airports and the major non-CTFR airports on a regular basis and at least once every three years so as to determine whether their classification is appropriate" (Recommendation V). This does not seem to have occurred.

*It is recommended that the Australian Government:*

- 8. fund security costs at the low volume airports – say all airports (designated and non-designated) below 3 million passengers per annum;*

9. *if Australian Government funding is unacceptable, introduce national uniform pricing per passenger for domestic and international security for the 11 security designated airports; and*
10. *implement Recommendation V of the Wheeler Review which recommended a review of the CTFR requirement at airports.*

### **Air Services Australia Charges**

All Air Services Australia charges used to be nationally uniform. The current Rescue and Fire Fighting Service charge is a quasi-national charging system. In the interests of regional development and to contain costs for users of lower volume regional airports it is submitted that at least the quasi-national charging system should be retained.

*It is recommended that the Australian Government:*

11. *re-instate the national uniform system for all Air Services Australia charges; and*
12. *retain the existing charging system in the event a national uniform system of charges is unacceptable; and*
13. *not move to location specific Air Services Australia charges.*

## **2. CONTEXT OF NORTHERN TERRITORY AIRPORTS SUBMISSION**

Northern Territory Airports is uniquely placed as a regional airports group to put a submission on national aviation issues.

Darwin International Airport is a low volume airport which:

- is a regional international gateway;
- includes significant general aviation operations;
- is a joint user airport;
- indicates real potential to develop as a low cost carrier hub;
- has experienced growth rates which have triggered planning for a substantial terminal and aircraft apron expansion;
- has a number of smaller scale commercial development and is now moving into larger developments subject to the Major Development Plan process; 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.

This submission will focus on Darwin International Airport (DIA) and Alice Springs Airport (ASA) with policy recommendations being made on:

- International air services;
- Price monitoring;
- Airport planning and development;
- Aircraft noise;
- Aviation security; and
- Air Services Australia charges.

The Northern Territory Airports (NTA) submission is presented under the headings around which the Aviation Issues Paper is organised. NTA has deliberately only addressed those areas of the Issues Paper where it is well qualified to do so and there are substantive issues on which to make representation.

### **3. INTERNATIONAL SERVICES**

#### **Existing Regional Access Package**

The Regional Access Package (whereby foreign carriers essentially have no landing rights or capacity restrictions at regional gateway airports and generally have own stop over rights) has been in place in slightly different forms for over a decade.

The policy objective of the Regional Access Package is that relaxed regulatory requirements under the Bilateral Air Service Agreement system will serve as an incentive to expanding international services to gateways outside of Sydney, Melbourne, Brisbane and Perth.

It is clear that the foreign carrier oriented Regional Access Package has not achieved a real increase in services to regional destinations. What is also clear is that an airline decision to commence a new service is driven by market economics and operational requirements, not a relaxation of landing rights and capacity regulatory requirements.

As an aside, one disincentive to additional international services to regional gateways is the prohibitive passenger security costs for low passenger volume regional gateways. This is particularly the case for low cost carriers and their passengers, who are particularly cost sensitive. This is further discussed below.

#### **New Regional Access Package – Fundamental Options**

There are basically two broad options for a more effective Regional Access Package:

- a) foreign carrier focussed policy initiatives which, given the lack of success of the existing Package, would have to contain Australian cabotage concessions in order to have any chance of success: or
- b) Australian carrier focussed policy initiatives.

Note that all aspects of the existing foreign carrier oriented Regional Access Package should be retained and added to by new policy initiatives. It makes sense to retain all existing aspects as future circumstances of a regional gateway may benefit from the foreign carrier concessions.

Foreign carrier access to the Australian domestic market (cabotage) is unlikely to be deemed in the national interest. It would also be a highly unusual policy

internationally as countries with significant domestic markets do not allow foreign carrier access to them. Hence, Australian carrier focussed Regional Access Package policy initiatives are most probably required.

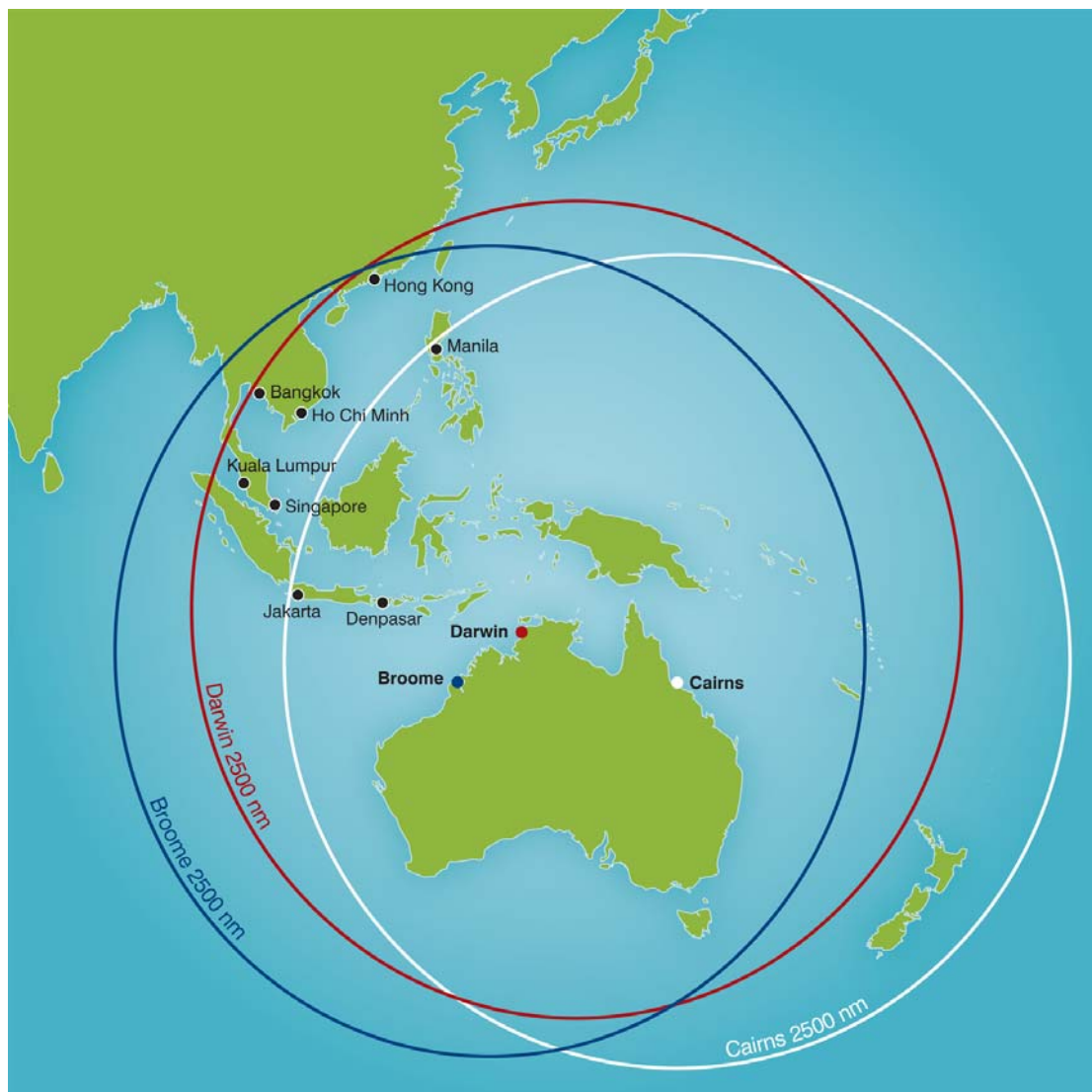
### **Australian Carrier Industry and Aircraft Developments**

There have been significant Australian industry developments in recent years including:

- the rise of the low cost carrier with Virgin Blue, Jetstar and more lately the foreign owned Tiger Airways; and
- the historical ownership boundaries between foreign flagged and Australian flagged carriers are becoming increasingly blurred.

Current Australian Government policy requires international services operated by Australian carriers to be 51% Australian owned. Conversely, Australian domestic services may be operated by carriers which are 100% foreign owned.

Aircraft developments have seen narrow body aircraft now able to comfortably operate 2,500 nautical miles.



As indicated above, destinations such as Bangkok and Hong Kong are now within narrow body range of a regional gateway such as Darwin. This sector length also accords with the longest sectors (6 hours) operated by regional narrow body flights within Asia.

### **Darwin – A Case Study in a Regional Gateway**

Darwin is a good case study in the development of Low Cost Carrier (LCC) domestic and international services.

Some 60% of domestic airline services and 90% of international airline capacity is now operated by Low Cost Carriers. Virgin Blue, Jetstar and Tiger Airways (Australia) operate domestic services with Jetstar and Tiger Airways (Singapore) operating services to Singapore. Air North operates regional airline domestic services and also Denpasar and Dili services.

Jetstar operates their Melbourne – Darwin – Singapore services as a single route with the same flight number even though the flight departs domestically from Melbourne and Customs, Immigration and Quarantine occurs both north bound and south bound in Darwin. Tiger Airways (Australia) and Tiger Airways (Singapore) on the other hand, must operate the different sectors as completely separate carriers, even though they have the same ownership.

This has obvious carrier, facilitation and passenger disadvantages for Tiger Airways.

This also provides competitive advantage to the Australian owned carrier but is a dampener on competition on a combined regional domestic-international route as the two Tiger Airways cannot match the passenger transfer efficiency of Jetstar.

A recent development is that Jetstar has proposed the development of Darwin as a regional narrow body hub, providing it is economically viable for them to do so. This would involve the basing of both aircraft and crew in Darwin.

### **A New Regional Access Package**

An Australian carrier focussed Regional Access Package could be created by a single policy decision – allow all Australian domestic carriers to operate international services from regional gateways that can be operated with narrow body aircraft.

The parameters of this new Regional Access Package would be:

- existing foreign carrier concessions retained;
- any Australian carrier (Australian Air Operators Certificate/VH registration), regardless of ownership, could operate international services under the following conditions:
  - gateways must be outside Sydney, Melbourne, Brisbane and Perth;
  - sector length up to 2,500 nautical miles (the notional safe operating range of a new generation narrow body jet);
  - narrow body (single aisle) aircraft must be used;

- capacity under the relevant Bilateral International Air Services Agreement would be allocated in accordance with normal International Air Services Commission procedures.

This new Regional Access Package has much to recommend it in policy terms as outlined below.

### **Recognises Change Needed**

The existing Regional Access Package has not created an environment which delivers additional services to Australia's regional gateways. Something else is needed.

### **Pro-Australian and Pro-Regional Development**

This is a policy initiative which benefits Australian interests in all respects. It benefits Australian regional gateways, should generate additional employment and tax revenue in regional Australia, and gives all Australian domestic carriers access to regional international destinations within 2,500 nm from Australian regional gateways (subject to International Air Services Commission allocation of capacity).

### **Policy Responsive to Industry Developments**

This is a policy which capitalises on recent Australian industry structural changes and the rapid development of the low cost carrier sector in regional aviation markets. The low cost carriers have shown they can create new demand through low costs and ticket prices.

Potential new routes from regional gateways are likely to be "thin" markets which the low cost carriers are ideally placed to service. This policy initiative will facilitate new route development from Australia's regional gateways.

This new Regional Access Package is also policy responsive to developments in ownership patterns. Tiger Airways (Australia) and Tiger Airways (Singapore) have the same owners. There are similarities with the Qantas ownership of Jetstar and Qantas/Jetstar part ownership of Jetstar Asia (Singapore) and Jetstar Pacific (Vietnam). The Australia – Singapore Bilateral Air Service Agreement was liberalised in 2003 and no frequency, capacity or landing rights restrictions exist for designated carriers.

Hence, this new policy initiative would recognise both route development and ownership practicalities.

The Bilateral Air Service Agreements with Vietnam, Malaysia, Indonesia, Hong Kong, China and Brunei also have no limits on frequency and capacity to/from Australian regional gateways. Thailand and the Philippines do have frequency/capacity limits but ample unutilised frequencies and capacity exist.

Many of Australia's Bilateral Air Service Agreements refer to "substantial ownership and effective control" for designated carriers under the Bilateral Agreement. However, there are few Agreements that impose an actual obligation on Contracting Parties to only designate carriers over which the Contracting Party or its nationals have "substantial ownership and effective control".

China is the only country mentioned above which requires “substantial ownership and effective control” for designated carriers.

Hence, the international economic regulatory framework is also conducive to this policy initiative.

In this time of rocketing fuel prices, and the shocks that is providing to airline costs, this policy initiative provides additional opportunity and flexibility to the Australian industry.

### **Australian Safety and Security Standards Coverage for Regional International Services**

Allowing Australian carriers to operate narrow body international services from regional gateways directly facilitates increased coverage of regional services by Australian safety and security standards. This is a significant benefit from the policy change.

### **Domestic and Regional International Competition Benefits**

Competition has been the driver of Australian aviation industry development for the past decade. An open competitive market has enabled the Low Cost Carrier phenomenon. Extension of competition to regional (short haul) narrow body international services can only benefit both domestic and international service levels to/from regional gateways.

The domestic and international benefits can be illustrated by reference to Darwin. There is no doubt that Tiger Airways (Australia) and Tiger Airways (Singapore) have together elicited a competitive response from Qantas Group/Jetstar.

Giving the option to Tiger Airways (Australia) to operate eg Melbourne-Darwin-Singapore as a combined domestic-international route will cement that competition for the long term. This will benefit both domestic and regional international service levels.

### **Targeted Policy Decision – Targeted Outcomes**

This initiative is a targeted policy decision with specific boundaries and specific objectives.

The policy change applies only to:

- regional gateways (regional development benefits);
- Australian domestic carriers (pro- Australian and competition benefits for the Australian aviation industry);
- short haul regional routes within 2,500 nautical miles of regional gateways (focused on better services to Australia’s immediate region from Australia’s secondary airports); and
- narrow body aircraft (aircraft capacity suited to likely markets served from Australia’s regional gateways).

### **International Charter Programs to Non-gateway Airports**

There are occasionally international charter programs to non-gateway airports eg Britannia Airways program to various airports, Japan Airlines program to Alice Springs.

Barrier agency services at airports which are not designated gateways are usually priced to recover the total costs of positioning personnel and equipment to the non-gateway airport. In the case of Alice Springs this can be up to \$10,000 per flight.

This is real cost penalty and a barrier to non-gateway airport charter programs, which are invariably used to develop tourism markets.

The Passenger Movement Charge, levied only on international departing passengers, recently increased from \$38 per person to \$47 per person.

It is argued that no more than the Passenger Movement Charge should be collected by the Australian Government for charter flights direct to/from non-designated gateways.

### **Recommendations**

*It is recommended that the Australian Government:*

*14. Introduce a New Regional Access Package with the following elements:*

- *existing foreign carrier concessions retained;*
- *any Australian domestic carrier (Australian Air Operators Certificate/VH registration), regardless of ownership, be able to operate limited international services under the following conditions:*
  - *gateways must be outside Sydney, Melbourne, Brisbane and Perth;*
  - *sector length up to 2,500 nautical miles;*
  - *narrow body (single aisle) aircraft must be used; and*
  - *capacity under the relevant Bilateral International Air Services Agreement would be allocated in accordance with normal International Air Services Commission procedures; and*

*15. Adopt a policy whereby the Passenger Movement Charge is the only charge levied on charters to non-designated gateways for barrier agency services*

### **4. DOMESTIC SERVICES**

The deregulated domestic market since 1990, combined with relaxed policy on foreign investment in domestic carriers, has served Australia well. Much of the competition in the domestic market has come from foreign owned carriers (Virgin Blue before it was floated and Tiger Airways).

The only alternative to the current domestic market policy settings is some form of route and ownership re-regulation. This is not a viable alternative.

The existing policy settings are supported.

## 5. AIRPORT SECTOR SKILLS SHORTAGE

As with the rest of the aviation sector, airports are experiencing difficulty in recruiting to professional and technical vacancies. The situation is exacerbated at regional airports.

The issues are well known and Northern Territory Airports has nothing in particular to contribute to possible solutions.

One observation is that taxation policy allows housing cost to be salary sacrificed in Alice Springs but not in Darwin.

## 6. AIRPORT PRICING

### **Pricing/Investment Decision Environment More Risky**

Airports 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.

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.

At a regional airport such as Alice Springs or Darwin, recent history since September 11 and the collapse of Ansett has indicated more volatility in airline usage patterns. Significant airport investments are hence inherently more risky than they were prior to the demise of Ansett and the rise of the Low Cost Carrier.

For those airports that continue to be monitored by the ACCC, there will be challenges in taking into account the lower service level demanded by the growing Low Cost Carrier sector.

Note airport pricing comments made below under Section 8 - Airport Infrastructure.

### **Price Monitoring**

Darwin International Airport and Alice Springs Airport are no longer subject to price monitoring by the Australian Competition and Consumer Commission (ACCC). Alice Springs was removed from price monitoring some years ago and Darwin on 1 July 2007.

The Productivity Commission Inquiry Report *Review of Price Regulation of Airport Services* (December 2006) said:

"The Commission also considers that monitoring of Darwin and Canberra Airports is no longer necessary.

- They are relatively small airports dealing with some major airlines that can withdraw services (and have done so), and hence have some countervailing power.
- Both face some competition from other airports and/or other modes of transport.
- And both have less passenger traffic than some of the larger non-monitored

airports.

Moreover, though 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 security upgrades, and the unwinding of previously uncommercial charging arrangements." (page XXVI)

As noted above, airports do not have either regulatory authority or contractual right to charge for the facilities that they fund. In the Low Cost Carrier era this means that considerable risk is attached to large investments, particularly for regional airports such as Darwin and Alice Springs with a large Low Cost Carrier presence.

It is essential that the deregulated pricing environment for Darwin and Alice Springs continue if optimal future investment in aeronautical facilities is to occur. There is sufficient discipline in the airport – airline negotiation process to ensure both that:

- only needed facilities are built; and
- airports earn only reasonable rates of return.

The view recently reached by the Productivity Commission that Darwin not be subject to price monitoring is strongly endorsed by Northern Territory Airports.

### **Recommendation**

*It is recommended that the Australian Government:*

*16. recognising both that NT Airports has acted responsibly and the countervailing power of the airlines, continue to exclude Darwin International Airport and Alice Springs Airport from price monitoring.*

## **7. CIVIL TRAFFIC AT JOINT USER AIRPORTS**

Townsville and Darwin are the only Joint User Airports with significant civil traffic.

Darwin International Airport has an excellent relationship with the RAAF who occupy the south side of the Airport and also provide the Air Traffic Control service.

No particular joint user issues are anticipated from increasing civil use traffic at Darwin.

One issue that Darwin International Airport is in dispute with the Department of Defence on is the cost sharing arrangements for maintenance of joint user the common aircraft movement area.

## **8. AIRPORT INFRASTRUCTURE**

### **General**

Darwin International Airport is currently planning to undertake the largest aeronautical facilities upgrade since the opening of the original north side civil facilities in 1991. The current terminal and aircraft apron are being expanded at a cost of around \$55M.

Infrastructure pressure points/challenges in the future for Darwin and Alice Springs are likely to be:

- Low Cost Carriers require airports to respond quickly and flexibly to their changing operational requirements in terms of airport facilities and aircraft size;
- rapidly changing security requirements for the security designated airports which increase operational infrastructure requirements and costs.

For Darwin only additional pressure points/challenges will be:

- the Low Cost Carrier trend towards domestic/international hubbing arrangements and delivering cost effective operations; and
- rapidly changing barrier agency requirements which operate independently both from each other, the Australian Federal Police and Office of Transport Security.

The \$55M terminal and aircraft apron expansion referred to above will occur following successful negotiations with airlines who are convinced of the need for the expansion. It is only with the agreement of the carriers that significant investment can occur.

As noted above, airports do not have either regulatory authority or contractual right to charge for the facilities that they fund. In the Low Cost Carrier era this means that considerable risk is attached to large investments, particularly for regional airports such as Darwin and Alice Springs with a large Low Cost Carrier presence.

It is essential that the deregulated pricing environment for Darwin and Alice Springs continue if optimal future investment in aeronautical facilities is to occur. There is sufficient discipline in the airport – airline negotiation process to ensure both that only needed facilities are built and that airports earn only reasonable rates of return.

### **Military Use Imposed Costs on Alice Springs Airport**

The Pine Gap joint facility means that there is United States Air Force heavy aircraft traffic into Alice Springs. The most common types in recent years are the C5 Galaxy, C17 and DC-10 variant the KC-10.

The issues associated with heavy military aircraft use are:

- The highest wheel loadings experienced are from military aircraft. Additionally, the lack of a parallel taxiway means there is the necessity to perform minimum radius turns on runway end turning nodes with consequent wearing/damage from that screwing action. As a result, a part of the planned \$10M runway resurfacing is directed at coping with military aircraft operations;
- a special loading and parking area was constructed for US Air Force use; and
- there are no charges applicable to military aircraft use.

The no charges policy comes from visiting forces legislation combined with the fact the Airport used to be in Commonwealth ownership.

Essentially, a low volume regional airport is absorbing costs from foreign military aircraft use and this needs to be addressed.

## 9. ON-AIRPORT PLANNING AND DEVELOPMENT

### Context

As highlighted in the Issues Paper Australia's airports are a key element of national economic infrastructure. The Issues Paper also highlights that key challenges surround future aeronautical and commercial developments on leased airports.

Those challenges manifest themselves in:

- natural tension which arises between the different levels of government given the planning and infrastructure responsibilities of state/territory/local governments and significant on-airport commercial developments being outside their control;
- off-airport developments which can have an impact on the current or future aviation operations of airports but are not within the control of the airports or Australian Government; and
- widespread misinformation about the *Airports Act* development consent process.

As indicated above, planning and development consent for non-aeronautical (commercial) developments under the *Airports Act 1996* does create tension with state/territory/local government and some elements of the business community because on-airport developments are perceived to be in a privileged and "non-accountable" position. This is an expected outcome of strategic planning, "zoning" and development consent processes being outside local influence and control.

This of course relates back to the fundamentals of the original airport sales transactions and the *Airports Act 1996* under which the airports leases were sold. The airport leases were sold on the explicit basis of the on-airport federal planning and development consent process that currently exists in the *Airports Act 1996* and the commercial property development potential highlighted in the Australian Government's sales documents.

Both the aeronautical and non-aeronautical (commercial) long term revenue potential, based on the conditions of the original sales transactions and resulting long term expectations, are crucial to all leased airports' investment strategies

None of this can be revisited unilaterally by the Australian Government without the fundamental basis of the original airport lease sales also being revisited, with consequent compensation and contractual issues being raised.

### Effectiveness of Existing Airports Act Planning and Development Consent Processes

The existing planning and development regime under the *Airports Act 1996* works effectively. All elements of Part 5 of the Act are achieving the original objectives:

- Minister approved airport 20 year master plans are subject to extensive public consultation and comprehensively set out airport long term aeronautical and commercial development intentions;
- the Major Development Plan process provides a rigorous assessment of all aspects of intended developments over \$20M and is a comprehensive and public development consent process; and

- the on-airport Airport Building Controller and Airport Environment Officer system provides effective building and environment controls for both small and large developments.

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 elected members and officers. As a result, Northern Territory Airports enjoys a good working relationship with local planning and service authorities.

Northern Territory Airports even went to the extent in the 2004 Master Plan of identifying nominal Northern Territory Planning Scheme zones for various parts of its airports in order to identify with the local planning regime.

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.

### **Australian Government Desire for Airport Local Engagement on Commercial Developments**

Since the sale of the airport leases there has been representation and complaint by state transport, planning and local government ministers to their federal counterparts that the leased airports are "development islands". State/Territory ministers complain that development decisions are made without reference to local planning and without regard to the adequacy of local infrastructure.

This has been responded to by development of consultation guidelines and minor *Airports Act* amendments to strengthen consultation requirements.

However, the Australian Government desire for "meaningful engagement" with state/territory/local government on commercial developments will always only be limited to consultation under *Airports Act* approval processes because:

- there can only be one development consent authority (Australian Government or local authority);
- the fundamental conditions of the original sale transaction as discussed above;
- and
- degree of involvement of external vested interests.

Hence, this issue will continue to be an irritant of greater or lesser magnitude and will wax and wane at individual airports depending on:

- developments from year to year;
- the nature of the relationship between individual airports and local authorities;
- and
- the relationship and prevailing political persuasion of state/territory and federal governments.

### **Proposal for Normalising Commercial (Non-aeronautical) Land**

Northern Territory Airports has given considerable thought to this issue and proposes that the non-aeronautical (commercial) land at Darwin International Airport and Alice Springs Airport be “normalised”.

Specifically, this would mean that, in return for non-aeronautical development being subject to Northern Territory strategic planning, zoning and development consent, the tenure of non-aeronautical land would be changed from leasehold to freehold. This would normalise commercial land holdings in that they would be freehold (the normal tenure) and subject to the local planning regime (the normal planning environment).

A further condition, of course, is that Northern Territory Airports (NTA) would negotiate an acceptable zoning package on entry to the Northern Territory Planning Scheme.

The steps to achieve this change of land status would be:

1. NTA and Department of Infrastructure, Transport, Regional Development and Local Government (the Department) jointly define that land not required for future aeronautical development (this should not be overly difficult given the 20 year master plans updated every 5 years);
2. NTA and the Northern Territory Government negotiate the conditions on which NTA land would enter the Northern Territory Planning Scheme. If negotiations are successful, NTA would advise the Department that acceptable entry conditions had been agreed. Simultaneously, NTA would negotiate with the local government on transfer of roads;
3. the Department would arrange to:
  - (a) sell the previously defined non-aeronautical land to NTA for one dollar and NTA would acquire the land freehold; and
  - (b) transfer roads to local government.
4. on freehold title in favour of NTA being registered at the Northern Territory Land titles Office the land and all existing development would become part of the Northern Territory Planning Scheme.

Aeronautical development would, of course, remain subject to the *Airports Act*.

In order to avoid the implications of re-visiting the original airport lease sales transactions, the freeholding of non-aeronautical land in exchange for being subject to the local planning regime would have to be on a voluntary basis.

### **Policy Basis of Normalisation Proposal**

The essential policy basis for the proposal is that a separate Canberra based planning and development process was instituted for leased airports non-aeronautical land. This created a planning anomaly for large tracts of centrally located high value

commercial land at a number of capital city and regional city airports. This proposal provides an option for that planning anomaly to be rectified at individual airports.

This land could have been sold as freehold at the time similar to many other disposals of surplus Commonwealth land.

This will continue to be an issue for the foreseeable future.

Early on in the 99 year overall lease term is the time to rectify this as the remaining term equates to ownership in commercial terms. There should hence be little objection to freeholding at this stage.

## **Recommendation**

*It is recommended that the Australian Government:*

*17. make amendments to the Airports Act 1996 that enable airport-lessee companies to voluntarily opt to have non-aeronautical land subject to the local planning regime in exchange for gaining freehold tenure over that same land.*

## **10. OFF-AIRPORT PLANNING AND DEVELOPMENT – SAFE GUARDING INTEGRITY OF AIRPORT OPERATIONS**

### **Context**

Off airport development that does or could impinge on airport operations fall into three categories:

- building structures which intrude into protected airspace;
- building structures which constrain the flexibility of airport approach/departure corridors and/or efficient aircraft circuit patterns in various weather conditions; and
- development which creates current or future aircraft noise issues.

The first category (protected airspace) is efficiently dealt with by the existing development consent process as it is easy to define, is confined, and it is widely accepted by planning authorities that it must not be compromised.

It is the second and third categories that are proving problematic.

Because of its remoteness from urbanised development, off-airport development Alice Springs Airport is not anticipated to be an issue for many years.

Darwin International Airport however is centrally located within the City of Darwin and the main runway occupies the highest land in the area.

The peak airline flight period is a late night peak from 11.00 pm to 3.00 am, with further flights between 4.00 am and 7.00 am.

Airlines, whether full service or low cost carriers, have always deployed aircraft to Darwin over night because the average yield per seat is significantly higher on east coast routes (particularly the Brisbane-Sydney-Melbourne triangle) than can be

obtained on Darwin routes. Hence, aircraft are deployed on long haul Darwin routes when curfews restrict east coast operations.

The advent of Low Cost Carriers has accentuated this practice.

Hence, any restrictions on Darwin night time operations would be a disaster for:

- Darwin's level of airline services;
- Darwin International Airport's aeronautical revenue;
- Darwin's capability to support a domestic-international Low Cost Carrier hub.

It is absolutely essential that a future curfew on Darwin aircraft operations is avoided.

## **Planning to Prevent Aircraft Noise Affected Development**

### **Australian Noise Exposure Forecast System**

The Northern Territory Planning Scheme contains a specific clause – Clause 6.9 Land in Proximity to Airports- which has the purpose to:

- (a) minimise the detrimental effects of aircraft noise on people who reside or work in the vicinity of an airport;
- (b) prevent any new use or intensification of development on land that would prejudice the safety or efficiency of an airport; and
- (c) retain the non-urban character of the land.

The Northern Territory Planning Scheme also incorporates Australian Standard *AS 2021-2000 Australian Standard Acoustics – Aircraft Noise Intrusion – Building Siting and Construction* as a Referenced Document. The Northern Territory Planning Scheme and the development consent process have to date prevented inappropriate development at Darwin International Airport.

Overall, the Northern Territory seems to have been well served by the current planning protection of airports.

However, there are pressures for development to occur in land off both main runway ends that has been protected from development in the past.

The required ANEF is the 2024 ANEF constructed for the 2004 Final Master Plan. A significant weakness of the 2024 ANEF is the lack of Department of Defence noise forecasts. This is despite the requirement under the Joint User Deed for the Department of Defence to do so. Given the impact military aircraft have on an ANEF, this is a serious weakness and needs to be rectified.

If the ANEF system, along with AS2021, is to remain as a major part of the assessment process for appropriate or inappropriate development in the Northern Territory Planning Scheme, the ANEF should:

- be the ultimate capacity ANEF to make it a more far sighted planning instrument. A fall back position is a long range (say 40 year) ANEF ; and
- include Department of Defence forecasts of military aircraft noise to make the ANEF more realistic.

It would seem obvious that an ultimate capacity or long range 40 year ANEF is a more useful planning tool than a 20 year ANEF. The simple reason is that in 25 years the occupants of a particular land use (eg a commercial building) may have moved from say marginally inside the 25 ANEF on development to inside a 30 ANEF which is now proving a noise nuisance.

The Federal Court recently ruled that Air Services Australia could approve an ultimate capacity ANEF for Canberra Airport. This had been challenged by a property developer.

An ANEF that has not been developed in conjunction with Department of Defence on a joint user airport with significant military traffic is clearly a nonsense.

### **High Noise Corridors**

There has been considerable debate around whether the ANEF system combined with AS 2021 is an effective mechanism for controlling development around airports.

A High Noise Corridor is that area of land that is subject to significant aircraft noise and where noise sensitive development (particularly residential) should not occur. However, the Corridor is ideal for industrial and commercial uses when appropriate long term noise attenuation measures are employed.

In Canberra the High Noise Corridor extends 8 nautical miles from each end of the main runway.

High Noise Corridors recognise that aircraft do not follow the same approach or departure track and hence a wider corridor is necessary to protect noise sensitive land uses from aircraft operations. The High Noise Corridor planning tool also allows for traffic to increase over time within that corridor.

This Submission is not making the full technical case for High Noise Corridors, but is simply observing that they encompass aspects of aircraft noise that the ANEF tool does not. They should be investigated as a national planning tool for development under aircraft approach/departure corridors.

### **Building Structures which Reduce Aircraft Operating Flexibility**

The Darwin International Airport circuit area includes Darwin Harbour and a part of the circuit area tracks near the Darwin CBD.

Darwin experiences two types of reduced visibility within the aircraft circuit area:

- “Build-up” or wet season storm cells or heavy rain fronts; and
- smoke from dry season fires.

When there is low visibility due to rain or smoke, the circuit area minima becomes important so a safe clearance from CBD buildings is maintained in the case of an aircraft straying over the CBD rather than tracking over the Harbour.

There have been long standing Department of Defence height limits on CBD buildings and these have recently been reinforced by the Northern Territory Government announced intention to limit buildings to 30 storeys.

There is hence little concern about building heights forcing the circuit minima to increase and hence making aircraft circuits more difficult.

## **Recommendations**

*It is recommended that the Australian Government:*

- 18. adopt the Ultimate Capacity ANEF, or at least a long range 40 year ANEF, as the ANEF planning tool;*
- 19. incorporate Department of Defence military aircraft noise forecasts into the Darwin ANEF as per the Joint User Deed; and*
- 20. investigate the use of High Noise Corridors as a planning tool to prevent noise sensitive land uses near airports.*

## 11. AVIATION SECURITY

### Context

Both Darwin and Alice Springs are security designated airports and hence subject to the full suite of aviation security measures. Both are low volume airports compared to most security designated airports and some non-security designated airports (refer below).

High Security Airport	Total Revenue Passengers 2006/07	% of Total Passengers at High Security Airports
Alice Springs	624,326	0.6%
Darwin	1,403,685	1.4%
Hobart	1,629,417	1.7%
Canberra	2,687,336	2.7%
Gold Coast	3,777,856	3.8%
Cairns	3,782,183	3.8%
Adelaide	6,181,390	6.3%
Perth	7,977,091	8.1%
Brisbane	17,379,809	17.6%
Melbourne	22,156,871	22.5%
Sydney	31,016,186	31.5%
<b>Total</b>	<b>98,616,150</b>	<b>100%</b>

Source: DITRDLG.

Other Regional Airports	Total Revenue Passengers 2006/07
Rockhampton	638,602
Mackay	743,321
Maroochydore	880,822
Newcastle	958,087
Launceston	995,664
Townsville	1,271,649

Source: DITRDLG.

The security costs per passenger are high compared to large volume airports as illustrated below.

<b>Security Costs per Passenger \$ A320 Aircraft at 1 December 2007</b>								
	DRW	ASP	SYD	BNE	MEL	PER	OOL	CNS
Domestic	9.87	13.53	3.74	4.16	5.00	3.36	5.50	3.10
International	18.04	-----	10.00	7.42	5.00	5.73	7.80	4.55

### **A Disincentive to Regional Development**

These high security costs at regional airports are working against the Australian Government policy of developing regional Australia. These costs are a result of the airport specific pricing that currently exists.

The Northern Territory Chief Minister recently wrote to the Prime Minister on the issue of Alice Springs security charges.

A national aviation security system which applies national security standards at 11 airports with wide variation in passenger volume expects passengers at the lowest volume airports to bear a disproportionate cost compared to passengers elsewhere. This is clearly inequitable and out of kilter with other Australian Government policies.

There are two options for removing this disincentive to regional development:

- Australian Government funding of security costs at the low volume airports – say all airports (designated and non-designated) below 3 million passengers per annum; and
- national uniform pricing across the 11 security designated airports in order to reduce the disadvantage of the lower volume airports.

National uniform security charges at designated airports would be consistent with the national uniform Passenger Movement Charge.

### **Review of Counter-Terrorism First Response Capability Airports**

The Wheeler Review recommended that "... criteria be established to determine under what conditions an airport should become or cease to be a Counter-Terrorism First Response airport, and that the Department of Transport and Regional Services be required to review CTFR airports and the major non-CTFR airports on a regular basis and at least once every three years so as to determine whether their classification is appropriate" (Recommendation V)

This does not appear to have occurred.

Northern Territory Airports questions whether an objective review of Alice Springs Airport would result in it requiring CTFR capability.

## Recommendations

*It is recommended that the Australian Government:*

- 21. Fund of security costs at the low volume airports – say all airports (designated and non-designated) below 3 million passengers per annum;*
- 22. If Australian Government funding is unacceptable, introduce national uniform pricing per passenger for domestic and international security for the 11 security designated airports; and*
- 23. Implement Recommendation V of the Wheeler Review which recommended a review of the CTFR requirement at airports.*

### **12. AIR SERVICES AUSTRALIA CHARGES**

All Air Services Australia charges used to be nationally uniform. The current Rescue and Fire Fighting Service charge is a quasi-national charging system. In the interests of regional development and to contain costs for users of lower volume regional airports it is submitted that at least the quasi-national charging system should be retained.

*It is recommended that the Australian Government:*

- 24. re-instate the national uniform system for all Air Services Australia charges; and*
- 25. retain the existing charging system in the event a national uniform system of charges is unacceptable; and*
- 26. not move to location specific Air Services Australia charges.*

**Northern Territory Airports**  
**1 Fenton Court**  
**Marrara NT 0812**  
**T: 08 8920 1811**  
**F: 08 8920 1800**  
**Enquiries: Ian Kew, Chief Executive Officer**