



Towards a National Aviation Policy Statement: Issues Paper

Sydney Airport Corporation Limited

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

JUNE 2008

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1. Australia's gateway to the world

One of the oldest continually operating airports in the world, Sydney's airport has grown together with Sydney and NSW. It is at the heart of the State and city's economy. From being declared an aerodrome in 1920, to its first gravel runway in 1933, to the world-class airport it is today, Sydney Airport has delivered for the people of Sydney, New South Wales and Australia.

Aviation is a key driver of the globalised economy. Australia must have dynamic, efficient and competitive airport infrastructure in order to compete in the international marketplace of ideas, products, and culture. This infrastructure has the ability to have a great impact upon the environment, neighbouring communities and the economy. Stakeholders need to be involved on a continuing basis in the development and operation of the airport.

Sydney Airport is proud of the strategic role it plays and its achievements in growing the airport since the new ownership of the airport in 2002. Any national aviation strategy should recognise that the private ownership of Australia's major airports has been a resounding success story.

A 2006 Transport Tourism Forum (TTF) Report¹ concluded that airports and "air cities" are some of the most important systems of infrastructure in "each state, region and island". Billions of dollars are being invested into airports and "air cities" in Australia. There can be no doubt that at the pinnacle of those infrastructure systems is Sydney Airport.

a) National significance of Sydney Airport

Sydney Airport is Australia's major gateway to the world. Sydney Airport is therefore significant in the role it plays in the economic, social and cultural life of many Australians and visitors. It is arguably the most vital piece of transport infrastructure in the country today, facilitating the exchange of freight and passengers; and all the associated benefits that flow from aviation travel. In an increasingly globalised economy, Sydney Airport is central to Australia's competitiveness. The quality of a nation's international transport links has been shown to be a major factor in inward investment decisions.²

The 907 hectare site contains Australia's busiest airport servicing 43 airlines, connecting to 51 international, 23 domestic and 28 regional destinations. Its very location, only eight kilometres from the Sydney CBD, provides unique advantages to Sydney and NSW which underscores the need to retain it as Sydney's international airport. The benefit of its location, and ease of access to the majority of Sydney residents, will become increasingly important as fuel costs rise and more emphasis is placed on commitments to reduce carbon emissions.

In 2006/07 Sydney Airport saw 31 million passengers pass through its terminals. Sydney Airport remains a vital link to the rest of the world with 46% of all Australia's international traffic arriving in Sydney. It's interesting to also note that 70% of all first-time visitors to Australia enter through Sydney Airport.

Sydney Airport also has a large freight operation. Last year saw 634,000 tonnes of freight pass through Sydney Airport, the vast majority of which was carried in the hulls of passenger aircraft. In terms of value (\$36 billion in 2007) this amounts to more than Port Kembla handles every year.

¹ Assessing the Impact of Airport Privatisation, Tourism and Transport Forum, 2006

² The Economic Contribution of the Aviation Industry in the UK, Oxford Economic Forecasting, 2006



Considering air freight normally consists of high-value, time sensitive goods, the economic worth is substantial.

The importance of Sydney Airport's contribution to the economy cannot be understated. The economic impact is equivalent to 2% of the Australian economy and 6% of the NSW economy, and 206,133 jobs rely either directly or indirectly on Sydney Airport.³

Sydney Airport plays a key role in the economy and the lives of many Australians. Since the 2002 change of ownership, Sydney Airport's management has been focused on meeting the expectations of those who use the airport, the Government and key industry and community stakeholders.

b) Private ownership has delivered a better Sydney Airport

Sydney Airport has been managed efficiently and successfully in the years since private ownership. Since 2002, Sydney Airport has managed to keep aeronautical fees and charges reasonable, whilst meeting or exceeding customer expectations and continually investing in the infrastructure to ensure facilities stay amongst the best in the world. Sydney Airport, under private ownership, has delivered benefits to airline customers, passengers and the Australian economy and operates an efficient and world's best practice airport.

Sydney Airport places a high value on delivering the best facilities and services to customers. In May 2008 Forbes Magazine rated Sydney Airport as fourth best in the world for on-time departures. The Australian Competition and Consumer Commission (ACCC) continues to rate service standards as being satisfactory to good. This is supported by Sydney Airport's own customer research.

With private ownership, there were some initial concerns that fees and charges would dramatically increase. Recent surveys and studies have proven those concerns to be unfounded. The Productivity Commission⁴ has said charges at Australian airports are, for the most part, mid-range by international standards. These competitive charges are set to continue with Sydney Airport's recent successful negotiation of commercial pricing agreements with airlines which extend to 2012.

The Productivity Commission also reported that short and long-stay parking charges at Sydney Airport are around one-third less than in the Sydney CBD.

Sydney Airport's high levels of service and competitive fees and charges could not continue if money was not continually invested in the asset. TTF has noted that since private ownership of Australia's airports was introduced, "billions of dollars are being invested in airports...these long planned, long-term investments will translate into more capacity, efficiency gains, and enhanced benefits for the entire community as well as airport business over the long term."⁵

Since privatisation, Sydney Airport has invested \$850 million into its infrastructure. It has invested millions in upgrading terminals, enhancing roads, building new car parking spaces, upgrading and widening taxiways and strengthening runways.

Sydney Airport, since the change of ownership, has been a success for customers and more broadly for the Australian economy. Sydney Airport is proud of its achievements and is keen to build upon its successes in the decades ahead.

³ The Economic Impact of Growth at Sydney Airport, Sydney Airport Corporation Limited, 2008

⁴ Review of Price Regulation of Airport Services, Australian Productivity Commission, 2007

⁵ Assessing the Impact of Airport Privatisation, Tourism and Transport Forum, 2006

2. Plans for the future

World aviation traffic is expected to increase exponentially in the coming decades. Airports Council International (ACI) has predicted that the number of travellers will double by 2025, to 9 billion passengers. Freight is likewise expected to triple in this period.⁶ As Australia moves from a resource-based to a more service and knowledge-based economy in the future, air travel will only become even more important to Australia's prosperity. That will demand strategies and investment by the key stakeholders to deliver the necessary growth in capacity and management of the inevitable impacts that will occur as a result.

Investment in transport infrastructure is a positive investment for the nation. Even taking into account the massive shifts in technology and digital connection with the global broadband revolution, Australia cannot remain internationally competitive without up to date, comprehensive aviation infrastructure.

Sydney Airport's plan for the future involves welcoming ever-more visitors to Australia. Sydney Airport is keen to help facilitate growth and competition in the Australian economy and therefore supports the Government's policy of negotiating more liberalised air services agreements when they are in the national interest.

Sydney Airport recognises liberalised air services agreements lead to greater opportunities for international trade and commerce, while providing passengers with lower fares, greater choice and improved services.

Sydney remains the main entry point for tourists to Australia. First impressions last. Sydney Airport and its location are key aspects of 'Brand Australia' and there is no better welcome to Australia than the spectacular view one gets when approaching Sydney Airport.

Sydney has a natural advantage in the location of its airport. Being only eight kilometres from the CBD makes Sydney Airport extremely efficient in terms of ground transport costs and travel times to and from the airport, therefore emitting low amounts of carbon and keeping ground transport for airport users to a minimum. This is an essential consideration given that for most of the world, Australia is a long haul destination and passengers have already been travelling for many hours before touching down at Sydney.

Sydney Airport is confident it has the ability to sustainably meet the demands of an ever growing Australian economy. Sydney Airport's Master Plan provides the strategies to meet this demand. It has been framed on the premise that Sydney (Kingsford Smith) Airport remains the single major, international airport in the Sydney basin.

a) Sydney Airport Master Plan

Sydney Airport acknowledges its responsibilities to the Australian public and has plans to grow capacity whilst balancing the interests of all stakeholders. Consultation with stakeholders is an on-going process, one that Sydney Airport is continually engaging in. Sydney Airport is already talking with stakeholders for input into the 2009 Master Plan.

⁶ Airport Council International, Global Traffic Forecast 2006-2025, 2006

In 2004 Sydney Airport released the first Sydney Airport Master Plan following the sale of Sydney Airport two years earlier. This provides a detailed plan to meet the challenges of growth into the future. The Master Plan predicts that the current use of Sydney Airport will more than double by 2023/24, rising from 31 million to 68.3 million passenger movements annually. These projections have been calculated by the Air Transport Consultancy Services Unit of the International Air Transport Association (IATA). Airfield and airspace modelling was carried out using Boeing's Total Airport and Airspace Modeller (TAAM) simulators. Sydney Airport worked with industry leaders and used advanced technology to assess its ability to cater to Sydney's aviation needs. Sydney Airport is confident of its capital works strategy and ability to meet demand.

Satisfied with the strategies developed, the Australian Government approved the Master Plan in 2004, and on that basis Sydney Airport has invested significantly in airport infrastructure.

One of the reasons Sydney Airport is confident it can sustainably meet the growth projections is the significant improvement in aircraft technology. It is predicted that aircraft will continue to grow in size, meaning the same number of aircraft movements at Sydney Airport will carry considerably more passengers, whilst being quieter and more environmentally friendly.

Sydney Airport has plans to recycle existing-use areas to help meet expected demand. Over the coming years Sydney Airport plans to maximise the potential of the airport's location and will continue to invest in the infrastructure so that Sydney Airport keeps pace with Australia's growing economy. In the current Master Plan Sydney Airport has undertaken to invest in new terminal extensions and upgrades, new taxiways, new aircraft parking areas, new car-parking spaces, and build a new freight terminal.

To ensure maximum utilisation of this most important piece of transport infrastructure, any national aviation strategy should aim to better co-ordinate and focus the efforts and interests of infrastructure owners, all three levels of governments, airlines and local communities.

Sydney Airport's Master Plan needs the continued support of the Australian Government. The Master Plan was underpinned by the then Government's decision that Sydney Airport would remain the sole major, international airport in the Sydney basin into the foreseeable future. Any premature development of a second Sydney airport would cast doubt on the efficacy of further investment in Sydney Airport in the years ahead.

b) A second Sydney airport?

There has been discussion of a second airport for Sydney since 1946. The need for a second airport is still as distant as it was when calls were made for a replacement more than 60 years ago. Sydney Airport is confident capacity can be well managed for the foreseeable future. There is limited merit for a second airport for Sydney when Sydney (Kingsford-Smith) Airport is significantly advantaged by its current location, is clearly able to sustainably meet projected growth for the forward planning period, and is undergoing continued re-investment. Any new airport site in or near the Sydney basin would have considerable drawbacks.

There have been some consistent themes and issues around the proposal for a second Sydney airport. These need to be addressed.

The first issue is location. Most of the sites suggested so far have been far from the CBD, some as much as 100 kilometres away. Other problems include the costs associated with land acquisition, building a new airport and the necessary fast transport links, estimated to cost a substantial sum running into the billions of dollars; the difficulty of establishing those fast transport links along corridors hampered by the geographical spread of Sydney, even apart from the time and additional costs involved in travelling to a more distant airport; and of course the environmental costs, with increased carbon emissions caused by the longer distance needed to be travelled between the CBD and any new airport.

The Issues Paper raises questions about resource allocation amongst Australia's international airports. A secondary international airport for Sydney would be problematic for agencies involved in border security. The more airports these agencies have to serve the more their finite resources have to be stretched. Retaining one major, international airport – the current Sydney Airport - provides the best, most efficient, cost effective level of security at Australia's borders.

In Sydney Airport's view the substantial cost, running into the multiple billions of dollars, needed to build a second Sydney airport, with associated fast transport infrastructure, cannot be justified in light of the infrastructure already in place at Sydney Airport, considering its strategies and ability to sustainably meet the projected growth in demand.

The most efficient use of the nation's scarce infrastructure dollars would be to encourage further investment in and utilisation of the current airport infrastructure by private operators. But it must also be supported by parallel investment by the NSW Government – with Australian Government support – in ground transport infrastructure to and from the airport and port precinct. Recent media commentary and the NSW Government's State Infrastructure Strategy have outlined government interest in building the M4 East and duplicating the M5 East.

The recent 2020 Summit identified investment in nationally strategic infrastructure as a key priority for the Australian Government. The 2008/09 Budget and the creation of Infrastructure Australia have secured the potential to address Australia's infrastructure needs into the future.

However, Governments cannot solve this problem on their own. Governments and the private sector can best work together in partnership to address future on and off airport infrastructure needs respectively but only when continued investment certainty is provided.

Some suggestions have also been made that an overflow airport could be established at an existing airport within the Sydney basin for low-cost carriers and freight operators. The inter-connectivity of modern passenger and freight travel dictates that the most efficient air transport system is one where there are seamless direct connections between all modes of transport. Air freight generally consists of high-value goods which are time-sensitive. Sydney Airport's location is ideal for just-in-time deliveries and is a real advantage for business.

Today 80% of freight that transits Sydney Airport is carried in the hull of passenger aircraft. To have an overflow airport for freight would do little to resolve future capacity issues at Sydney Airport. It could also complicate the process of transferring freight from dedicated international freight-only aircraft into the hulls of domestic passenger flights.

To discard or under-invest in the current infrastructure already in place at Sydney Airport would undervalue a major infrastructure asset which is yet to reach full utilisation. Such an approach would divert scarce resources to an unnecessary secondary airport on the fringe of the Sydney basin and would do little to overcome ground transport congestion around Sydney Airport. Improving and upgrading the current ground transport infrastructure, such as road and rail already in place linking Sydney Airport with the city, is a far more efficient use of the nation's resources.

In addition, Sydney Airport operates in a complex aviation environment with extensive regulatory involvement by Government agencies that have evolved piecemeal over many years despite significant improvements in aviation technology. Australia's aviation industry requires close interaction and a common focus between airport operators and Governments to ensure the best outcome for all stakeholders.

3. The role of Government in helping to sustainably meet growth

Sydney Airport does not operate as an island. In order to facilitate the projected growth in the Australian economy Sydney Airport needs the tangible support of its stakeholders. Governments, both State and Federal, and their policies are key to providing the best legislative, regulatory and investment framework for Sydney Airport.

Government investment in supporting infrastructure, such as urban road links and public transport, is needed to deliver the best possible airport. Sydney Airport is keen to play its role in continually investing in the Airport. However, to achieve the best possible outcomes for the travelling public Government policy and agencies must work in co-ordination with the aviation/ airport industry to provide effective solutions to many of the questions posed in the Issues Paper.

In any national aviation policy Sydney Airport would seek from the Government:

a) Investment certainty

The future needs of Sydney, and more broadly Australia, require a national aviation policy that provides investor certainty - the certainty that underpins Sydney Airport's ability to continually invest and meet expected capacity growth.

Sydney (Kingsford Smith) Airport should remain Sydney's sole international airport. Private sector investors in infrastructure need investment certainty so they can continue to meet the needs of a growing Australian economy and Sydney Airport is no exception. Indeed, when Sydney Airport was purchased in 2002, the commitment from investors was based on a clear understanding of the regulatory environment and the requirements of the lease entered into.

To help ensure the certainty of continued investment and growth in capacity, the conclusions, projections and plans contained in the 2004 Master Plan (and forthcoming 2009 Master Plan) need to be reflected in the Australian Government's national aviation strategy. This will focus investment and deliver Sydney the best airport infrastructure possible, wisely providing for the most efficient use of existing infrastructure resources.

b) Continuation of ‘light-handed’ regulation

Sydney Airport proposes the retention of the current regulatory situation with regard to pricing and supports the continued system of price monitoring by the ACCC.

The Productivity Commission’s *Review of Price Regulation of Airport Services* said the efficiency of airports around Australia relied on continuing ‘light-handed regulation’. This was seen as being in the national interest due to productivity gains which had been achieved under this scheme.⁷

Customers have also been well served by the Government’s lighted handed regulatory regime with the Productivity Commission reporting that ‘reasonable pricing’ has been indicative of the time since price-monitoring was introduced.⁸

The TTF’s Report on *Assessing the Impact of Airport Privatisation* has noted that reasonable prices can be delivered by Sydney Airport because of economies of size and scope generated from overall business growth, improved attention to cost control and revenue growth and an organisational and corporate structure attractive to experienced infrastructure and commercial professionals.

c) Uniform regulations and standards

More than any other Australian airport, Sydney Airport operates under a complex regime of regulations, practices and policies. These regulations are enforced by different Government agencies, but primarily by the Department of Infrastructure, Transport, Regional Development, and Local Government (DITRD LG), the Civil Aviation Safety Authority (CASA), Airservices Australia, the Australian Quarantine and Inspection Service (AQIS), Customs and the Department of Immigration and Citizenship (DIaC), all of whom are focussed on their specific areas of responsibility.

Sydney Airport is keen to see greater strategic cooperation and risk-sharing between regulatory agencies and Sydney Airport. The relationships Sydney Airport has with Government agencies are critical to both Sydney Airport and airline passengers. By working closely with agencies, Sydney Airport can provide the best experience possible for all users of the airport.

However, where regulations and practices are confused, duplicated or are in conflict, where guidance is not provided on implementation, and where excessive risk is shifted onto airports, this regulatory regime can create significant negative impacts on airports, airlines, passengers and freight handlers.

This is felt most sharply in the area of government border control and passenger facilitation where delays for incoming passengers in particular have created problems in recent months across some of Australia’s international airports – particularly at Sydney.

While some improvements have been achieved through negotiation between Sydney Airport and border control agencies, much more needs to be done. Whilst it is recognised that there can be no compromise to the integrity of Australia’s immigration or quarantine regime, the goal should be a seamless, smooth entry and exit for visitors and freight to Australia through a more collaborative approach by agencies, airports and airlines.

⁷ Review of Price Regulation of Airport Services, Australian Productivity Commission, 2007

⁸ Review of Price Regulation of Airport Services, Australian Productivity Commission, 2007

Lack of regulatory consistency is also an issue of concern. Government agencies are sometimes not consistent in how regulations are implemented across airport assets throughout Australia. There is also inconsistency between international and Australian standards.

Wherever possible equipment prescribed by CASA should reflect those standards recognised by the International Civil Aviation Organisation (ICAO), unless Australian conditions specifically warrant otherwise. This is of particular significance in the area of airfield lighting where equipment manufacturers develop products to comply with international standards to satisfy worldwide demand. Manufacturers will not design equipment to satisfy the Australian market alone and consequently where Australian standards differ from those required by ICAO, equipment procurement can be extremely difficult.

d) Clarity on the issue of Public Safety Zones

Sydney Airport recognises the issue of Public Safety Zones (PSZs) needs clarification in consultation with airports and other stakeholders. There needs to be clearer definitions and Sydney Airport understand that the appropriate Government regulatory agencies are working towards this end. There is currently a lack of prescriptive guidelines and when there are detailed guidelines, the enforcement by Government regulators seems to vary between airport assets around Australia.

e) One decision making body for planning approvals

The Issues Paper acknowledges that under the Airports Act 1996 (Cth), State and local government authorities as well as local communities are consulted when consideration is given to Airport Master Plans and Major Development Plans.

Sydney Airport is supportive of the current legislative arrangements with regard to consultation and believes there is a strong argument for the Australian Government to remain the sole agency for determining planning issues on airport land. International experience shows it is not practical for major development decisions on airport land to be made at the state or local level.

Sydney Airport's physical area is covered by three local government areas (LGAs; Botany, Rockdale and Marrickville.)

Sydney Airport believes that it is important that these councils are consulted on all major planning decisions and that they have an opportunity to provide input into major developments on airport land. It makes sense for local councils to be involved and one way of achieving this is a more formal relationship between these councils and Sydney Airport on relevant issues, needs and aspirations.

Many employees of airport-related companies live in the communities close to the airport and this provides an added incentive for all stakeholders to enhance the form and intensity of consultation and relationships between local councils, their communities and the airport.

Sydney Airport believes the development of the airport's non aeronautical land can have a positive impact upon communities neighbouring the airport in relation to added jobs and amenities. Sydney Airport, however agrees with the premise that the nature or extent of non-aeronautical investment should not prejudice the safety and long-term operational capabilities of the airport.

f) NSW Government's key role in Sydney Airport – planning and transport

The NSW Government currently has no direct responsibility for Sydney Airport. However, State Government policies can still have major impacts on Sydney Airport. Policies pertaining to planning and transport in particular can dramatically affect Sydney Airport's ability to meet the growing demand for aviation services.

Sydney Airport is strategically placed in a corridor of concentrated economic activity and industrial density from the CBD to the airport and Port Botany. This area has been identified by the NSW Government as a major economic corridor and a significant contributor to Sydney and Australia's economy.

There is a clear need, because of the growth in and around the airport, for carefully managed planning in this area on the part of the NSW Government. To help achieve this, Sydney Airport proposes an upgrading of the partnership between the airport and the State Government on matters that have a direct impact on the functioning of the airport and its continued growth as a major economic contributor.

It is clear that the public transport infrastructure and services provided to access Sydney Airport are well below international standards for major world airports. Consequently, they need strengthening in two major areas:

Firstly, with regard to planning policy, the NSW Government is encouraging growth and development of the broader airport precinct, growth which will increase pressure for supporting infrastructure to be put in place.

Unless this infrastructure is provided as this growth occurs, it will put additional pressures on airport development and the efficient operations of the airport. This in turn has impacts on broader economic developments within Sydney.

It is therefore important that balanced outcomes are achieved on planning issues between State, local and Australian governments on developments in and around the airport precinct.

Secondly, in order to be confident the re-investment program will deliver the expected benefits to Sydney, Sydney Airport will need the support of the NSW Government – supported by the Australian Government through increased infrastructure spending - in developing sufficient ground transport strategies capable of sustainably meeting Sydney Airport's projected growth in passengers and freight.

Currently only one public bus route serves the airport - between Burwood and Bondi Junction. The Airport Link train service is unsatisfactory as a major public transport service for both travel between the airport's two terminal precincts and between the CBD and the airport itself. For example, it is expensive for many passengers and their families, with the private operators charging \$13.80 for passengers to travel to or from the CBD., By way of comparison, the fare for the longer trip from the CBD to Turrella (the next station along) is only \$3.00. It also costs \$13.40 for passengers to connect between Terminal 1 and Terminals 2/3 compared to the above ground bus trip cost of \$5. Other issues that illustrate the inadequacy of the train service include:

- the time of operation for services does not adequately link to the times when many Sydney Airport workers need to travel to work;
- the train carriages are not well designed for passengers who, at times, have large amounts of baggage; and
- the limited number of train services per hour.

Sydney Airport has developed a Ground Travel Plan which sets out clear options for the NSW Government. Sydney Airport is keen to work with the NSW Government and the Australian Government to provide the most efficient transport corridor to any major airport in Australia.

The Ground Travel Plan has identified a range of sustainable short, medium and long term initiatives to provide passengers, visitors and staff with efficient modes of transportation. Initiatives include:

- designated high occupancy lanes on key approach routes to the airport;
- realigning and augmenting existing bus services;
- repositioning curb side pick-up zones;
- improving signage and access to public transport;
- providing more flexible rail ticket options for staff;
- investigating a car pool option for staff; and
- encouraging walking and cycling.

It is important that the NSW and Australian Governments invest in the significant upgrading of connectors to and from the airport. As a matter of priority the NSW Government must ensure a more efficient and effective bus transport system between the airport and the CBD as well as ensure an efficient and less costly rail connection. The current road connections to the airport are also in need of major upgrades. The City and the State's major airport should have reliable, secure, cost effective and sustainable transport options for all airport users.

g) Enhancing security

Sydney Airport is constantly seeking to enhance its approach to aviation security while facilitating swift and efficient passenger travel.

Sydney Airport continues to improve its security processes and procedures and recently expanded the international terminal passenger screening area to allow for additional search facilities catering for the new requirement to screen liquids and gels. Checked bag screening facilities have also been installed and now cover 100% of passengers' bags.

Sydney Airport has pioneered the introduction of express lanes at quarantine, immigration and security points for defined and frequent fliers. This trial has been successful and has reduced pressure at checkpoints as frequent fliers are often aware of the procedures and thus move quickly through. A project is currently underway to develop, as part of the International Terminal redevelopment, a centralised passenger screening point that will improve facilitation and efficiency.

Sydney Airport is keen to introduce new security screening technology which has the potential to reduce security costs, while at the same time increasing security outcomes. Australian airports will need to consider the ever increasing sophistication of solutions and their applications. In all instances new technology should be justified in terms of cost benefit when balanced against facilitation and the risk that they address.

Enhancing security at Australian airports requires a close working relationship with Government. Sydney Airport believes that there should be stronger ties between the Office of Transport Security (OTS) and with overseas last port of call and destination countries with a greater emphasis on harmonisation of security systems and services. Sydney Airport would also like to see closer ties between airports and the OTS in the area of sharing intelligence and risk analysis, so that risks can be responded to appropriately.

Currently the OTS's approach is to establish integrated security outcomes for all Australian airports. However, any one-size fits all approach may have drawbacks. It can hinder the ability to introduce an immediate response to known threats and may have negative cost implications for the industry overall, whilst providing no greater security.

Sydney Airport believes that the control and management of airport security should become outcomes-focused and move towards a system where airports take greater responsibility for their own security coordination, allowing quicker responses to specific security threats specifically directed at individual airports.

Such a governance regime would recognise that airports have greater capability to audit and ensure compliance, and would simplify legislation. Under this arrangement there should be no concern as to security standards, as Sydney Airport's existing in-house security management systems and contractual relationships with security providers already exceed legislated requirements.

4. How best to sustainably manage anticipated growth

The right balance must be struck between the economic benefits to Sydney and the environmental and social impacts. The Sydney Airport Master Plan lays out the strategy to sustainably grow whilst limiting the airport's impact on neighbouring communities and the environment.

Sydney Airport accepts that a new, more effective partnership between the key stakeholders needs to be formed to ensure that Sydney and NSW's economic needs are balanced with the needs of the environment and those of the communities surrounding the airport. Sydney Airport is going to grow, but that growth should not occur at any environmental cost. The growth needs to be sustainable.

Sydney Airport is proud of the relationships and the systems that have been established already between stakeholders. However achieving the appropriate balance between growth and impacts will require the relationships between the key stakeholders to be re-defined – in the way in which interaction occurs, how information is gathered and disseminated, how Government policies and regulations are framed in response, and how Sydney Airport relates to its communities on issues like aircraft noise and the environment.

a) Sydney Airport Community Forum (SACF)

The Sydney Airport Community Forum (SACF) has been an important link to Sydney Airport's stakeholders that has enabled dialogue between the airport and the community immediately surrounding the airport. There needs to be a strengthening of this dialogue. Sydney Airport supports the recent re-constitution of SACF by the Australian Government. Sydney Airport is committed to consult with the community on a range of issues, and has done so in the past with its involvement in SACF and the preparation of the 2004 Master Plan.

Sydney Airport's plan for growth is predicated on the implementation of the master planning process. A comprehensive review is currently underway and is due to be completed in 2009. Sydney Airport wants to build upon the 2004 Master Plan, but will only be able to do so with the support of the relevant government agencies and the involvement of the community.

As Sydney Airport prepares its 2009 Master Plan it is actively in dialogue with a wide range of stakeholders. The 2004 Master Plan growth projections will be reviewed, as will the strategies designed to meet that demand and the associated impacts that follow.

At the same time, it needs to be recognised that Sydney Airport is a major strategic asset for Australia, NSW and Sydney. Consultation with all stakeholders is therefore required and should not be restricted to just those communities with particular concerns largely related to the operation of the airport. Getting the balance right is a challenge for Sydney Airport, all tiers of government and the community. It is imperative that all levels work together to provide the best outcome for the wider community and Sydney Airport.

b) Involvement in the community

Sydney Airport is already a key player in the local communities surrounding the airport. Sydney Airport pays equivalent council rates to three local government areas - Rockdale, Botany and Marrickville. Approximately \$9 million dollars has been paid out since privatisation. Sydney Airport also pays a number of Federal and State taxes including land tax, payroll tax, GST payments, income tax and company tax.

Construction, development and operations at Sydney Airport create a significant number of jobs in the local area. Currently 206,133 jobs rely either directly or indirectly on Sydney Airport. As the airport continues to grow and develop to meet Sydney's needs, more jobs will be created.

Sydney Airport has established community investment programs, supports local sports and schools and makes significant donations to charities. Sydney Airport is proud of the commitments given to local communities and looks forward to a continuing involvement.

c) The environment

Sydney Airport is aware of the potential for infrastructure projects to have adverse environmental consequences, such as noise pollution or displacement of natural environments, and is therefore conscious that its investments confer environmental and social responsibilities which complement the essential aviation services provided by the airport. While it is aircraft, not airports, that create the overwhelming impact on the environment, Sydney Airport is keen to do its part.

Sydney Airport must therefore meet these responsibilities if it is to maintain effective partnerships with the Government and the local community - essential for the successful long term development of the airport. As Sydney Airport grows, the need to manage these impacts will become greater.

To ensure that the future development of Sydney Airport is undertaken in a manner that is sustainable and sympathetic to the environment, a rigorous development assessment process has been designed, which includes imposing conditions on developments and which requires comprehensive compliance with the Sydney Airport Environment Strategy and the *Airports Act 1996 (Cth)*. For example, all new buildings are designed to meet a four-star energy efficiency rating.

Due to the long history of the site, Sydney Airport contains a number of areas of soil contamination associated with past uses. To assist in the ongoing management of these sites, Sydney Airport has developed a Contaminated Sites Management Strategy which includes detailed assessment, preparation of an environment remediation management plan and ongoing monitoring of the contamination. All known contaminated sites at Sydney Airport are being managed to confirm they currently do not pose a risk to the physical environment.

Sydney Airport is largely surrounded by water. Ensuring the water quality of the surrounding ecosystems is important to Sydney Airport. As such, it has an ongoing stormwater monitoring and management program in place. There are a number of mechanisms in place for managing spills including a dedicated spill response vehicle, pollution control flame traps on all aprons, and emergency stop gates on stormwater discharge points. The soon to be built water recycling plant will further reduce the impact on the environment.

Air quality remains important to Sydney Airport. Monitoring of air quality indicates that airport emissions are within the objectives established in the *Airports (Environment Protection) Regulations*. Total emissions targets for 2023/24 are based on projected growth and its expected relative emissions contributions will be similar to the present.

Carbon emissions and climate change

Climate change is one of the biggest challenges facing the planet. The latest scientific evidence clearly indicates that the world's climate is changing and the cause is very likely to be human activity. International action is needed to stabilise greenhouse gas emissions to a level that prevents dangerous climate change.

Aviation is currently a small contributor to climate change at a global level, though it is growing. According to the UK's Stern Review⁹, aviation accounts for around 1.6% of carbon dioxide emissions and this could rise to 2.5% by 2050.

Sydney Airport is certain that the Australian aviation industry can continue to grow whilst helping to achieve emission reduction targets. Sydney Airport is committed to playing its part and working with airport stakeholders in reducing the aviation industry's carbon emissions. Where Sydney Airport does not have direct control over all emissions, for example from aircraft, it will use its influence to lead changes. Where the airport does have direct control, for example over emissions from energy use in its facilities, it will aim to meet world's best practice. Sydney Airport looks forward to working with the Government on a forthcoming carbon emission trading scheme.

Sydney Airport has been developing strategies to reduce its emissions for some time now. This has led to many exciting new initiatives. Water and Energy Savings Actions plans were developed in 2006 and 2007. There has been an implementation of an Energy Information and Reporting System, and a Sustainable New Building Policy. Energy saving initiatives include the installation of walls and automatic doors to prevent loss of conditioned air to train stations, turning off travelators and escalators during curfew and low usage periods, upgrading to energy efficient lights and upgrading to high efficiency chillers.

In 2007 Sydney Airport completed a comprehensive emissions inventory and carbon footprint study. Green Power and Carbon Neutralising Strategies will be introduced to limit growth impacts on airport carbon emissions..

⁹ Sir Nicholas Stern, *The Economics of Climate Change*, 2006

Sydney Airport is a signatory to the global *Aviation Industry Commitment to Climate Change* alongside Airports Council International, IATA and major aviation companies such as Airbus and Boeing. This commitment will accelerate action to mitigate the aviation industry's environmental impact, especially in respect to climate change while preserving its driving role in the sustainable development of our global society. Sydney Airport is also working closely with airline partners to develop a local response on emissions generated by the aviation industry. It is encouraging to note that many airlines servicing Sydney are planning to use newer, lower-emitting aircraft, such as the A380, B787 and the A350, in the near future.

There is more to be done when it comes to limiting environmental impacts. Sydney Airport is conducting an energy efficient analysis looking at the potential to install solar panels. It wants to increase the availability of Fixed Electrical Ground Power Units, reducing the need to use aircraft Auxiliary Power Units. The Airport Ground Travel Plan also seeks to encourage the use of sustainable transport modes including public transport, cycling, and pedestrian access. Sydney Airport is soon to introduce a carbon calculator on its website which will assist passengers and airport staff wishing to voluntarily neutralise their emissions impacts.

d) Noise Management Strategies

Current noise management strategies

In Sydney, the issue of aircraft noise has been long standing. There are a number of strategies in place to help ease the impact of aircraft noise. There are three main aspects to noise management regulation at Sydney Airport; a curfew, operating between 11pm and 6am; a movement cap of 80 aircraft movements per hour; and an aircraft noise sharing system, set out in the Long Term Operating Plan (LTOP).

The current Master Plan, designed to manage the projected growth over the next 20 years, has been framed taking into account current noise regulation constraints. However, the development of a national aviation strategy also allows for a reassessment of the effectiveness of current aircraft noise management policies. Sydney Airport suggests that it is time for a review of some of the current regulations taking into account environmental, efficiency and equity goals.

Developments in the industry

Noise management is a challenge faced by Governments and the aviation industry around the world. The aviation industry is conscious of the impact of aircraft noise and is working with communities and airports to lessen the impact.

Given that the aircraft fleet serving Sydney Airport is one of the more modern fleets in the world it is appropriate in 2008, some 12 years after the introduction of the LTOP, and approaching 50 years since the introduction of the curfew, to re-examine the noise management regime in a different context.

Especially since the 1960s, but even since 1996, significant improvements to aircraft technology have been made. The new generation aircraft are smarter, quieter, and more environmentally friendly. Aircraft fleets today are larger, allowing for larger passenger numbers with fewer aircraft movements.

It is widely recognised that new generation aircraft, the Boeing 787 and the Airbus A380, will be and are substantially quieter than existing equivalent aircraft. Like other airports around the world, this shift in technology will ultimately contribute to Sydney Airport's ability to meet projected demand and do so within reasonable noise impact levels.

Aircraft technology is continuing to improve, allowing for quieter, smarter operations. For example, the technique of continuous descent approach (CDA) allows the aircraft's sophisticated cockpit equipment to select the optimal top of descent point, depending on the weather and a range of other parameters. This means minimal use of thrust which in turn means a quieter approach, and fewer carbon emissions.

Given the range of innovative examples around the world there is much Australia can learn.

A key element of many systems is public reporting of noise levels. San Francisco publishes individual airlines performance and ranks them. At Heathrow individual flights and their noise levels can be tracked using the internet. The 'naming and shaming' of airlines is seen as a key motivator to encouraging quieter flying. Indeed, equipped with this information Sydney residents could reward quieter airlines by purchasing tickets from these airlines when travelling.

Rewards and disincentives are a key to encouraging airlines to operate at their quietest by the way they fly their aircraft and the types of planes they operate. At Hamburg, Heathrow and Amsterdam's Schipol airports, there is a system of graded landing fees whereby noisier aircraft pay higher landing fees and airlines that operate new-generation, quieter aircraft are rewarded with cheaper fees.

Governments are also involved in minimising noise. Many countries run more flexible noise insulation programs than the program the Australian Government operated in Sydney, with its strict, rigid criteria for funding. Planning restrictions are also used to limit the widening of future noise impact.

Possible improvements in noise management

Sydney Airport recommends that the Government and the community consider these alternative 'best practice' approaches in developing a new and updated version of the LTOP for the decades ahead, especially focusing on the overall distribution of noise.

In particular any review should reflect changes in technology and 'best practice' noise management approaches from other global airports; and address the need to make more effective use of the available slots in peak hour periods.

The goal is to make LTOP more efficient for the airport, the community and the stakeholders who depend on Sydney Airport for economic survival. Nevertheless, Sydney Airport is not arguing for a reduction in the measures to manage the inevitable noise impacts from aircraft using Sydney Airport. Indeed, the Master Plan projections of acceptable growth are based on the maintenance of artificial constraints imposed by the current regulatory framework, including the curfew.

Sydney Airport sees opportunities for a more flexible and enlightened regime taking into account the impact of new technologies on air traffic management, better avionics in new aircraft, quieter engines and aircraft design, the different noise signatures of jet and prop aircraft and more flexible management of the noise issue.

e) Efficient regional airline access

Due to a number of ad-hoc government policy decisions taken over many years, flights to and from areas of regional NSW are granted a significant number of all Sydney Airport's aircraft movements, including during peak times between 7-11am and 5-7pm. For example, between 7-8am 28% of all movements and between 6-7pm 37% of all movements are regional NSW slots. This is called the "regional ring-fence."

In 2007, regional flights accounted for 28% of all movement across the day, while only accounting for 6.6% of passengers.¹⁰ It is estimated that 32% of regional passengers transfer to other regional, domestic or international flights.

Sydney Airport considers that this practice should be re-examined to enable efficiency gains can be made, whilst still ensuring regional access to Sydney Airport.

Sydney Airport believes that it is important the Australian Government and airports work with the NSW Government and regional communities to ensure that there is continued access to Sydney. Regional Australia is vital to the nation and strong links must remain between city and country. However, Sydney Airport believes there are opportunities to better manage regional flights to Sydney and to achieve a more efficient mechanism to manage the increasing demand for access to Sydney Airport, especially in peak periods.

Sydney Airport is a major contributor to the Australian economy. It has been calculated that every 747 that arrives at Sydney Airport contributes \$1.8 million to the economy and every A380 contributes \$2.2 million. It is in Australia's economic interest to encourage more international flights to Australia. The current 'regional ring-fence' arrangements artificially constrict Sydney Airport's ability to attract more wide-body, high-yielding, economically important, international aircraft from servicing Sydney.

Since 2001 the Australian Government has placed a price-cap on regional airline fees and charges at Sydney Airport. Whilst regional airline customers must be protected, price-caps may in fact be hurting regional Australia as Sydney Airport cannot justify major improvements of millions of dollars for regional customers when constrained by price-caps. The light-handed regulatory regime in regards to pricing has worked well for other customers; there is no sound economic reason why it should not apply to regional customers.

As one could imagine with these figures there is substantial cross-subsidisation occurring. International and trunk-route domestic passengers are subsidising regional airline passengers using Sydney Airport. This cross-subsidisation is an exception to ongoing micro-economic reform and it is time to examine ways that this situation can be more equitably managed into the future.

With the issues above in mind, Sydney Airport has identified several options which are worth examining when ensuring regional access to Sydney Airport.

Encouraging larger aircraft into Sydney Airport

Larger, new-generation regional aircraft are starting to link Sydney and regional NSW communities. This is providing more opportunities for the airlines, airports and passengers to benefit from economies of scale.

¹⁰ Airport Coordination Australia (ACA) Slot Allocation (Sample week October).

Sydney Airport could be better utilised as an important infrastructure asset if these larger aircraft were encouraged. Governments could use a range of strategies to encourage airlines to use bigger aircraft, with more passengers.

For example, despite the existing Slot Management Scheme including a minimum aircraft size of 18 seats, aircraft that are smaller than that (in some cases only 8 seats) have been grandfathered into the Scheme and can continue to use Sydney Airport. The Government has also intervened to prevent regional slots that have not been used for two years from returning to the slot pool (the so-called “use it or lose it” system).

Given the improvements to aircraft technology and efficiency – including the availability of the larger regional aircraft – Sydney Airport believes that the minimum aircraft size should, over time, move to at least 34 seats and that the impediment to the originally intended operation of “use it or lose it” system should be removed.

Many places in the world also use a system commonly referred to as a “hub-and-spoke” system. It is particularly prevalent in the United States. If adopted, such a system would see smaller feeder aircraft taking regional passengers into hub airports such as Coffs Harbour, Ballina, Albury, Dubbo, Port Macquarie, Wagga Wagga and Tamworth and then transporting them in larger aircraft into Sydney.

Of the 32 scheduled regional NSW routes, the top ten routes account for 78% of the regional market and 68% of regional aircraft movements in and out of Sydney. The remaining 22 routes provide less than 60,000 passengers with 32% of regional movements. Of these, 13 destinations generate fewer than 20,000 passengers but require 17% of regional movements. In 2007, a sample week showed that 14% of regional aircraft movements held less than 20 seats, while 58% of regional aircraft movements were between 21 and 40 seats.

A hub-and-spoke system would ensure regional areas still have access to Sydney while efficiently utilising slots with larger aircraft because there is enough room to use slots at Sydney Airport more efficiently.

Regional flights as an exceptional category

Sydney Airport suggests a more flexible approach could be taken for regional flights in relation to the Long Term Operating Plan (LTOP) and the cap-on-movements. This could be done without impacting too heavily on neighbouring communities as the current small regional prop aircraft create only minimal, low-impact noise.

Assuming the current cap of 80 aircraft movements remains, the Government could examine creating an exceptional category for low-impact, quiet, regional aircraft whereby they are not included in the cap-on-movements and do not operate under LTOP.

This would ensure regional airline access in peak periods while enabling larger regional aircraft and jets to make more use of the peak hour periods. This would make the peak hour periods more efficient and concentrated, rather than further spreading the noise into non-peak times simply due to artificial capacity constraints during the peak period.

5. Sydney Airport's answers to some other questions in the Issues Paper, "Towards a National Aviation Policy Statement"

The Australian aviation industry

Q: Should Australia further liberalise its aviation market?

Sydney Airport supports the further liberalisation of the Australian aviation market. Sydney Airport recognises the work the Government has done over the years in encouraging more air traffic into Australia.

Air transport liberalisation is the way of the future. Much progress has been made, but there are still more opportunities to be explored. Liberalisation policies provide more competition, which in turn provides more options for consumers, at lower prices, and with better service.

Q: How might existing Australian airport infrastructure best adapt to the challenge of processing large influxes of passengers?

Airports and Government agencies both have responsibilities in managing Australia's borders effectively whilst providing a smooth, seamless entry and exit to Australia. Sydney Airport seeks a redefinition of its partnership with Government agencies and airlines to provide the most efficient and effective processing of international passengers. This can only be achieved by genuine collaboration between parties and a stronger working relationship based on a common goal – providing a seamless service to passengers and freight handlers as 'customer'.

Government needs to continually reassess the resources it places at border points. Sydney Airport is playing its part with the redevelopment of the international arrivals hall so that Sydney Airport can welcome more passengers to Australia. Over \$100 million was spent on readying Sydney Airport for the arrival of the A380, undoubtedly part of the future of aviation.

Q: What are the implications of expanded international operations at secondary airports, including for border security? Should Australia seek to limit international airline and charter operations to a defined set of international airports to ensure affordable border security?

Australia's borders are best served by limiting the amount of entry-exit points to Australia. This enables Government to concentrate scarce resources on designated major airports. This also ensures easier compliance with standards.

Aviation infrastructure

Q: Are the planning and development mechanisms under the Airports Act working effectively?

Sydney Airport believes the planning procedures under the *Airports Act* should be retained. They provide an efficient planning process, whilst providing ample consultation with the community on major developments.

Q: How can we improve consultation with State and local authorities and with the community?

Although there is already significant consultation with local communities, through the Master Plan and Major Development Project processes, Sydney Airport believes that there could be further opportunities to involve affected stakeholders. This could provide involvement for affected communities, whilst ensuring the certainty and efficiency of the development process.

Q: How can we better integrate investment on airports with the funding and construction of improved road and rail links to and from our airports?

Our federal system of governance at times can be frustrating for its lack of co-ordination. Recent co-operation in areas of joint federal/state responsibility is encouraging and Sydney Airport would be pleased if this could extend to associated transport infrastructure to and from airports. Sydney Airport recommends that the NSW Government and the Australian Government take note of Airport Master Plans and takes account of them in a tangible way in their forward transport planning.

Q: How can mechanisms for guiding development around airports be improved to ensure potential issues from aircraft noise are fully addressed in planning? How can we ensure developments do not compromise the safe and effective use of aviation infrastructure?

When local councils approve development applications and re-zone land there is often little regard for the operations of the airport. Sydney Airport suggests that when local and state governments approve developments or rezone land they take into account either the impact it may have on the airport, or the impact the airport may have on the development.

Q: How can future airport needs best be addressed, recognising the importance of airports as an element of national economic infrastructure?

As the Australian population and economy grows so will Sydney Airport. In order to meet capacity demands many millions of dollars will need to be invested in the decades ahead on airport infrastructure. In order to make these investments Sydney Airport needs to have investment certainty. Sydney Airport and its shareholders need to be able to commit vast amounts of money, knowing a return on its investment will not be affected by the imposition of further artificial constraints by Government.

Q: What are the current and future pressure points in relation to airport capacity?

With appropriate planning and investment by all relevant parties, airport capacity in Australia will be easily met in the foreseeable future. The main issue, especially in Sydney, arises from artificial constraints that are placed upon airports by Government, especially in relation to the cap-on-movements and the regional ring fence. These government-imposed restraints if left unrevised will ultimately restrict airport capacity even where advances in technology can assist, and hamper Australia's international competitiveness and make the Australian aviation industry far less productive.

Q: How can the protection of the communities around airports from undue aircraft noise best be addressed as demand for services continue to grow?

It is possible to meet growing demand whilst limiting the impact of aircraft noise by the introduction of noise management strategies and newer, quieter aircraft. This submission has raised a number of examples from overseas and the strategies used to lessen the impact on their neighbours. These strategies include releasing performance information for individual flights and airlines to the community and encouraging airlines to fly newer, quieter aircraft.

Regulatory Issues

Q: How can the Civil Aviation Safety Authority (CASA) strengthen the way it relates to industry while meeting the community expectations of a firm regulator?

It is in everyone's interest to have a strong safety regulator. Sydney Airport suggests that CASA should seek to ensure that consistent national minimum standards are enforced across the country.

We also seek a closer partnership with CASA in identifying safety issues, and then implementing outcomes-focussed solutions

where risk is shared between the airport, airlines and CASA.

Customer and community protection

Q: What practical steps can the aviation industry take right now to reduce greenhouse gas emissions?

Sydney Airport is taking responsibility for its carbon emissions by introducing a policy of carbon neutral growth through the use of green power and purchasing carbon credits. Airports themselves, however, do not emit large amounts of carbon dioxide. Sydney Airport tries to influence airlines and passengers to reduce their emissions. Extra Ground Power Units have been installed to stop the need to use high-emitting Auxiliary Power Units in aircraft.

Q: Could the ANEF system be improved or be supplemented by other planning tools to better explain the impact of aircraft noise? Should State and local governments play a greater role in aircraft noise management? What should be the responsibilities of airports?

There is room for improvement in the area of aircraft noise monitoring, especially in providing this information to residents. Schemes overseas allow for community tracking of individual flights (Heathrow) or publishing monthly reports ranking airlines for their noise performance (San Francisco).

6. Sources

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