

Price Regulation of Airport Services Inquiry July 2006

Contents Page

1	Introduction.....	2
2	The City as an Interested Party.....	3
3	Development of the Perth Airport.....	4
4	Commonwealth Immunities.....	5
5	Planning Impacts of Airport Development.....	7
	- Amenity impacts of proposed development.....	7
	- Traffic Impacts.....	7
	- Economic Impacts.....	7
	- Other Impacts of Development on the Airport Site.....	8
6	Local Government Rates.....	8
7	Impacts of Airport Activities on the City of Belmont Community	11
8	The City of Belmont's Position on Pricing.....	12

Introduction

The City of Belmont covers an area of 40 square metres and is located approximately 5.8 kilometres south east of the Perth Central Business district. To the northeast of the City is the Perth International Airport, which is mostly located within the City limits. The International Airport is the name given to the entire airport site inclusive of the domestic terminal. Given that the airport takes up one third of the City's total area the development of the site for aeronautical and non-aeronautical uses is a key interest of the Council and ratepayers – both existing and future.

In 1970 the Airport covered approximately one sixth of the total Council area. On the eastern side of the airport was an adjoining Belmont suburb known as Newburn that also covered approximately one sixth of the total Council area. Newburn was primarily earmarked for Commercial and Industrial development similar to the development that has taken place in Kewdale which joins the southern edge of the Airport.

In 1970 the Commonwealth Government resumed the area known as Newburn. The Council of the day accepted that the Airport had to grow and anticipated that the growth would be towards the Newburn area which was calculated to reduce noise pollution in the Belmont Community. In return Council had to consider the loss of rates from land which could be developed significantly for Commercial and Industrial use.

The resumption of Newburn was also on the basis that the Commonwealth Government has revealed plans to build a wide space runway parallel to the existing runway predominantly in the Newburn area to reduce noise pollution and also allow for road access from the new freeway reducing the equally important problem of traffic congestion in residential areas. The Council of the day saw the resolution of these issues justifying the resumption of Newburn at considerable ongoing loss to the ratepayers of Belmont.

The new freeway has been constructed for some years (Tonkin Highway) and neither outcome have materialised. Whilst alternative access to the airport via Tonkin Highway is being considered, the Airport has stated that the wide space parallel runway will not be built.

In 1997 the Commonwealth Government of Australia sold a 50 year lease plus a 49 year option to manage and develop Perth International Airport to Westralia Airports Corporation. The leasing arrangements are primarily set out under the *Commonwealth Airports Corporation Act 1996 and Airport Regulations*. In accordance with the Act, Westralia Airports Corporation was required to prepare a Master Plan.

The Perth Airport Master Plan was approved in May 1996 by the Commonwealth Government and provides a concept for future development at the Airport for the next 50 years. In addition to outlining aeronautical development and airport infrastructure expansion plans such as the proposed parallel runway 03R/21L, the Master Plan outlines areas for non-aeronautical development. It sets aside over 300ha for conservation purposes and 750ha is identified as being suitable for non-aviation related development.

As a result of the above the City has a close interest in matters affecting the Perth Airport. In particular the City's interest in the Perth Airport and its development arise from two key aspects of the airport. The first is the manner of development of the Perth Airport and in particular the development of the Perth Airport for non-aeronautical purposes. The second is the payment of rates or rates equivalent payments by Westralia Airports Corporation in respect of the Perth Airport and a recent dispute between the City of Belmont and the Westralia Airports Corporation regarding the non-payment of rates equivalent payments.

The City as an Interested Party

Local Government is charged with a broad range of responsibilities for ensuring the appropriate development, management and planning for Australian Communities. The City of Belmont is a Local Government authority located 6km south east of the Perth central business district and covers an area of 40kmsq. In the north east of the City is the Perth International and Domestic Airports which are located mostly within the city limits, these airports cover approximately one third of the area of the City of Belmont.

Airports in metropolitan areas can and do have large impacts upon the communities in which they are located. The obvious impacts of an airport include the noise created by the operations of the airport and in particular aircraft travelling to and from the airport, traffic generated by the airport as a trip generator, economic impacts on airports including job creation and competition with other businesses nearby, environmental and amenity impacts of an airport. There are also other impacts of an airport operation on a local community and these are also considered in this submission.

One major impact of the airport on the City of Belmont relates to the airports immunity to state planning and building laws. As a result development within the airport is not controlled by the City of Belmont or the State Government and can not be integrated into other development plans for the area and the region. Development within the airport cannot not be incorporated into the City of Belmont's Planning for the Future of its Community or the State Governments Planning for the Future Development of the Metropolitan Area. This lack of control and alignment between the future development of the airport and the future development of the Perth metropolitan area and the City of Belmont Community results in conflicts between the airport and its surrounds. In particular it is difficult to plan for traffic infrastructure, transport infrastructure, zoning, and other community facilities to ensure that development of the airport is integrated with development of the community.

Under the lease between the Commonwealth Government and the Westralia Airports Corporation the corporation is required to pay Local Government rates to the City of Belmont. However if Local Government rates are not payable due to the airport status as a Commonwealth Place then the Corporation must make rates equivalent payments to the City of Belmont. The lease between the Commonwealth and Westralia Airports Corporation establishes the level of rates equivalent payments that must be payed and this is outlined further at Part 6 of this submission. At this stage it is important to note that the non-payment of rates equivalent payments by the corporation to the City of Belmont and the resulting dispute have impacted upon the City's ability to deliver good government to its community. It should be an intricate part of any pricing inquiry to consider the impact that pricing has on the provision of airport services and the consequent impact of these airport services on local communities.

Due to the above impacts that the airport has on its surrounding community the City of Belmont is an interested party in the price regulation of airport services. If, as is identified in the discussion paper, non-aeronautical developments at the airport continue to provide a primary source of income for the airport operator then pressure will compound upon the airport operator to maximise the development of the airport for non-aeronautical purposes. This increases the conflict between the use of the airport, the development of the airport and the management of the surrounding community. This conflict is compounded where the airport subsequently chooses not to make full rates equivalent payments. As a result any price regulation of airports must include consideration of the amount of non-aeronautical development that is occurring on airport sites and the decisions by airport operators to not make full rates equivalent payments to Local Government authorities.

Development of the Perth Airport

The Perth airport consists of a Domestic and International Airport. The Domestic Airport is accessed from Brearley Avenue within the City of Belmont and includes a terminal that has a large number of commercial operations, retail outlets and other airport facilities. The International Airport is accessed from Horrie Miller Drive within the City of Belmont and similarly has a number of commercial operations, retail outlets and other standard airport operations.

The Perth International Airport Master Plan provides a concept for the future development of the airport for the next fifty years. The Master Plan outlines those areas within the airport which are earmarked for aeronautical purposes those areas which are earmarked for use for commercial purposes and those areas within the airport which are earmarked for purposes such as environmental areas or buffer zones.

Aside from the development of the Domestic and International terminals the Westralia Airports Corporation has pursued significant development of the Perth Airport for non-aeronautical purposes. In particular there are a number of large facilities operated by commercial operators located within the Perth Airport site, some of these facilities include:

- 1) A bitumen factory located on a portion of the Perth Airport contained in the jurisdiction of a neighbouring local government the City of Swan.
- 2) Warehouse facilities for major national retail operators
- 3) Distribution facilities for major national transport and logistic services
- 4) Distribution facilities for Australia Post
- 5) Offices for commercial operators
- 6) Commercial car parking operations
- 7) A range of other commercial uses

The above development for commercial and related purposes has occurred in areas of the airport located around the perimeter of the airport. These areas are close to other commercial and industrial areas within the City of Belmont. Some of this development has occurred within the former suburb of Newburn which was acquired by the airport from private landowners and the City of Belmont in 1970's. Whilst originally intended for the development of a parallel runway, the Master Plan now identifies that this land will not be used in the future for the development of a parallel

runway. As a result this land which was originally acquired for the purpose of a parallel runway is now being developed and leased for commercial purposes.

The vast majority of land that has been developed for commercial purposes is leased by the Corporation to other commercial operators. The development of the Perth Airport is controlled by the Commonwealth Government. Proposed developments are required to be approved by the Federal Transport Minister. The Commonwealth Government is obliged to conduct consultation for developments on the airport if the value of the proposed development is more than ten million dollars. In deciding whether to approve a development on the airport site the Commonwealth Government need not be bound by comments submitted by the City of Belmont or its community on any proposed development within the Perth Airport. The Minister for Transport and Regional Services has been noted in Parliament as stating that the Commonwealth Government has never refused a proposal for a development at an airport site anywhere within Australia.

Commonwealth Immunities

The Perth Airport is located on land owned by the Commonwealth Government. This land is leased to the Westralia Airports Corporation for fifty years with an option to renew for a further forty nine years. The Westralia Airports Corporation is a private corporation owned by a number of superannuation funds and private companies. The Westralia Airports Corporation operates Perth Airport for a profit.

As a result of the Perth Airport being located on Commonwealth Land the Westralia Airports Corporation enjoys significant Commonwealth immunities. Due to the operation of Section 52 of the *Commonwealth Constitution* - Commonwealth land is exempt from the operation of state legislation. The Commonwealth Government adopted the *Commonwealth Places (Application of Laws) Act 1970* to ensure that certain State Legislation applies to Commonwealth Places. However this legislation only applies State Legislation to Commonwealth Places to the extent of any inconsistencies with Commonwealth Legislation.

Similarly the Commonwealth adopted the *Commonwealth Places (Mirror Taxes) Act 1997* to remedy difficulties associated with Section 114 of the *Commonwealth Constitution*. This section provides that state taxation laws do not apply to activities on Commonwealth Places. The *Mirror Taxes Legislation* ensures that state taxing laws which are listed in the schedule to the *Mirror Taxes Act* apply to activities on Commonwealth Places. As a result of the above regulatory regime the Westralia Airports Corporation still enjoy significant immunity from the operation of State Legislation. The *Airports Act 1996* includes a comprehensive regime for planning of developments on the airport and the control of building on developments at the Perth Airport. As a result, the development on the Perth Airport is not subject to State Planning Legislation or State Legislation regulating building control on the airport site. Further more, it is commonly understood that the commonwealth immunity under the *Commonwealth Constitution* means that airport land is not subject Local Government rates.

Both the Commonwealth Government and the Westralia Airports Corporation have recognised this Commonwealth immunity and the benefit that it can provide to airport operators. In particular the Commonwealth Government has repeatedly stated that it is keen to see airports develop with a minimum of regulatory oversight. This means that development in airports continues to be approved by the Commonwealth Government regardless of the fact that it does not integrate with or compliment development surrounding the airport site. The fact that State Planning and Building

Legislation does not apply to developments on the airport site means that there is no ability for either Local Government or State Government to ensure that planning and development of the airport site integrates with development within the local community or within the greater metropolitan area.

Similarly the Commonwealth immunity from the requirement to pay rates places the Westralia Airports Corporation in a position of competitive advantage. Clause 24 of the lease between the Commonwealth Government and the Westralia Airports Corporation deals with the obligation of the airports corporation to pay rates and taxes. This includes local government rates.

Clause 24.1 provides that the Westralia Airports Corporation must pay rates. Clause 24.2 provides that where rates are not payable due to the airport's status as a Commonwealth Place, the Corporation must make full rates equivalent payments to the relevant Local Government authority. The implications of Clause 24.2 are outlined further under section six below.

The Commonwealth immunity from state laws and state taxing legislation means that the Westralia Airports Corporation is both free to develop within those limits that may be set from time to time by the Commonwealth Government and also free to act as an independent body in relation to rates equivalent payments. The airports corporation enjoys a privileged position in being able to negotiate on the amount of rates equivalent payments that it must pay in collusion with the Commonwealth Government. Similarly operators within the airport site are benefited from this lack of regulatory oversight in being able to develop to an extent which would otherwise not be permitted if state planning and development laws applied to the airport. Furthermore, once development has occurred operators on the airport site benefit from the airports ability or perceived ability to negotiate on the amount of rates equivalent payments that is must pay to the relevant Local Government.

The Federal Government purports to have a policy of Competitive Neutrality where government businesses and businesses that enjoy immunity as a result of their relationship with the Commonwealth Government, do not have a competitive advantage over businesses that are not being operated by government or do not enjoy the same immunity. The Commonwealth Government has very loosely applied this principal of Competitive Neutrality to airports. In particular the application of a master plan to development on airports, rather than the application of state planning laws, ensures that development on airport sites enjoys an advantage over development off airport sites. Development on airports are not subject to state planning laws and the processes associated with development proposals. Accordingly there is a significant advantage for operators on the airport site and it is considered by the City of Belmont that the Corporation can and does charge a premium rental, to it's tenants as a result of this lack of regulatory oversight.

Similarly the Westralia Airports Corporation enjoys a number of immunities from the requirement to pay rates as a result of its lease with the Commonwealth Government. Furthermore it has attempted to negotiate down the amount of rates that it is required to pay to the City of Belmont for its occupation of the Perth Airport. This provides operators on the Perth Airport site with a significant competitive advantage to those who are located within the City of Belmont but off the airport site. The City has confirmed documentary evidence that Westralia Airports Corporation is passing on savings that it has made as a result of not making full rates equivalent payments to tenants on the airport site. This means that a tenant on the Airport site is currently pays less rates than an equivalent tenant off the airport site. This is in direct contradiction to the governments adopted policy of Competitive Neutrality. It is also

likely to influence the price regulation of airport services as the Westralia Airports Corporation is able to demand increased rents from tenants on the airport site as a result of:

- 1) The reduced regulatory regime in relation to development and building control.
- 2) The purported ability to negotiate down the amount of rates paid in respect of the airport.

As a result, any price regulation inquiry should take into consideration the effect of these Commonwealth immunities on the ability of the Corporation to obtain increased rents from tenants at the airport site.

Planning Impacts of Airport Development

There are a number of impacts of airport development on the City of Belmont Community. These impacts include the amenity of the built form of any development of the airport, the economic impacts of development on the Perth Airport, the traffic impacts of development of the Perth Airport, the environmental impacts of development on the Perth Airport and other associated development impacts

Amenity impacts of proposed development

Development on the Perth Airport site is not controlled by the City of Belmont's Town Planning Scheme. As a result any development is not subject to development controls that would normally otherwise apply to a development any where else in the City of Belmont. These development controls are designed to regulate the amenity of proposed development on the existing community, streetscape and locality. These development controls include minimum set backs from streets and boundaries, the area of the land which may be developed, building heights, streetscapes, elevations, privacy and over looking, roof pitch and design and other development controls which can impact upon the amenity of a built development. Currently development on the airport site is not subject to such developmental controls. As a result the City of Belmont is unable to control development on the airport site from an amenity perspective. This can and does impact upon the amenity of the Belmont Community as the community is now subject to developments within the Perth Airport site that are of a lesser standard than similar developments off the airport site. The City of Belmont questions whether the Perth Airport should allow such developments to occur when they have the potential to reduce the amenity of the locality and the Belmont Community.

Traffic Impacts

An essential aspect of planning for the future of any locality or community is ensuring that appropriate transport facilities are provided to meet the needs of development within the community. Due to the fact that the City has no control over the development of the Perth Airport or the planning of the future use of the Perth Airport the City is unable to adequately plan for future transport needs. In particular the City is unable to plan for the traffic that is likely to be generated by the Perth Airport as a result of development that is occurring on the airport site. Furthermore other transport facilities such as public transport are unable to effectively be planned for.

Economic Impacts

An essential aspect of any planning regime for the future of a district is planning for the economic viability of the district. The City is unable to effectively plan for the future economic development of the City of Belmont affectively due to its lack of control over development on the airport site. The city has no control over the style or

types of development that occur on the Perth Airport site. This development can and has been in conflict with development which is occurring or planned to occur off the airport site. More particularly, where the City of Belmont creates zones for particular uses within the City it does so taking into account the development of other areas within the City of Belmont. For example, the provision of retail space and land zoned for retail space within the City of Belmont is in part regulated by current and future demand for retail uses within the City. This retail modelling will be rendered largely inaccurate and potentially useless by any retail development within the Perth Airport. As a result the development of industrial and commercial uses on the Perth Airport site with out any oversight by the City of Belmont is likely to have a negative impact upon other industrial and commercial uses within the City of Belmont.

Other Impacts of Development on the Airport Site

The lack of control over development on the airport site by the State and Local Governments means that there is a lack of integration between uses on the airport site and off the airport site. The uncertainty about the development of a parallel runway and the uncertainty about the nature of developments within the airport site means that neither the City of Belmont or the Government of Western Australia are in a position to plan effectively for future developments surrounding the airport site.

Airports create amenity impacts unlike any other development or use of land. This is particularly so within the metropolitan area. Noise modelling and traffic generation are two key aspects of planning in relation to an airport site. Uncertainty about the nature of individual developments within the airport site renders traffic management in particular very difficult. There have been notable cases in states other than Western Australia where a failure to consider traffic generation in the planning for a airport development has resulted in traffic congestion and chaos to the surrounding community. Due to uncertainty about future development at the airport site the City is unable to affectively plan for the affects of traffic generation from and on the Perth Airport. These ancillary impacts mean that the Belmont Community must bear the adverse affects of any development on the airport site without any control over the nature or extent of such development. Obviously, the City must fund any action taken to address the impacts of these developments which is made increasingly difficult by the current position of the Westralia Airports Corporation in relation to its payment of rates equivalent payments.

Local Government Rates

The Perth Airport is located largely within the City of Belmont. However the Perth Airport also includes land that is located within the district of the Shire of Kalamunda and also the City of Swan. Whilst the vast majority of the Perth Airport is located within the City of Belmont areas located within the Shire of Kalamunda and the City of Swan either have been developed for non-aeronautical uses or identified on the master plan to be developed for non-aeronautical uses.

The lease between the Commonwealth Government and Westralia Airports Corporation places an obligation on the corporation to either pay rates or make rates equivalent payments. A copy of Clause 24 of the airport lease is attached to this submission and further details the obligations of the Westralia Airports Corporation in relation to local government rates.

If the Perth Airport was subject to local government rates then the entire airport site would be rateable land. The City would make a determination of which areas of land

within the airport are non-rateable due to any exemptions that are contained within the rating provision of the *Western Australia Local Government Act 1995*. As it stands due to the fact that the Westralia Airports Corporation is a private operator operating the Perth Airport for profit, it is likely that the vast majority of the airport site would be rateable land. This would include any land that is currently vacant but is occupied by the Westralia Airports Corporation as well as land that is currently developed and used for both aeronautical and non-aeronautical purposes.

As explained above, the Commonwealth Government currently considers that the airport is a Commonwealth Place and is not subject to local government rates. As a result the City of Belmont levies rates equivalent payments to the Westralia Airports Corporation under the terms of the Perth Airport Lease.

The Perth Airport Lease between the Commonwealth Government and the Westralia Airports Corporation already provides significant concessions to the Westralia Airports Corporation on its obligation to pay rates. In particular the lease provides that rates will not be payable on areas such as car parks and vacant land which would normally be rateable. These concessions already provide the Westralia Airports Corporation with a significant concession and allow Westralia Airports Corporation to use land such as vacant land and car parks to generate income or develop land for future income without the obligation to pay rates in respect of these portions of land.

Aside from these concessions the process by which the land is valued and rates imposed also provide the Westralia Airports Corporation with a significant advantage. In Western Australia local government rates are imposed on the gross rental value of a property. This valuation is performed by the Valuer General an Office of the State Government of Western Australia. It is normal practise for the Valuer General to require a commercial landlord with numerous tenants to place on the table for the purpose of valuation their rent schedule. The Westralia Airports Corporation, due to its immunity from State laws, does not place its rent schedule on the table for the Valuer General to use for the purpose of valuing the airport land. As a result the Valuer General is significantly hampered in their efforts to value land on the airport site for the purpose of local government rates. In particular due to the fact that the Valuer General does not have access to rent schedules the determination of gross rental value is particularly difficult. The City of Belmont recently viewed the website for the Perth Airport and noted that the Perth Airport claims that its rent roll for leases outside of the terminals for the domestic and international airports is in the order of sixty four million dollars a year.

Furthermore the Westralia Airports Corporation is able to use its ability to withhold its rent schedule to manipulate the process of valuing rates. This manipulation occurs in the following manner: The Valuer General will place a value on all occupied premises within the Perth Airport, without the benefit of the rent schedule. If the valuation comes in below that which the Westralia Airports Corporation is actually receiving for that premise than the Westralia Airports Corporation will remain silent about that valuation. However if the valuation for the premise comes in above what the Westralia Airports Corporation receives for that premise than the Westralia Airports Corporation will attempt to contest the valuation with the Valuer General. The Valuer General, without the benefit of viewing the Westralia Airports Corporation rent schedule is unable to determine, in relation to each individual premise, whether there is any validity in the arguments put forward by Westralia Airports Corporation in relation to the valuation for the premise.

As can be seen there are already significant concessions and advantages to the Westralia Airports Corporation in relation to its obligations to make rates equivalent payments for the Perth Airport. The Westralia Airports Corporation has endeavoured to gain further advantage in relation to its obligation to make rates equivalent payments in the 2005/2006 financial year. The City of Belmont initially levied the Perth Airport for expected rates revenue for the 2005/2006 financial year. The expected revenue was allocated in the City of Belmont's budget and was in the order of 1.6 million dollars. The City could not be firm on this expected rating income due to the fact that it was yet to receive final valuations from the Valuer General. Subsequently, due to the significant increase in property values within Perth and the substantial development that occurred on the Perth Airport site, the amount of rates that were payable in relation to the Perth Airport site were valued at almost 2.1 million dollars.

In December 2005 the Westralia Airports Corporation advised the City of Belmont that it would not be making full rates equivalent payments to the City of Belmont in respect of the Perth Airport. The Westralia Airports Corporation argued that due to the fact that it did not receive the full range of services from the City of Belmont that it should not have to make full rates equivalent payments. The City of Belmont, for many reasons, does not subscribe to this argument. In particular rates are a broad based tax and are not a fee for service. Furthermore the City of Belmont does not provide services on private property for any rate payer and this should be the same whether the rate payer is a large rate payer like the Perth Airport or a smaller rate payer. Further information on the arguments both for and against a reduction in rates based on services provision are available from the City of Belmont upon request.

Presently the City of Belmont receives approximately nine million dollars from residential uses within the City of Belmont a further ten million dollars in commercial and industrial uses within the City of Belmont. Rating for the Perth Airport is currently levied at only 2.1 million dollars and is currently being paid at only 1.6 million dollars even though the airport occupies some one third of the total area of the City of Belmont.

The Westralia Airports Corporations position regarding non-payment of airport rates is nor supported by the Department of Transport and Regional Services. The City has documented evidence to suggest that the Westralia Airports Corporation is advising its tenants that the Department of Transport and Regional Services supports the stance that WAC should negotiate with the City of Belmont on the amount of rates equivalent payments to be paid to the City of Belmont. The City has recently been advised that DOTARS will require WAC to make full rates equivalent payments to the City of Belmont.

The City of Belmont is not in a position to accept any reduced rates equivalent payment from Westralia Airports Corporation in respect of the Perth Airport. The City has other large commercial operators who manage commercial sites within the City of Belmont and who pass the costs of rates payments onto tenants of those sites. The City of Belmont does not provide any services to these large commercial owners nor does it provide any services on the Perth Airport site. It would be unfair to other rate payers in the City of Belmont and opposed to the principals of Competitive Neutrality, to offer the Westralia Airports Corporation a reduction in the amount of rates equivalent payments that should be made in respect of the Perth Airport.

The City considers that it is essential for the present inquiry to consider the issue of rates payments when determining price regulation of airport services. In the current situation the Westralia Airports Corporation is in a position to profit from the operation

of airport services on the Perth Airport. Under the terms of its lease with the Commonwealth Government the Perth Airport is not liable to make rates payments due to the immunity from Local Government Laws that it enjoys as a result of the Perth Airport being a Commonwealth Place. Under the terms of its lease the Perth Airport must make rates equivalent payments but is not obliged to make any payment to the local government for rates on aeronautical services that it provides at the Perth Airport. The City of Belmont suffers from many impacts on the Belmont Community as a result of the operation of the Perth Airport. The City of Belmont considers that price regulation should take into account reasonable rate payments for the operation of aeronautical services by airport operators, and should also recommend that rates payments be made in respect of aeronautical services. The price inquiry should find that it is not appropriate for airport operators to profit from the provision of aeronautical services and at the same time not make rates payments for those aeronautical services when those aeronautical services clearly have an impact upon the operation of the Local Government and the local community.

Impacts of Airport Activities on the City of Belmont Community

The goal of the inquiry into price regulation of airport services is to ensure that price monitoring of airport services is effective and that the prices are appropriate given the operation of airports and the impacts of those regulations. In particular point four of the Hon. Peter Costello's Terms of Reference identify that the inquiry should have regard in its findings to the behaviour of airport operators and airlines and the effectiveness of the existing prices and quality of services monitoring of airports. The City is currently suffering from the behaviour of the Westralia Airports Corporation as an airport operator and certain activities that are occurring on the airport.

In relation to the Westralia Airports Corporations refusal to make full rates equivalent payments, the City of Belmont is suffering from the reduced financial capacity of it as a Local Government to provide effective services to the community. The City of Belmont must provide many services that other Local Governments would not normally provide due to the fact that the airport is located within the boundaries of the City of Belmont, and the operation of the airport impacts upon the Belmont Community. These services include the provision of additional transport infrastructure and traffic control as a result of the significant number of trips generated by the Perth Airport. The City must also incorporate planning control requirements resulting from noise created by the operation of the Perth Airport into the development of residential and commercial areas around Belmont. These are two of the larger impacts of the operation of Perth Airport on the City's infrastructure and operations. However the behaviour of the Westralia Airports Corporation in not making full rates equivalent payments shows that it is an airport operator that has little care for the impact that it has on its surrounding community. One must enquire at to whether the Westralia Airports Corporation, in the conduct of its operations, seeks further reductions or concessions from the Federal Government in relation to the pricing of the provision of aeronautical services.

Aside from the impacts of failing to make full rates equivalent payments the non-aeronautical developments by the airport operator within the Perth Airport site are of particular concern to the City of Belmont. Due to the fact that developments on the airport are not subject to Local and State Planning Controls, the Perth Airport is free to develop its land without regard for the impacts of that development on the local community and without integration of other developments off the airport site. These impacts are significant and make it difficult for the City of Belmont to effectively plan for the future development of its community.

Overall the City is significantly concerned that the immunity of State Legislation applying to the Perth Airport that results from the Airport being located on Commonwealth Land provides significant an numerous concessions to the airport operator. It would be difficult for the inquiry into the price regulation of airport services to conclude what would be a fair price for provision of these services in such a situation. Presently the inquiry can not be certain as to the extent of future development or the extent of future rates equivalent payments that might be made by the airport operator. Similarly the airport operator has shown little willingness to cooperate with State and Local governments in relation to rates equivalent payments and development proposals within the airport. As a result there are significant income streams that are largely unregulated and which have broad impacts upon the wider community. The inquiry into the price regulation of airport services should first be requesting that the Commonwealth Government takes action to provide certainty to Local Governments and the community as to the future development of airport sites and the amount of rates that will be paid in respect of airport sites. Once this certainty is provided the inquiry into price regulation of airport services can proceed to determine pricing levels which will ensure that principles of Competitive Neutrality and other national competition policy principles are maintained in a provision of both aeronautical and non-aeronautical services at the Perth Airport.

The City of Belmont's Position on Pricing.

The above discussion identifies that the City of Belmont is a relevant local government for the Perth Airport. The City also incurs impacts from the Airport that it does not incur other ratepayers. The Westralia Airports Corporation is refusing to make full rates equivalent payments to the City of Belmont.

As a result the City of Belmont supports the following position on the pricing of airport services:

- 1) Airport services should be priced at a level that Airport Corporations can operate without the need for subsidisation from non-aeronautical activities.
- 2) Airport Services should be priced at a level that allows Airport Corporations to make full rates equivalent payments for all commercial activities including the provision of aeronautical services.
- 3) An allocation for the payment of full local government rates on all airport activities should be included in the calculation of pricing for airport services.
- 4) Airport Corporations should pay rates in aeronautical services as these activities are undertaken for profit.
- 5) The costs of airports as citizens of local communities should be paid in full by Airports Corporations in the form of rates or rates equivalent payments.
- 6) These costs should be passed on to customers and tenants of the airport and should not be subsidised by other ratepayers when Airport Corporations refuse to make full rates equivalent payments.