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The Office of the Chief Executive



Airport Regulation Inquiry  
Productivity Commission  
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6 April 2011

Dear Commissioner Craik

**Re: Airport abuse of monopoly power through the ANEF process**

Thank you for the opportunity to provide a submission to the Commission's airport regulation inquiry. The current process for developing noise contour maps – the Australian Noise Exposure Forecast (ANEF) – around privatised airports has been shown to give the privatised airports undue influence over land use in the vicinity of airports. In the case of Canberra Airport management, this process has been abused to prevent development in large areas of land, in some cases up to 12km from the airport.

The ANEF contours (defined in Australian Standard AS2021-2000 Acoustics – Aircraft noise intrusion – Building siting and construction) determine the allowable land uses and noise attenuation measures required for buildings in the vicinity of airports. The ANEF contours, when constructed appropriately and rigorously, are a robust and scientific tool for informing land use around airports, based on extensive research and acoustic science. The ANEF system is already one of the most onerous in the world (that is, most other countries allow buildings closer to airports).

Unfortunately, the current system allows airport owners to determine the inputs and assumptions that go into the calculation of these ANEF contours. The ANEF formulas themselves are scientifically sound and robust, but with any formula, it can be manipulated resulting in 'garbage in, garbage out'. In particular, airport owners can manipulate the assumptions regarding the number of flights and aircraft types at certain times of the day, to have large impacts on the resulting ANEF. There is currently no independent scrutiny of these assumptions – only a technical review by Airservices (the technical review checks the calculations, but not the assumptions going into those calculations). Canberra Airport has used this process to prevent development in large tracts of land south of the airport.

This unchecked abuse of monopoly power has resulted in a severe imbalance: significant restrictions have been placed on large areas of land near Canberra Airport, to protect the distant and improbable business aspirations of Canberra Airport. The costs imposed on land owners and home buyers due to these restrictions are significant and current, while the benefits to Canberra Airport of placing restrictions on this land are distant, and negligible in net present value terms.

The Village Building Co (VBC) has unnecessarily lost development rights over large areas of land due to exaggerated ANEF contours prepared by the Capital Airport Group, the owner of Canberra Airport. VBC has also been forced to amend development plans at great expense on two occasions in response to the aggressive expansion of ANEF contours developed by Canberra Airport with the deliberate intention of blocking VBC's development plans. The Capital Airport Group is Canberra's largest property developer and a commercial competitor of VBC.

A further example of this monopoly power abuse is where Sydney Airport seeks to downplay its noise exposure, by assuming rapid technological advances – to minimise any noise attenuation costs it might face – at the same time that Canberra Airport seeks to talk up its noise exposure by assuming old-technology 'noisier' jets will be operating at 2am, to protect unlikely business aspirations of being a freight hub or Sydney overflow. As these examples illustrate, it is untenable for two airports located only 236 kilometres apart to be allowed to assume diametrically opposed views on aircraft technology,

purely to suit their different business priorities. The current system allows airport owners to distort land planning around airports to suit their purposes, at the expense of the greater good of society. An independent body is needed to ensure the ANEF process is not 'gamed' and to ensure a better balance of the airports' interests and the interests of neighbourhoods in the vicinity of airports.

A recent Senate committee inquiry into this matter concluded that the current system needs modifying. See attached Senate report, page 72, para 6.30 to 6.33, and Recommendation 7 in para 6.34.

*6.34 The committee recommends that the government revise the current process through which ANEFs are developed to establish an independent body charged with the coordination of the process and the review of the accuracy and reasonableness of the data upon which the forecasts are made.*

Action has not yet been taken by the Government to implement the Senate recommendation. The Commission is encouraged to endorse the Senate recommendations to prevent airports from abusing their monopoly power in this way.

In support of this submission, I attach the background material on this issue from the Senate inquiry last year, including papers by Access Economics, the building industry, an acoustic expert and local residents.

Attachments to this letter (as pdf files) are listed below:

- Productivity Commission submission cover sheet
- Letter to Productivity Commission from VBC's Chief Executive Officer R Winnel
- Senate Airservices Report.pdf: The Senate – The effectiveness of Airservices Australia's management of aircraft noise
- sub41\_Access.pdf – Access Economics - Submission to the Senate inquiry
- sub41a\_Access.pdf – Access Economics – Review of Canberra Airport.....
- sub41b\_Access.pdf – Access Economics – Evaluation of Proposed Residential.
- sub40\_Bullen(Wilkinson Murray).pdf – Submission to Senate inquiry
- sub55\_JRA.pdf – Jerrabomberra Residents Association - Submission to Senate
- sub70\_QCC.pdf – Queanbeyan City Council – Submission to Senate
- sub91\_UTA.pdf –Urban Taskforce Australia Submission to Senate inquiry
- sub93\_AMBIDJI.pdf – Ambidji Group – Submission to Senate inquiry
- sub143\_UDIA.pdf – Urban Development Institute of Australia – Submission
- sub121\_VBC.pdf - VBC Senate Inquiry Submission 2010 V2
- sub121a\_VBC.pdf – VBC Submission – Various Correspondence
- sub121b\_VBC.pdf – Federal Court VBC v ASA 2007
- sub121d\_VBC.pdf – Wilkinson Murray Assessment of Noise Impacts
- sub121e\_VBC.pdf – Wilkinson Murray – recent Sub-Divisions at Airports
- sub121f\_VBC.pdf – DITRDLG document
- sub177\_VBCMBA[1].pdf – Master Builders Australia – Submission to Senate

I would appreciate the opportunity to discuss this issue further with the Commission, and to discuss possible models for establishing an independent body for this purpose.

The outcome of an independent body would be significant: it would strike a better balance between the aviation industry's interests and the interests of the surrounding communities.

Yours sincerely,

R. Winnel  
Chief Executive