



8 April 2011

Ms Wendy Craik, AM
Commissioner
Economic Regulation of Airport Services Inquiry
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2601

Email: airport-regulation@pc.gov.au

Dear Commissioner

Submission: Economic Regulation of Airport Services Inquiry

The Sydney Business Chamber (SBC) is a division of the NSW Business Chamber and represents 130 of Sydney's leading corporations with an interest in contributing to the economic, social and cultural vitality of Sydney. Our members range from multinational corporations to "iconic" Sydney organisations and institutions and include representatives of the aviation, retail, tertiary education, major events, business events, arts and sport sectors. This submission will focus on those issues that are relevant to Sydney and SBC members in the Sydney context.

Sydney as a global city

Sydney is Australia's only global city. If Australia is to maintain strong economic growth in the long-term, it must ensure that Sydney, as our national financial and business hub, is well positioned on the world stage. The challenge for Sydney is to continue to not only maintain its global city status but to enhance it. The SBC has a significant interest in reinforcing Sydney's role as a global city.

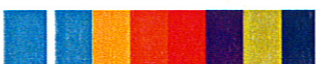
One of the key criteria for designating a city to be a global city is the presence of a major international airport. As Sydney Airport clearly fulfils that role, its presence only 8km from the CBD is clearly one of the key elements underpinning Sydney's competitive strength..

The SBC's main priority is to identify, develop and promote the major issues that contribute to economic activity and growth in the city and to reduce the barriers that threaten our global competitiveness. The SBC therefore believes it is vitally important that Sydney Airport continue to operate effectively and efficiently.

The *Metropolitan Plan for Sydney 2036* (the Metropolitan Plan) is the key strategic plan for the Sydney metropolitan area. Its aim is to provide a framework for sustainable growth and development across the city to 2036. The Metropolitan Plan identifies a Global Economic Corridor, which stretches from Macquarie Park in the north, through Chatswood, North

NSW Business Chamber
incorporates
> Australian Business Limited
Apprenticeship Centre
> Australian Business Pty Ltd

Sydney Business Chamber
Level 12
83 Clarence Street
Sydney NSW 2000
ABN 63 000 014 504
GPO Box 4280
Sydney NSW 2001
t > 61 2 9350 8100
f > 61 2 9350 8199
e > navigation@nswbusinesschamber.com.au
Sydney Business Chamber:
Helping Sydney maximise its potential as
leading global city.
Sydney Business Chamber is part
of the NSW Business Chamber which
represents 30,000
businesses across the state.



ACC
NSW Business Chamber is a
founding member of ACCI
trial mark.com

Invigorating Business

nswbusinesschamber.com.au

Sydney, the Sydney CBD, Green Square to Sydney Airport and Port Botany in the south. Around 700,000 jobs or 40% of Sydney's total are located in this corridor.

Australia's airports, including Sydney Airport, connect people and businesses regionally, nationally and internationally. As a result, Sydney Airport generates significant economic activity and employment in Sydney.

For example, Sydney Airport has published information demonstrating that it is one of Sydney's, NSW's and Australia's single most important pieces of infrastructure. It is a major employer and economic driver in its own right and makes a direct contribution of \$8 billion to the NSW economy. With flow-on impacts taken into account, the airport's economic contribution increases to \$16.5 billion. This is equivalent to 6% of the NSW economy and 2% of the Australian economy. The airport provides or generates more than 206,000 direct and indirect jobs. Importantly, it is estimated that the forecast contribution to the NSW economy will rise to more than \$27 billion by 2015/16 and an additional 100,000 jobs will be generated over the next ten years as aviation activity continues to grow.¹

Airport privatisation has been a success

The Tourism & Transport Forum (TTF) and Infrastructure Partnerships Australia (IPA) published a report in 2007 comparing the pre- and post-airport privatisation environments.² It found that the privatisation of Australia's major airports has been unambiguously successful, an observation SBC supports. Importantly, the report also confirms that investment in aviation and airport-related infrastructure *increased* after privatisation, with significant planned future investment.

At Sydney Airport, passenger numbers grew from 25.3 million in 2000 to 35.6 million in 2010, an increase of 41 per cent in just ten years. To accommodate this growth, important infrastructure investments were made by Sydney Airport over that decade. The recently completed expansion of the International Terminal, new car parks and various upgrades to accommodate new generation larger aircraft such as the A380 are good examples. This will in turn ensure the abovementioned economic benefits will continued to be secured for Sydney and the nation as a whole. Sydney Airport and its airline partners also continue to work with the Australian and NSW Governments to support the introduction of additional air services into Sydney. Indeed, over the last several months, a number of new international air services to Australia have commenced demonstrating success in this regard.

According to Sydney Airport's *Master Plan 2009*, passenger numbers are forecast to grow to 78.9 million by 2029. As the airport lessee company for Sydney Airport, Sydney Airport Corporation Limited (SACL) should therefore be encouraged to continue investing in the new and expanded infrastructure which is outlined in its master plan. This will ensure that forecast growth in passenger numbers and aircraft movements will be accommodated.

It is becoming clear, however, that the artificial regulatory constraints that are imposed on Sydney Airport's day-to-day operations have the ability to restrict the efficient use of its capacity. This, in turn, will artificially limit the airport's ability to generate increased economic activity in Sydney, new jobs for Sydneysiders and productivity growth for the nation as a whole.

The regulatory constraints include restrictions on operations during the curfew and curfew shoulder periods, the aircraft movement cap and aspects of the slot management system

¹ *The Economic Impact of Growth at Sydney Airport*, URS Australia, 2008 and Sydney Airport *Master Plan 2009*.

² *Assessing the Impact of Airport Privatisation*, Tourism & Transport Forum, 2007.

which require certain numbers of slots to be reserved for small regional aircraft, especially during the airport's busiest times. Collectively, these artificial constraints result in the airport being forced to operate well below the capacity that would otherwise be provided by its infrastructure. While some of these constraints are of course quite properly intended to ensure the airport operates in an environmentally acceptable manner, others are based on no apparent logic and came about following what can only be described as historic ad hoc and politically driven decision-making processes. It is in the national interest that significant pieces of economic infrastructure like Sydney Airport be operated as efficiently as possible, particularly before governments start spending the several billions of dollars that would be necessary to build a second airport at another location such as Richmond, the Central Coast or Camden.

Economic regulatory environment

Investments to expand air transport infrastructure at Sydney Airport and airlines investing in larger and more efficient aircraft should, if encouraged, continue to deliver additional aviation capacity in the Sydney region at no cost to government.

The SBC believes that the economic regulatory environment applying to Sydney Airport should therefore encourage it to continue to invest in Sydney's airport-related and aviation infrastructure with confidence and certainty. The imposition of excessive or unnecessary economic regulatory impediments – which erode the confidence and certainty needed to invest – should therefore be avoided.

Accessing airports: Land transport infrastructure and services

For a city as large as Sydney to operate efficiently, people and businesses within it must be able to readily interact with each other. This depends on the quality of the transport infrastructure and services that are provided to facilitate that interaction. If that infrastructure or those services are poor, it follows that the city will operate inefficiently and that, as a result, wealth creation and productivity growth will be impeded. The quality of the land transport facilities provided by governments to access Australia's major capital city airports is therefore an important productivity-related issue which has rightly been included in the Commission's terms of reference.

With respect to Sydney Airport, the NSW Government alluded to this very point in June 2008 when it said in a submission to Infrastructure Australia:

"... [i]f the transport network around the Airport and Port Botany is not improved, congestion will limit the level of economic benefits generated from these two precincts with negative ramifications for the NSW economy and the national economy."

The SBC agrees with this point and is aware of the inadequate land transport infrastructure and services that have been provided by successive NSW Governments to access the airport. This needs to change.

A key issue concerns the operation of the Airport Rail Link (ARL) and the station access fee which makes it expensive for most users to catch the train to the airport. While the SBC welcomed the scrapping of the access fee on two of the four ARL railway stations (Mascot and Green Square), the logical next step would be to scrap it on the two on-airport ARL train stations. There is no public policy reason why people wishing to travel to Sydney Airport are now the only ones in NSW who have to pay a surcharge to use public transport.

Charging commuters a premium to use public transport to access the airport sends the wrong message about public transport in Sydney. It results in a perverse outcome at the airport where it is cheaper in many cases to drive, catch a taxi or a bus to the airport rather than use the train. On

the other hand, the Government continues to subsidise private road trips along the M5 through the Cashback Scheme which refunds the majority of the \$3.80 toll, while a similar trip from south-west Sydney by train costs \$17.80 with no subsidy. It would make more sense to encourage people to catch the train rather than drive. The forecast growth of Sydney Airport over coming years means the NSW Government needs a sound public transport strategy to reduce road congestion around the Airport. Scrapping the access fee on the airport train stations is an easy step that will generate quick results.

If the Commission requires any further information from SBC, please feel free to contact me.

Yours sincerely

The Hon Patricia Forsythe
Executive Director