

City of Sydney

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20 June 2011

Our Ref: 2011/155098

Ms Wendy Craik
Presiding Commissioner
Inquiry into airport regulation
Productivity Commission
GPO Box 1428
Canberra ACT 2601

Dear Ms Craik,

Inquiry into efficiency of airport services

The City of Sydney appreciates the opportunity to contribute to the Productivity Commission inquiry into the efficiency of airport services. Please find attached a copy of the City's submission, which address inquiry Terms 1-5 in relation to the operation of Sydney Airport.

The City would be happy to assist the development of a coherent and strategic regulatory framework for Sydney Airport and would be prepared to participate further in its development through any forums or submissions the Commission considers appropriate.

Yours sincerely,

Garry Harding
Acting Chief Executive Officer

city of villages

PRODUCTIVITY COMMISSION INQUIRY INTO EFFICIENCY OF AIRPORT SERVICES

CITY OF SYDNEY SUBMISSION

City of Sydney has long recognised that it can usefully contribute to national economic policy development. In 2009, Council adopted the Sustainable Sydney 2030 plan, which recognises and explains how the City can assist the achievement of State and national objectives (refer Appendix).

Sydney is Australia's only truly global city. It hosts the Pacific headquarters of multinational corporations and is a major finance, insurance and creative industry centre for the region. At a little over 26 square kilometres, the City of Sydney local government area is physically small yet some 8% of the nation's gross domestic product is generated within it. The city centre is the global hub of the nation's global city. Sydney Airport contributes a further 2% of national gross domestic product. The airport is located within the "global economic corridor" adjacent to another international transport gateway – Port Botany. Sydney Airport is the principal portal for international visitors and air-freight arriving in Australia. The city is the principle destination for much of this passenger and freight demand.

The economic significance of Sydney to the national economy is growing. The City of Sydney is the fastest growing local government area in the nation. Jobs growth is projected to increase from the current 390,000 to 465,000 by 2030. A large proportion of these are high value jobs within the knowledge and financial services industries that are also interconnected globally, particularly to emerging regional markets. The City hosts several expanding tertiary education institutions that are attracting increasing international recognition and attendance. International conventions and exhibitions generate trade and attract particularly high value tourism, and the major preferred destination within Australia is at Darling Harbour, directly adjacent to the city centre. Employment at Sydney Airport is predicted to grow by 22,000 jobs to 56,000 jobs by 2036. Passenger movements at Sydney Airport are predicted to grow from 32 million in 2007 to 79 million by 2029. Container trade through Port Botany is predicted to double by 2025.

The City considers that managing the growth, benefits and impacts of this combined trade is central to the inquiry's terms of reference.

Better regulation of Sydney Airport's operations cannot be considered independently from the markets it serves within and beyond Sydney. The submission by Sydney Airport Corporation Limited draws attention to the increasing interdependency of its operations to physical and economic contexts that in some instances extend globally. This interdependence is increasing. The City of Sydney considers that fundamental to establishing a new and effective regulatory regime for Sydney Airport, is a better understanding and management of these economic, transport, governance and physical interrelationships; a view that is evident in the terms of reference for this inquiry.

A future regulatory regime should therefore be based on coherent and coordinated policy action between the three tiers of government, and include the private sector. This would involve effective engagement for infrastructure and service delivery.

Within the scope of the inquiry, the City therefore recommends the development of a regulatory regime that is informed by the following overlapping interests:

- Better policy alignment;
- Maximisation and distribution of economic benefits, and;
- Improved transport.

Policy Objective 1: Improve integration of policy and regulatory frameworks applying to Sydney Airport.

Actions that would support this policy objective include:

- Develop a better model for understanding the economic benefits arising from policy integration between the Airport and surrounding uses, and the factors affecting achievement of such integration (eg: extent of policy coordination between governments; sharing of research data);
- Identification and removal of perverse policy directions in relation to the operation of Sydney Airport (eg: existing higher public transport costs for services to the airport while trying to tackle congestion on roads servicing the precinct);
- Recognise the role of Sydney Airport and its connections to other centres such as those identified in the State Plan and Metropolitan Strategy, in policy and infrastructure investment decisions;
- Ensure that the regulatory framework for Sydney Airport complements the investment recommendations of Infrastructure Australia;
- Ensure the policy and expenditure commitments of the NSW Government complement the activities of the Airport;
- Ensure the future role/function of Sydney Airport and its likely infrastructure requirements are addressed in the 20 year State Infrastructure Strategy to be prepared by Infrastructure NSW;
- Ensure that policy development for the regulation of airports is informed by analysis concerning other modes of transport, such as the Very Fast Train (VFT), and the likely consequences of carbon pricing; and
- The formation of an intergovernmental taskforce involving the NSW and Federal governments to effectively manage the impacts of Sydney Airport, including impacts resulting from the potential growth of the Airport.

Policy Objective 2: Expand and distribute the economic benefits of Sydney Airport.

Actions that would support this policy objective include:

- Exploit the competitive advantage of the proximity of Sydney Airport to Central Sydney, whilst recognising that this must be counterbalanced by curfew, hence;
 - Extend life of existing facilities (defer investment in second airport) in favour of high-value flights for which there are no viable travel alternatives (such as the longer term alternative of the VFT), or;
 - Plan for new complementary facilities (second airport);

- Recommend complementary investment in alternative travel modes – such as VFT – to release limited airport ‘slots’ to higher-value international flights;
- Ensure that Sydney Airport benefits greater Sydney (including western Sydney) through better connectivity and job opportunities;
- Develop airport services and functions that:
 - Target and better serve known market sectors (eg: new east- and south-Asia leisure tourism markets; business users, convention attendees, international students);
 - Better reflect Australia’s diverse culture (eg: offer gateway visitor welcoming to includes high quality cultural information, including indigenous “welcome to country”), and;
 - Integrate with counterpart facilities, services and functions within the City (eg: hotels, convention facilities), within the State (eg: “global arc” industries; tertiary education institutions) and nationally (eg: other capital cities; other tourist facilities and attractions).
- Require timely review of the Sydney Airport master-plan to ensure that:
 - It acknowledges its particular competitive advantage of close proximity to the City centre but also that it has limited physical and temporal expansion capacity;
 - It favours airport service life extension in favour of high-value services that benefit from proximity to global arc and City centre;
 - Its land use recommendations focus on core business (and do not compete with surrounding land uses, such as bulky goods retail; and do not exploit its monopoly and regulatory context to the disadvantage of surrounding land uses);
 - It is capable of accommodating increased mode shift towards high quality environmentally sustainable public transport, including improved interchanges;
- Develop complementary services and infrastructure between the Airport and surrounding precincts (eg: Airport should provide quality ground transport facilities without punitive costs to attract better complementary services nearby);
- Review the future role of air freight and its contribution/costs to Sydney’s economy, including, attraction of high value goods, impact on local road networks, factoring the cost of congestion and its management; and
- Ensure this analysis is conveyed to the task force investigating the location of a second airport for Sydney.

Policy Objective 3: Transport

Actions that would support this policy objective include:

- Clarify cost of congestion (local and within City centre) affecting or caused by Sydney Airport;

- Recommend National and State investment to reduce conflicts with freight traffic from Airport and Port Botany in recognition of the causes and benefits of that traffic;
- Decrease transport costs involved in accessing the Airport and its surrounding employment precinct, noting that the Airport's economic benefits are contingent on employee access to adjacent developments not controlled by the Airport;
- Ensure that there is adequate provision of public transport facilities (including physical space for expansion) in the Airport master-plan without punitive costs, based on the benefits to the airport of service provision;
- Provide information on, and improve links to, existing public transport related infrastructure (eg: SCEC, city centre hotels; redevelopment above Central Station; possible future VFT interchange at Central Station);
- Ensure that market signals and methods favour preferred modes of travel eg:
 - When negotiating commercial airline contracts, encourage Sydney Airport to draw attention to public transport, subject to its increased and reliable service provision;
 - Review the role of other Airport related fees, such as a taxi levy (just increased to \$3.50) in driving ground transport mode decisions; and
 - Consider redirecting increases in car-parking prices, which are above surrounding market prices, with the price-difference going to cross-fund public transport (eg: long-term car park users pay additional levies where alternative modes are available);
- Investigate the role of carbon pricing on transport policy decisions to encourage both mode shift (eg: from short-haul air travel to VFT), extend Airport life, and favour high-value air travel (eg: lower carbon price for international flights compared with short haul domestic);
- Ensure that airport freight traffic contributes to the costs of improved transport infrastructure costs;
- Improve rail access by removing Sydney Airport Station's access fees, funding for which should recognise the benefit to both Sydney Airport and the State as well as the original contributions each made when the Airport line was constructed; and
- Review opportunities to jointly develop improved public transport connections, either through joint funding or provision of in-kind support for interchange, layover and termini facilities for bus, light-rail and taxi fleets.

APPENDIX A

SUSTAINABLE SYDNEY 2030 OBJECTIVES AND ACTIONS RELEVANT TO INQUIRY

Objective 1.3 – Plan for global city support functions (City in 2030 – A robust planning and governance framework for the areas around the Airport is established)

Action 1.3.2 – Work with partners to prepare a planning and development framework for managing the impact of airport growth.

Objective 1.6 – Enhance tourism infrastructure, assets and branding of the City (City in 2030 – Effective partnerships for delivering world-class tourism and cultural infrastructure and amenities are established...)

Action 1.6.1 – Work in partnership with the Tourism Industry and State Government to develop visitor facilities and attractions, including new hotels and accommodation opportunities.

Objective 3.1 – Support and plan for enhanced access by public transport from the Sydney Region to the City of Sydney (City in 2030 – Public transport is the mode of choice for all trips to the City from other parts of the Sydney Region.)

Action 3.1.1 – Support upgrades to the existing regional rail system and new metro rail lines.

Action 3.2.1 – Develop an Inner Sydney Transport Strategy.

Action 3.2.2 – Improve integration of cross-regional public transport services, including light rail, metro rail, and the quality of transport hubs.

Action 3.2.3 – Develop modal interchanges.

Action 3.3.3 – Manage car travel demand.

Action 3.3.4 – Develop sustainable travel initiatives.

Action 3.3.5 – Investigate transport pricing mechanisms to encourage sustainable travel.

Objective 3.4 – Manage regional roads to support increased public transport use and reduced car traffic in City streets (City in 2030 – ... Freight demands managed to protect residential amenity)

Action 3.4.1 – Develop a road hierarchy and management plan for major corridors.

Action 3.4.2 – Ensure opportunities to improve amenity are provided as part of future regional road management.

Objective 9.6 – Plan for the longer term structure of the City (City in 2030 – Current planning decisions do not preclude longer term options)

Action 9.6.2 – Investigate railways, including above Central Station, where the potential for entertainment, exhibition and convention facilities would benefit from co-location with Central Station.

Objective 10.4 – Establish and monitor partnerships for change (City in 2030 – Expanded role for partnerships involving City of Sydney in delivering strategic projects)

Action 10.4.5 – Continue to engage with other governments, inner Sydney councils and national and global cities