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Ms Wendy Craik
Presiding Commissioner
Productivity Commission
GPO Box 1428
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Wendy

Dear ~~Ms Craik~~,

ECONOMIC REGULATION OF AIRPORT SERVICES - DRAFT REPORT

Thank you for the opportunity to comment on your draft inquiry report. I have noted the findings of the report and their variance from the views of Hon Patrick Conlon MP who provided the South Australian Government's initial comments on your Issues paper.

This response does not repeat Mr Conlon's arguments. It responds to the Commission's request for information about whether airports should contribute to the cost of infrastructure outside their boundaries, and the adequacy of communication of information related to the current and future efficiency of surface access to airports. It also provides comments about some minor points of detail of the draft report.

Please find our comments attached.

Yours sincerely,

Trudi Meakins
EXECUTIVE DIRECTOR

21 September 2011

ATTACHMENT

The Commission has asked:

"...whether an airport should contribute to the cost of infrastructure outside its boundary as a result of future on-airport non-aeronautical development.

If funding is viewed as necessary, the Commission also requests information regarding:

- *The basis for funding such infrastructure including the benefits.*
- *The form of funding (such as upfront financial contributions, rate payments or land transfers).*
- *The method of calculating contributions and how the contributions would relate to existing developer charges levied by local governments.*
- *How such funding would align with the conditions under which the airport leases were granted."*

The South Australian Government does not have the legislative power under the *Development Act 1993* to require developers of private land to contribute to the cost of transport infrastructure outside the development's boundary. The Department for Transport, Energy & Infrastructure (DTEI) and many major developers nevertheless recognise that successful development relies on effective transport access networks. The timely provision of transport infrastructure improvements external to the development is often best achieved through cooperative funding arrangements. The recent rezoning of substantial areas of land for urban development in Mount Barker is an example where all road transport infrastructure required to cater for the proposed residential development (both within and external to the development areas) was identified prior to rezoning approval, and the responsibility for funding it agreed between State and local government and the developers.

In this context, the Minister for Transport, in his submission to the Commission, conveyed the Government's expectation that the cost of road infrastructure improvements required to support development on airport land should be borne by Adelaide Airport Ltd (AAL) and/or its developers rather than the general public.

DTEI's approach to the funding of such infrastructure is based on the cost of improvements that are directly attributable to the development being borne by the developer. DTEI does not seek developer funding to address existing or future problems resulting from traffic increases not related to the development but there may nevertheless be benefit in integrating funding streams to the benefit of both development and general traffic.

The form of contributions is identified on a case-by-case basis. DTEI seeks to minimise its exposure to investment requirements having to be met prior to the recovery of developer contributions.

DTEI's approach to the funding of such infrastructure is based on the cost of the improvements directly attributable to the development being borne by the developer. This is not related to existing developer charges levied by local governments.

The Minister for Transport has indicated that the Government has suggested to AAL that all future intersection/access works required to serve on-airport developments should be agreed and documented directly with AAL rather than its developers. This requirement should also be made a condition of approval when assessment of the proposed master plan or major development plan is carried out by the Commonwealth Minister.

The Commission has also asked:

"...about the adequacy of communication between airports and the tiers of governments in relation to the provision of information such as estimated traffic volumes, travel time projections and other key performance indicators relevant to current and future efficiency of access to airports."

Communication between AAL and DTEI has typically been collaborative, resulting in effective exchange of transport information necessary for relevant assessments to be made. DTEI recognises that such exchange is usually best undertaken during periodic revisions of the airport's master plan, or associated with major developments on the airport land.

The Minister for Transport nevertheless has indicated that the South Australian Government expects AAL either to fund the traffic investigations required to enable the Government to adjust its five year traffic forecasts, or, in some cases, to undertake them collaboratively with the Government. When that is necessary, the Commonwealth Minister should require AAL to carry out the traffic impact analyses in consultation with DTEI to identify the actual impacts of the on-airport developments on the existing (surrounding) transport infrastructure, and public transport services, over the life of the developments. This should be a condition of his approval of the developments.

Such collaborative assessments are necessary to quantify the level of investment required from AAL and/or the developer to mitigate adverse impacts. DTEI will fund the development of the transport infrastructure to accommodate urban growth off-airport but, as applies to commercial developments elsewhere in the State, the Government expects AAL and/or its developers to fund the additional works required by their activities.

Additional comments on points of detail in the draft report:

Page 10 - It is misleading to group Adelaide Airport with Canberra and Hobart airports in terms of their "very limited" direct international traffic. Neither Canberra nor Hobart airports currently accommodate *any* scheduled international services. Six international airlines serve Adelaide compared to Darwin's three, the Gold Coast's four and Cairn's eight.

Page 15 – A hotel complex has yet to be developed on Adelaide Airport. Other significant non-aviation developments, however, have taken place that are not listed. They include offices/warehouses in the Burbridge Precinct and Manual Engineering's steel fabrication complex in the Morphett Precinct (2011), Harbour Town Brand Outlet Centre in the Tapleys Precinct (2003), extensions to it (2005) and further extensions and a Woolworth's supermarket (2008), and so on.

Page 32 – It is not correct that the Adelaide Airport curfew is predominantly to deal with international aircraft and freight movements. In fact, the curfew is predominantly about the preclusion of domestic jet passenger flights during curfewed hours. The legislation makes provision for international aircraft to operate within the shoulder hours at either end of the curfew and for certain low-noise freight aircraft to operate throughout the curfew. There is no such provision for domestic passenger jet flights.

Appendix B2 Page 320 – Is also incorrect in stating that the curfew only affects international and low noise heavy freight aircraft movements.