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Economic Regulation of Airport Services

Productivity Commission

GPO Box 1428

Canberra City ACT 2601

Dear Madam/Sir,

Productivity Commission - Economic Regulation of Airport Services

The Australian Business Aircraft Association Inc. (ABAA) represents owners and operators of turbine powered business aircraft. The ABAA welcomes the opportunity to provide the following information for consideration by the Productivity Commission.

National Airport Issues

The ABAA notes the remarks in Minister Albanese's statement that:

"Australia's airports are a vital component of our national transport network and make a significant contribution to the nation's economy."

We also note that the terms of reference for the Productivity Commission's inquiry calls for an examination of 'aeronautical services and facilities provided by major airline tenants.'

The ABAA is concerned that, to date, considerations of pricing and access to the nation's airports have been focused narrowly on major airline passenger movements. Such a focus ignores the very real contribution and requirements of other users of our airports, including domestic and international business aviation and freight operators, emergency services operators and supporting industry.

We submit that all participants in Australia's aviation industry which use airport infrastructure, need to be considered by the Productivity Commission as part of its inquiry.

One of our main concerns is that each privatised airport operates as a monopoly. This is a major problem for all users of these airports, but its effect becomes more pronounced as the size and leverage of the relevant operator diminishes. Obviously, this has very real impacts on smaller industry participants that use vital infrastructure, including business aircraft owners, operators and service providers.

Sydney Airport Issues

1) Sydney Airport - Gateway to Australia

The 2009 Sydney Airport Master Plan Summary included the following statement:

“Sydney Airport is Australia’s major gateway to the world and our nation’s premier airport. The airport connects Sydney- Australia’s only global city- and New South Wales - Australia’s most populous state - to other cities and regions across Australia. It provides access to all the benefits of the global aviation network. The airport is a vital economic hub and a major creator of wealth and employment for the Sydney and NSW economies. It occupies a 900 hectare site approximately eight kilometres south of Sydney.”

Sydney Airport is a key part of national infrastructure that is utilised and relied on by a multitude of different users, including domestic and international airlines and cargo carriers, government aircraft, not-for-profit and emergency aircraft operators and, most notably for the purposes of this submission, the business aviation industry.

2) Sydney Airport’s business aviation precinct is located on the aprons designated Domestic 5 and Domestic 6 on the 2009 Sydney Airport Master Plan (in the north eastern corner of the airport)

Aircraft movements that utilise the business aviation precinct at Sydney Airport include:

- Australian Register - domestic and international business flights;
- Foreign Register- domestic and international business flights;
- Australian Government and military flights;
- Foreign Government and military flights;
- International medivac flights;
- NSW Air Ambulance and Royal Flying Doctor Service flights; and
- international and domestic organ donor flights.

Domestic 5 is capable of accommodating aircraft up to 44,000 kilograms. Aircraft range in size from NSW Air Ambulance King Airs and regional airliners such as the Saab 340 to overnight freighters and business jets, such as Citations, Hawkers, Falcons, Embraers, Gulfstreams and Global Express.

Domestic 6 is capable of parking larger aircraft including RAAF VIP Boeing Business Jets and other larger airline, freight, Foreign Government and business aircraft.

The Domestic 5 and Domestic 6 parking areas and adjacent maintenance hangars and aircraft handling facilities occupy a small percentage of the overall area of Sydney Airport, but constitute vital infrastructure to the operators, service providers, markets and industries that utilise these areas

3) Business Aviation - a key element of Australia’s International Gateway

Business aviation needs to operate into airports which have the following characteristics:

1. proximity to CBD to allow for access to business, government and industry;
2. adequate runway length and aprons to accommodate a range of aircraft sizes and weights;

3. adequate facilities to service aircraft, cargo and passengers; and
4. migration and custom services

No airport in New South Wales other than Sydney Airport possesses all four of these essential characteristics, whereas Melbourne has two airports that qualify.

It is widely recognised that Sydney Airport is Australia's International Gateway.

Sydney Airport Corporation Ltd's (**SACL**) 2010 Annual Report page 2 states:

"Sydney airport is the national gateway, with an extensive network of services to international, domestic, and regional destinations...Air services are also essential to Sydney's high value service industries (education, finance, legal services and general business) as they provide access to new customers, markets and opportunities."

SACL's 2010 Annual Report also includes a statement that "General Aviation makes a significant contribution of 5.6 per cent to total aircraft movements."

However, business aviation receives very limited consideration in policy-making and airport infrastructure planning.

Relevantly, the SACL Master Plan 2009 states that:

"General Aviation facilities are planned to be relocated in the south of the airport while existing helicopter facilities are retained."

Recently, the ABAA has become aware that Virgin Australia has indicated its desire to build a new maintenance hangar on the business aviation precinct at Sydney Airport. The development will involve the preparation of a major development plan (MDP).

It is our understanding that there has been no "critical path" analysis to include an MDP for relocation of the business aviation precinct to another part of Sydney Airport on a sustainable and affordable basis, including with regard to access, tenure and pricing.

The ABAA is concerned that the repercussions of proposed development of the business aviation precinct may not be adequately or fairly considered by SACL, particularly given the inherent conflict between SACL's:

1. interest in maximising profitability and returns to its shareholders; and
2. obligation to appropriately allocate scarce resources under its control to ensure open, fair and affordable access to current and future users of the airport, including business aviation clients and supporting industry.

In the absence of any information regarding the business aviation precinct's relocation, the ABAA is concerned that SACL is not committed to, and does not support the provision of fair access to airport facilities for, business aviation at Sydney Airport.

We consider that it is essential that Australia's privatised airports expressly state their commitment and support for a viable and sustainable business aviation industry, and that this be reflected in policy formulation and decision-making. In particular, we consider it vital that SACL express such commitment and support, given the significance of Sydney Airport as Australia's international gateway and current plans to redevelop the business aviation precinct.

Unfortunately, in recent discussions with SACL, the ABAA has failed to receive any assurances or commitments regarding the provision of uninterrupted facilities for business aviation at Sydney Airport.

We also consider there are strong national interest grounds for the Australian and New South Wales Governments to adopt a supportive position for business aviation when considering the regulation of Sydney Airport.

For a variety of reasons many overseas corporate visitors to Australia choose to travel by business aircraft, and will only travel on this mode of transport. Many senior and high profile personalities, including celebrities, athletes, government representatives, officers and corporate executives need the security of having their own transport. Many require flexibility of flight scheduling not offered by commercial airlines. Many prefer or require a greater degree of privacy than is available in conventional travel. Indeed, a number of international corporations mandate that their senior executives must use company business jets when travelling overseas.

ABAA research shows that a number governments and international companies require for their executives and officers to travel on owned or chartered business aircraft. Details of these requirements can be found for many US-domiciled companies in SEC filings for listed companies.

One listed company had its CEO assaulted and therefore now uses its own aircraft to transport its executives. Business aviation provides high levels of security whilst enabling executives to maximise productive time

Other corporate organisations require travel by business jet to “enhance personal safety”, maximise “productive time”, ensure “quick availability” and facilitate an environment where “sensitive business issues may be discussed.”

The business aviation market is growing nationally, regionally and internationally. Over the past 10 years international business aviation activity has increased significantly, with a fleet of over 34,000 turbine powered aircraft now in service throughout the world. Australia and the Asia-Pacific region are following this trend in terms of business aircraft acquisitions, use and operation.

Australia’s privatised airports should not prejudice a growing industry that is an important part of Australia’s participation in regional and global economic growth. It is in Australia’s national interest that the business aviation industry receives support from major airports, and from Commonwealth and State Governments.

At Sydney Airport, business aviation participants should be afforded fair access and pricing and, as a minimum, should not have existing infrastructure diminished or removed without alternative infrastructure being provided without significant cost to existing users. The ABAA is concerned that SACL intends to impose significant costs for the business aviation industry and other users of the business aviation precinct and has little regard for disruption to business aviation’s access and services.

Observations

The ABAA requests that the following points be considered:

- It is important that Australia makes it attractive for managers, executives and politicians from foreign corporations and governments to travel to Australia, and facilitates their ability to access the Australian market place.

- It is important that access to domestic business aviation travel be facilitated and enhanced throughout Australia.
- It is likely that trade, commerce and investment will be adversely impacted if managers, executives and politicians are discouraged from travel to and around Australia, and participating in decision making in Australia, because of a lack of adequate infrastructure or excessive cost.
- Each new link which Australia makes with overseas governments, organisations and corporations has the potential to generate downstream economic growth and investment, including passenger movements into and around Australia.

Recommendations

The ABAA therefore submits that the Productivity Commission

1. should acknowledge the economic and commercial importance of business aviation at Australia's major airports;
2. should consider pricing and access issues for the business aviation sector at Australia's major airports;
3. recommend to the Minister that the next SACL Master Plan and other master plans at Australia's major airports explicitly state the significance of the business aviation sector as a key user of each piece of infrastructure, and that business aviation use to be factored into current and future access, pricing and development planning on a fair and equitable basis; and
4. recommend to the Minister that SACL be required to provide a commitment to maintaining at least the same level of access and standard of business aviation facilities and services as is currently in place at Sydney Airport at fair and reasonable prices, and that any relocation of the business aviation precinct not give rise to unreasonable disruption to business aviation services or unfair pricing for business aviation participants.

Thank you.

Yours faithfully

David Bell
Executive Director