



21 October 2011

Economic Regulation of Airport Services  
Productivity Commission  
GPO Box 1428  
CANBERRA CITY ACT 2601

Dear Commissioners

**Re: Productivity Commission  
Inquiry into the Economic Regulation of Airport Services  
Supplementary Information**

Further to the email from Mr Paul Davidson of 14 September I write to outline the additional details requested in regard to the planning regime that Avalon Airport is subject to.

Avalon Airport is subject to two levels of planning overlay principally as a result of its ownership structure.

At the State and local government level Avalon Airport is covered by a site specific schedule to the Greater Geelong Planning Scheme (Schedule 11 - attached to this document). This schedule contains a number of "as of right" activities primarily associated with the current and future activities inherent in the operation of a commercial airport. A further set of activities requires a permit from the City of Greater Geelong. These include, for example, an expansion of retail activity or the development of a residential hotel.

The Greater Geelong Planning scheme operates within the overall framework of State planning laws which allocates roles to local and State government for various activities. In practise the State planning framework has been supportive of the operations at Avalon Airport. Similarly Avalon Airport has been well supported by the Victorian State government.

This regard for the development of Avalon Airport was evidenced in 2010 by its exclusion from an Environmental Significance Overlay covering the Victorian Volcanic Plains grasslands and also earlier in 2009 when a development proposal at the airport was "called in" by the State Minister for Planning to expedite the approval process. On both occasions Avalon Airport's role in economic growth was cited as a key reason for the State taking these actions.

In addition the State Government recently announced that it would construct a new rail link and provide funding towards a new fuel pipeline at Avalon Airport. These commitments come in addition to the State Government's endorsement of Avalon Airport's plan to become an international airport.



This planning process and the State Government's support and facilitation assistance contrasts with the additional planning overlays imposed by virtue of Avalon Airport's role as a tenant of the Department of Defence.

Avalon Airport's tenancy is governed by a lease with the Commonwealth of Australia signed on 31 January 1997. Under the terms of that lease any proposal to construct a new passenger terminal to accommodate international passengers requires Avalon Airport to develop and seek approval from the Commonwealth for a Major Development Plan (MDP). Additionally, under the arrangements with the Commonwealth, the tenancy relationship is managed through a civilian commercial real estate agent. This means that Avalon Airport has little direct relationship with the Commonwealth in regard to the development of what is an important, strategic, public asset and the potential source of employment and commercial activity in a region that could clearly use more of both.

For example, the process to construct a new international terminal under existing Commonwealth arrangements is difficult. In 2008 the Commonwealth Government rejected an MDP application submitted by Avalon Airport. An MDP is essentially a planning application document rather than a document that seeks to be prescriptive about operational issues for the airport. Despite the City of Greater Geelong issuing a planning permit for the project, the Commonwealth rejected the MDP on grounds that that were well catered for within the State and local government planning schemes.

Since that time, the State Government and City of Greater Geelong have continued to support our desire to become an international airport, however the Commonwealth Government process continues to be problematic. .

Recently Avalon Airport wrote to the Minister for Defence seeking the Commonwealth vary their MDP requirements to assist Avalon Airport's endeavours by allowing the required public consultation process to occur prior to final design of the terminal. It is hoped that the Commonwealth Government will assist us by agreeing to streamline the process in this way.

Avalon Airport believes that the airport should be subject to a single planning regime only. We suggest that the Commonwealth Government relinquish its planning rights by selling the freehold of the airport. This would enable the State and Local Government to control an asset which is clearly to their economic benefit.

Given the historical trend over time to move Defence activities to Australia's north along with recent reviews that may accelerate this trend, the strategic rationale for Defence's retention of Avalon Airport may be diminishing – as such the public policy rationale for Defence's retention of Avalon Airport may be diminishing also.

Conversely, if the Commonwealth Government wishes to retain control, Avalon Airport should be placed under the Airports Act. This would remove planning overlay by the State and Local Government providing Avalon Airport with just one planning scheme.



Either way the continuance of a duplicated planning arrangement hinders both the expansion of Avalon Airport and increased competition in the aviation sector.

In respect of local government rates, under the terms of its lease, Avalon Airport is a rateable property and pays rates to the City of Greater Geelong at a rate struck between that applicable for farm land and that which applies to nearby industrial land. The rates are paid annually or quarterly at Avalon Airport's discretion as they are for any other ratepayer within the City.

In conclusion, Avalon Airport has a demonstrated commitment to invest in growing the domestic and international passenger market. But the notion of having two planning processes makes it extremely difficult for Avalon Airport to grow. We welcome the opportunity to contribute to the Productivity Commission's considerations in this regard and stand prepared to provide further information should we be requested to do so.

We hope our submission assists the Inquiry and we thank you for your consideration.

Yours faithfully

Justin Giddings  
Chief Executive Officer

Attachment 1: Schedule 11 of Greater Geelong Planning Scheme