

10 October 2008

Mr Michael Deegan
The Infrastructure Coordinator
Infrastructure Australia
GPO Box 594
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Dear Mr Deegan

Submission
Infrastructure Australia Discussion Papers 1 and 2

Sydney Airport Corporation Limited (SACL) welcomes the opportunity provided by the Australian Government and Infrastructure Australia to make a submission in response to *Discussion Paper 1: Australia's Future Infrastructure Requirements* and *Discussion Paper 2: Public Private Partnerships*.

The national economic significance of Sydney Airport

Sydney Airport is Australia's major gateway to the world. Servicing 43 airlines and with 46% of all Australia's international airline passengers arriving in Sydney, it is our nation's busiest airport. In 2007, Sydney Airport saw nearly 32 million passengers pass through its terminals, accommodated more than 286,000 aircraft movements and handled 470,000 tonnes of air freight. As discussed below, this level of aviation activity is forecast to grow in the coming years. Sydney Airport is arguably the most vital piece of transport infrastructure in Australia today, facilitating the exchange of freight and passengers, and all the associated social and economic benefits that flow from aviation travel.

This significant and growing level of aviation activity underpins Sydney Airport's role as an employer and economic driver of national importance. Sydney Airport makes a direct contribution of \$8 billion to NSW Gross State Product. 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. Around \$7.4 billion is also contributed directly to household incomes every year – that is, more than \$142 million is injected into family budgets each and every week.¹

This substantial economic contribution translates into well paid jobs. It is estimated that Sydney Airport provides or generates more than 75,000 jobs directly and about 131,000 jobs indirectly, making a total of around 206,000 jobs. This year, it is estimated that these jobs will deliver around \$286 million in payroll tax revenue to the NSW Government, or more than \$1.2 billion over the next four years.

¹ URS Australia Pty. Ltd., *The Economic Impact of Growth at Sydney Airport*, 2008.

Private ownership has delivered a better Sydney Airport

The Australian Government's decision in 1994 to privatise Australia's major airports has been an unambiguous success. It was a watershed in the private sector's involvement in the provision and day-to-day operation of major transport infrastructure in Australia. Since privatisation, Australian airports have collectively increased capital investments – a total of \$2.3 billion during the post-privatisation period compared to \$2.0 billion during the pre-privatisation period. The forecast for future capital expenditure is also significant, and is estimated to be as much as \$10 billion.²

With respect to Sydney Airport, SACL has invested around \$850 million into its infrastructure, including the upgrading of its terminals (the \$500 million upgrade of T1, Sydney Airport's International terminal, is now underway), enhancing roads, building new car parks, upgrading and widening taxiways and strengthening runways. As part of this, \$120 million has been invested to ensure Sydney Airport was ready for the new generation of larger, quieter, cleaner and more fuel efficient aircraft such as the A380. As well as delivering environmental and community benefits – including reduced carbon emissions and a smaller aircraft noise footprint – the entry into service of increasing numbers of these larger quieter aircraft will, over time, deliver growing and increasingly significant social and economic benefits at the national level.

In addition to the substantial contribution Sydney Airport makes to the NSW economy and its resulting direct and indirect contribution to the State's payroll tax revenue, SACL pays all other normal NSW Government business taxes and charges. As land at Sydney Airport is owned by the Australian Government, Sydney Airport pays land tax to it. This year, more than \$3 million was paid. Since 2002, land tax payments have totalled \$16.4 million. Finally, in lieu of rates, Sydney Airport also makes annual contributions to local councils bordering the airport. Last year, a total of nearly \$1.9 million was paid to Botany Bay, Rockdale and Marrickville Councils. Since 2002, payments have totalled nearly \$9 million.

SACL also owns and maintains various public roadways including Qantas/Airport Drive (which forms an important element of the southern Sydney arterial road network) and Ross Smith Avenue in the Domestic Terminal Precinct.

Accommodating forecast growth in aviation activity

As Discussion Papers 1 and 2 indicate, our national infrastructure is the platform for future growth and prosperity. Our nationally significant aviation infrastructure – including Sydney Airport – undoubtedly provides such a platform.

SACL anticipates that, as global aviation activity grows – especially in the Asia-Pacific region – Sydney Airport's importance as a generator of jobs and national wealth for Australia will increase. For example, it is estimated that:

- Sydney Airport's annual economic contribution to the NSW economy will increase from \$16.5 billion today to more than \$27 billion by 2015/16, an increase of 65%.
- the number of jobs directly and indirectly associated with Sydney Airport could rise from 206,000 today to more than 338,000 by 2015/16, an increase of 64%.³

² Tourism & Transport Forum, *Assessing the Impact of Airport Privatisation*, 2008.

³ Above note 1.

To plan for this growth, and to secure these future economic benefits, Sydney Airport is updating its existing approved Master Plan 03/04. A Preliminary Draft Master Plan 2009 (PDMP) has been prepared and is now on public exhibition.⁴ The PDMP – a copy of which has been provided to Infrastructure Australia – indicates that, between 2009 and 2029, passenger numbers are forecast to increase by an average of 4.2% each year. This will see the airport serving 78.9 million passengers in 2029, up from the 68.3 million in 2023-24 forecast in the existing approved Master Plan 03/04.

Aircraft movements for scheduled passenger operations are forecast to increase by an average of 2.0% per year. This will see the airport handling 402,000 such aircraft movements in 2029, up from the 377,650 forecast for 2023-24 in the existing approved Master Plan 03/04.

The PDMP demonstrates that Sydney Airport can sustainably accommodate this forecast growth in airline travel until at least 2029, because:

- airport facilities – including terminals, freight facilities, hangars, aircraft parking, airport roads and car parking – will be progressively upgraded over the next 20 years.
- aviation technology is improving all the time: new generation aircraft are larger, quieter, cleaner, more efficient and they consume less fuel.

Governments are also considering upgrades to the M4 and M5 motorways, new bus services and more frequent trains to and from the airport. New infrastructure and public transport services will make it easier for people to travel and from Sydney Airport. This issue is addressed in more detail below.

Importantly, the forecast growth in aviation activity can be achieved without changing any of the constraints on capacity that apply to Sydney Airport. The PDMP is therefore based on no change to the curfew, no change to the aircraft movement cap, no new or extended runways, no new flight paths and no change to access arrangements for regional airlines. This will help to ensure that the economic and social benefits of growth are secured in an environmentally responsible manner.

Making efficient use of existing infrastructure

SACL notes that one of Infrastructure Australia's primary functions is to provide advice to governments, investors and owners of infrastructure on Australia's current and future needs and priorities relating to nationally significant infrastructure. SACL also notes that the Council of Australian Governments (COAG) has asked Infrastructure Australia to bring forward by the end of 2008 an interim report on the National Infrastructure Audit and the Infrastructure Priority List.⁵ In this context, SACL believes that Australia's future aviation infrastructure needs – including the question of future airport capacity for Sydney – is a relevant issue.

Infrastructure Australia would be aware that, in April 2008, the Australian Government released an Issues Paper for public comment as a first step in developing a national aviation policy.⁶ It is anticipated that, following consideration of the public submissions received in response to this Issues Paper, a Green Paper will be released later this year, to be followed by a White Paper in 2009.

⁴ Sydney Airport Corporation Limited, *Preliminary Draft Master Plan 2009*, September 2008 (available at www.sydneyairport.com).

⁵ Council of Australian Governments Meeting (Perth), *Communiqué*, 2 October 2008.

⁶ Department of Infrastructure, Transport, Regional Development and Local Government, *Towards a National Aviation Policy Statement*, April 2008.

The Issues Paper indicated that the review of Sydney Airport's existing approved Master Plan 03/04 provides an opportunity to consider current and future capacity issues relating to Sydney Airport. That being so, and as outlined above, the PDMP demonstrates clearly that Sydney Airport can sustainably accommodate the forecast growth in airline travel until at least 2029, and that it can do so within the various constraints on capacity applied by the Australian Government.

SACL's submission in response to the Issues Paper⁷ (a copy of which is attached) also addressed this issue and specifically responded to the suggestion that a suitable site should be found for a second Sydney airport. While it is acknowledged that such decisions are ultimately ones for the Australian Government to make, SACL's view is that the substantial cost needed to build a second Sydney airport and its necessary associated fast transport links (which would likely run to many billions of dollars), cannot be justified in light of the infrastructure already in place at Sydney Airport, especially considering SACL's strategies and demonstrated ability to sustainably meet the forecast growth in demand. To under-invest in the current infrastructure already in place at Sydney Airport would be to underutilise a valuable and nationally significant infrastructure asset which is yet to reach its full utilisation.

Therefore, in the face of numerous competing and, in many cases, urgent infrastructure needs, SACL contends that the most efficient use of the nation's scarce infrastructure dollars would be to encourage further investment in and utilisation of the current airport infrastructure. Duplicating Sydney's existing airport infrastructure elsewhere at great cost, and when there are other more pressing infrastructure needs, would be wasteful in the extreme.

The role of governments in helping the private sector to sustainably accommodate growth

Sydney Airport is not an island. As a piece of nationally significant infrastructure, it must be looked at in the context of the NSW Government's long term plan to maintain Sydney's role in the global economy, the *Sydney Metropolitan Strategy*. This Strategy identifies a Global Economic Corridor stretching from Macquarie Park, through the Sydney CBD to Sydney Airport and Port Botany which it describes as the "...powerhouse of Sydney and Australia's economy."⁸ Sustainably accommodating growth in aviation activity at Sydney Airport should therefore also be seen in the context of the infrastructure needs generated by other significant development occurring elsewhere in the Global Economic Corridor, including:

The expansion of the Port Botany Container Terminal: Port Botany is a crucial hub for more than \$40 billion in trade each year. It currently handles the second largest container volumes in Australia and generates \$1.5 billion a year in economic activity. Over \$2 billion in infrastructure is in place at the port which is a vital asset and pivotal to the State's and the nation's international trade. Work has now commenced on expanding the terminal to enable this vitally important and nationally significant infrastructure to accommodate the expected doubling of trade through the port over the next 10 to 15 years.⁹

Residential and employment growth: Draft NSW Government targets for 2031 proposing an additional 26,050 dwellings and 36,100 jobs in the Botany Bay, Randwick, Marrickville and Rockdale local government areas.¹⁰

⁷ Sydney Airport Corporation Limited, *Submission to the Department of Infrastructure, Transport, Regional Development and Local Government*, June 2008.

⁸ NSW Government (Department of Planning), *City of Cities: A Plan for Sydney's Future*, 2005.

⁹ Sydney Ports Corporation, *Port Botany Container Terminal Expansion 2008*, viewed 7 October 2008, <http://www.sydneyports.com.au/__data/assets/pdf_file/0019/4942/Port_Botany_Overview_July_2008.pdf>

¹⁰ NSW Government (Department of Planning), *East Subregion: Draft Subregional Strategy* (July 2007) and *South Subregion: Draft Subregional Strategy* (December 2007).

Existing major development approvals: The NSW Government has already granted development approval for major developments at Green Square and Cooks Cove, both of which are located in close proximity to Sydney Airport.

SACL believes that its significant on-going private investment in the nationally significant aviation and related infrastructure on Sydney Airport should be supported by parallel investment in infrastructure by the NSW Government – with appropriate Australian Government support through the Building Australia Fund – off Sydney Airport. In particular, enhanced ground transport infrastructure, including improvements to rail and road infrastructure, are needed. Such infrastructure investment will facilitate the expansion of Port Botany and growth in aviation activity at Sydney Airport, as well as service the forecast job and residential growth in the region. In other words, such infrastructure investment will help to ensure the benefits of growth in Sydney's designated Global Economic Corridor are secured for the people of Sydney, NSW and Australia.

It is acknowledged, of course, that building this supporting off-airport infrastructure will require investment by the public sector. With respect to rail infrastructure, SACL supports the NSW Government's existing \$1.8 billion Rail Clearways Plan and its plans to provide new and improved rolling stock, which will ultimately improve the reliability and strengthen the capacity of the CityRail network. This, in turn, will improve rail services passing through Sydney Airport. With respect to road infrastructure, SACL believes that the Australian Government should support those parts of the NSW Government's submission to Infrastructure Australia's infrastructure audit¹¹ which identify key priorities for ground transport infrastructure, including the M4 Extension to Port Botany/Sydney Airport and the M5 Expansion. As the submission itself states:

"The proposed M4 extension and M5 expansion would provide additional road infrastructure capacity to support Port Botany and Sydney Airport to alleviate congestion on Sydney's key freight arteries. ... [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."¹²

The submission goes on to state that:

"[r]educing road congestion around the Port Botany precinct is integral to reducing freight costs, improving the efficiency of port operations, and reducing the social and environmental costs imposed by congestion."¹³

In this respect, the NSW Government's submission to Infrastructure Australia as it relates to the M4 Extension to Port Botany/Sydney Airport and the M5 Expansion is relevant to the issues raised in Discussion Paper 1, in which Infrastructure Australia indicates that it is seeking to " ...identify nationally significant infrastructure problems that may hinder the achievement of economic, social and environmental goals." SACL contends that *not* proceeding with these new motorways will, over time, hinder the achievement of these goals. Consistent with the *Outline of Infrastructure Australia's Prioritisation Methodology* released by the Prime Minister on 7 October 2008¹⁴, completion of both motorway projects will clearly promote the achievement of the nation's economic goals and help to boost national productivity.

¹¹ NSW Government, *Infrastructure Audit Submission to Infrastructure Australia*, June 2008.

¹² *Ibid*, at pp 27, 28.

¹³ *Ibid*, at p 31.

¹⁴ Infrastructure Australia, *Outline of Infrastructure Australia's Prioritisation Methodology*, October 2008.

The Outline of Infrastructure Australia's *Prioritisation Methodology* also makes it clear that, when assessing and prioritising infrastructure projects, Infrastructure Australia will consider a wide range of benefits and costs – not just economic, but also social and environmental. With this in mind, and as the Bureau of Infrastructure, Transport and Regional Economics (BITRE) has previously indicated¹⁵, it is noted that the social and environmental costs of traffic congestion are significant. The nation-wide 'avoidable' cost of congestion is estimated by BITRE to increase from \$9.4 billion (in 2005) to \$20.4 billion (by 2020). The 2005 estimate comprises \$3.5 billion in private time costs, \$3.6 billion in business time costs, \$1.2 billion in extra vehicle operating costs and \$1.1 billion in extra air pollution costs.¹⁶ It is also well known that congestion is a major contributor to vehicle emissions, and so to Australia's overall greenhouse gas emissions.¹⁷

SACL believes that, as the proposed M4 Extension to Port Botany/Sydney Airport and the M5 Expansion will reduce traffic congestion – especially that resulting from the projected increase in heavy vehicle traffic associated with the expansion of Port Botany – the related social and environmental costs associated with congestion in this part of Sydney will correspondingly be reduced.

Meeting environmental objectives

Discussion Paper 1 indicates that the development of Australia's infrastructure to improve our standard of living must not come at the expense of our environment. SACL supports this view and is conscious of the need to strike the right balance between the economic and social benefits that Sydney Airport delivers, and will increasingly deliver, and its environmental impacts.

The two key environmental challenges facing the aviation industry today are managing aircraft noise and climate change impacts.

Managing aircraft noise

Aircraft noise is a major issue for airports around the world and, for Sydney Airport, it has been a long standing issue. Sydney Airport and the responsible Australian Government regulatory authorities have worked hard to better manage and reduce aircraft noise impacts, for example:

- Sydney Airport supports the Australian Government's noise sharing policy, which aims to place flight paths over water and non-residential areas wherever practical. Where this is not practical, and when it is safe to do so, the second principle is to share the noise equally over the surrounding suburbs and to provide areas with varying periods of respite from aircraft noise.
- As indicated above, to be ready for the new generation of quieter, cleaner and more fuel efficient aircraft such as the A380, Sydney Airport has invested \$120 million on infrastructure facilities including new gates and aerobridges and strengthened runway and taxiway pavements.
- The 11pm to 6am curfew has operated since 1963 when jet aircraft were substantially noisier than they are today.

¹⁵ Bureau of Infrastructure, Transport and Regional Economics, *Estimating urban traffic and congestion cost trends for Australian cities: Working Paper No 71*, 2007.

¹⁶ Ibid, at p xv.

¹⁷ Bureau of Infrastructure, Transport and Regional Economics, *Urban Congestion: The Implications for Greenhouse Gas Emissions: Information Sheet 16*, 2000.

- Only modern aircraft meeting the most stringent noise requirements are permitted by the Australian Government to operate at Sydney Airport on a regular basis.
- The Australian Government has spent hundreds of millions of dollars to insulate homes and public buildings in those areas most impacted by aircraft noise.
- Local councils surrounding the airport are provided with detailed information on noise impacts so they can incorporate it into their land use planning policies.

Importantly, Sydney Airport's recently-released PDMP is based on no change to the existing curfew, no change to flight paths and no change to the aircraft movement cap.

The PDMP contains a chart showing an Australian Noise Exposure Forecast (ANEF) for Sydney Airport 2029. [The ANEF system models aircraft noise impacts around an airport.] Comparing the 2029 ANEF with the 2024 ANEF in the existing approved Master Plan 03/04, it can be seen that the noise footprint for Sydney Airport in 2029 relative to that for 2024 has been generally reduced.

This is because of the introduction of the new generation of quieter aircraft, a trend that will accelerate over the next 20 years as additional A380s and the soon-to-arrive B787 enter commercial service. These even quieter aircraft have not been included in the modelling for the draft ANEF. SACL anticipates that, when they are included in the ANEF modelling, the noise footprint for Sydney Airport will be reduced further still.

Because of on-going improvements in aviation technology, today's aircraft – such as the A380 – are significantly quieter than their predecessors. The International Civil Aviation Organization has said that the aircraft coming off the production line today are about 75% quieter than they were 40 years ago, and that aircraft manufacturers are working to reduce this further. That is, new technologies are reducing noise impacts in communities around airports, including areas close to Sydney Airport. In fact, Airservices Australia has recently released a report showing that the A380 is between 2.3 and 6.7 decibels quieter than the B747-400 when departing Sydney Airport. The report states that “a three decibel reduction is regarded as a halving of an aircraft's noise energy.”¹⁸

Climate Change

All industries – including aviation – contribute to the problem of climate change and all must be a part of the solution. The Intergovernmental Panel on Climate Change has estimated that aviation accounts for only around 2% of global carbon dioxide emissions. However, it is growing and is estimated to reach 3% by 2050.¹⁹ Nevertheless, as a part of the aviation industry, Sydney Airport recognises that being a relatively small contributor to overall emissions is not a licence for complacency.

The aviation industry's challenge is to retain the many positive economic and social benefits that it provides, while reducing or eliminating negative environmental impacts, including carbon emissions.

Recent history shows that this challenge can be met. For example, despite the growth in aviation over recent decades, the fuel efficiency of today's modern jet aircraft is 70% *better* than it was with the early jets. Improved fuel efficiency means lower carbon emissions and a

¹⁸ Airservices Australia, *Noise monitoring report: A380 v 747-400*, 2008.

¹⁹ Intergovernmental Panel on Climate Change, *IPCC Special Report: Aviation and the Global Atmosphere*, 1999.

reduced contribution to climate change. And fuel efficiency will only improve, as is being seen with the A380 and will soon be seen with the B787, with a further 20% fuel efficiency improvement expected.²⁰

On the ground, Sydney Airport itself is also implementing a range of on-airport initiatives to improve its own environmental performance and to reduce the Airport's carbon footprint. The Airport produces almost 100,000 tonnes of carbon dioxide equivalent emissions with the biggest contributor being the energy used to run the airconditioning system in the terminals.

The Airport has developed a carbon neutral strategy which aims to reduce its carbon footprint. The strategy includes the following elements:

- An emissions inventory for the Airport complete (excluding emissions from airlines or other third parties) – the Airport produces around 100,000 tonnes of carbon dioxide equivalent emissions, with the largest contributor being the energy used to run the airconditioning systems in the terminals.
- Sydney Airport's Energy Saving Action Plan – which has been approved by the NSW Government – is being implemented. Initiatives being pursued as part of this plan include increasing use of alternative energy sources such as solar and cogeneration.
- Increased use of Fixed Electrical Ground Power Units will reduce the need for aircraft to run Auxiliary Power Units on the ground, thus reducing fuel burn and emissions.
- Construction has commenced on Sydney Airport's water recycling plant which will save about 350 million litres of fresh water a year.

I look forward to the release of Infrastructure Australia's infrastructure audit and priority list and commend SACL's submission to you.

Yours sincerely

Russell Balding, AO
Chief Executive Officer

²⁰ Ibid