



**AUSTRALIAN LOCAL GOVERNMENT
ASSOCIATION**

**Submission
to the Productivity Commission**

on

Airport Pricing, Investment and Services Review

September 2011

Introduction

The Australia Local Government Association (ALGA) represents the interests of more than 560 councils at the Federal level. Its membership is made up of the associations of local government in each State and Territory. The ACT Government is also a member in its role as the local authority in the Australian Capital Territory.

ALGA's interest in airports is at a general policy level on airport planning and regional airports and it has no comment on specific airport issues. Matters relating to specific airports may be brought forward to the Committee separately by individual councils and State and Territory local government associations.

Leased airports

Planning

The leased airports in the major cities have important aviation roles and are significant transport and economic hubs, handling over 120 million passenger movements in 2008-09 and generating thousands of jobs both directly and indirectly. This important role of airports needs to be integrated into regional and local planning for both the efficient operation of the aviation industry and the local communities surrounding airports.

Airports when first established were on the outskirts of cities and included large tracts of vacant land. These sites have now been largely enveloped by urban growth. The new commercial owners of airports have recognised the value of airport land not used for aviation purposes and are now developing it for various non-aviation commercial purposes. Activities such as retail centres and office complexes that generate large employment and traffic flows have been developed on airport land. In some cases these developments result in traffic movements surrounding the airport as large as or even larger than the aviation activities at the airport site.

The ALGA position in relation to airport planning has consistently been that:

- the aeronautical elements of airports are key parts of the nation's infrastructure and their planning is a matter for the Australian Government;
- non-aeronautical commercial developments do not constitute key national infrastructure and do not justify being excluded from state and local planning regimes and should be consistent with state and local plans, including taking account the impact of the proposed development on nearby businesses; and
- commercial developments on airport land should contribute to the cost of infrastructure requirements off airport land and the impact on local communities should be taken into account as part of an approval process.

ALGA was pleased to note in the second reading speech for the *Airports Amendment Bill 2010* the statement that:

“The primary role of the leased Federal airports is to provide aviation infrastructure that serves the Australian community”

ALGA welcomes this important distinction between aviation and non aviation commercial activities and is pleased with the intent of the changes in airport master planning as recognised by *Airports Amendment Act 2010*. These changes are a significant step forward and a recognition by the Federal government of the role airports, both the aviation and non-aviation elements, play in local economies, communities and transport systems.

However, despite these changes, decision making for commercial non aeronautical development remains with the Commonwealth Minister and local planning can still be overridden, although the Minister must give reasons for any decision to allow developments not consistent with state and local government planning.

ALGA agrees with the Productivity Commission that it is too early to evaluate how these arrangements are working in practice and we support the Productivity Commission proposal that they be reviewed in 5 years.

Rates and developer contributions

Commonwealth land, such as airports, is excluded from paying council rates. ALGA accepts that there may be a case for key national infrastructure, such as the aeronautical facilities, to be exempted from the payment of council rates and local charges but there is no logical reason why a non-aviation commercial facility on airport land should be exempt while an identical facility on non airport land would be required to pay rates and make developer contributions for infrastructure enhancements. ALGA notes that there are arrangements in place for airport lease owners to collect fees the equivalent of rates and pass them on to councils.

It is common practice for councils and states to seek “developer contributions” when approving major facilities to help pay for the necessary upgrading of any associated infrastructure required by the development. There are examples of developers of non aeronautical commercial developments on airport land making a contribution to the provision of supporting infrastructure off the airport site.

These arrangements, for both rates and developer contributions, are dependent on the goodwill of airport owners and developers and are not enforceable by local government.

ALGA asks the Productivity Commission to consider recommending that local government have the ability to directly charge rates to non aeronautical developments on airport land and have the ability to directly negotiate for “developer contributions” for upgrading infrastructure surrounding airports where the upgrade is directly the result of non-aviation developments on the airport.

Regional airports

Regional airports were “sold” to local government in the early 1990’s. Councils in practice had no option but to take on the airports and were provided with some limited short-term financial support. There has also been some support for upgrading security in recent years.

The experience of councils with regional airports has varied with some being profitable while others are a cost to council and are maintained as a service to the community.

ALGA agrees with the Productivity Commission analysis that councils and regional airlines have countervailing economic power in their negotiations in the setting of aeronautical charges. It is in the interest of both the airline and the council to reach a price that will see the ongoing provision of airlines services to the community and ALGA does not see any need for further regulation in this area.

ALGA agrees with the Productivity Commission that councils are likely to be at a relative disadvantage in negotiations with airlines as result of their limited experience and resources and supports the Productivity Commission proposal to develop Regional Aeronautical Pricing Principles that could be used a basis and guide for negotiations.

ALGA would be pleased to work with the Productivity Commission to develop Regional Aeronautical Pricing Principles for use by councils and regional airlines.

ALGA would be happy to expand on this submission before the Productivity Commission if required.

Yours sincerely

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