

CANBERRA NEEDS STRONG PLAN TO MAKE AIRPORT FLY

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The Federal Government announced in a recent press release by the Prime Minister that it will "build" the new Western Sydney Airport. This week's Federal Budget confirmed \$5.3 billion in funding for the airport. That term "build" disguises a plethora of issues. Is it a good idea for the Federal Government to build the airport and what will that mean in practice?

When I think about building an airport I think about a range of issues including an effective, scalable, flexible and modern design that will meet needs now and into the future. I think about connectivity with the broader airport precinct, the local community, the region and aviation networks. I think about the ability to build on time and on budget to a suitable quality standard. I think about funding the build stage but also the ongoing operational stage, particularly in the early years before the project turns cash positive. I also think about the ongoing operation and development of the airport so that it remains relevant and a viable place to visit and do business over the coming years and decades.

Is the Federal Government best placed to directly discharge all of these requirements? In my view, probably not. Is the Federal Government best placed to discharge some of these requirements, at an airport like Western Sydney, particularly in the early years? Almost certainly.

All of Australia's major airports were owned and operated by the Commonwealth prior to privatisation in the late 1990s and early 2000s. The major airports in each state have undergone upgrades since privatisation, which in some cases have been significant. Does that mean that the major airports operated by the former Federal Airports Corporation were sub-standard? The answer to that question would probably be no - in most instances. Does that mean that they could have been better? Almost certainly.

A comparison of the post privatisation facilities which have materially improved the facilities that were available at privatisation would seem to validate this view. Why would this be the case? An airport in Government hands provides a facility to the community and businesses. An airport in private hands provides a facility to the community and businesses but also provides an opportunity to grow revenue and profits for the private owners. Some will say this results in higher costs for users which may be correct but it almost certainly provides greater facilities and functionality which many have now come to take for granted in Australia.

As a frequent traveller to the United States where the majority of the country's major airports remain in public hands, the contrast in the quality of facilities available to the travelling public can be quite pronounced. Of the

more than 50 international airports in the US, only 4 are in the top 50 in the 2017 Skytrax awards with the little known Cincinnati/Kentucky being the highest ranked at number 26. Contrasting that, Australia's three main east coast airports which are all privatised are in the top 30 with Brisbane Airport leading the way.

The Federal Government plans to undertake an extensive design competition for the new Western Sydney Airport. The outcomes of that competition will be as effective as the design brief permits. Get the brief wrong and the design result could set the ball rolling in the wrong direction. Get it right and good results should flow. The risk is that as the Federal Government has not been in the business of developing and operating new airports for 20 years, it may emphasise the wrong things resulting in poor outcomes. That would diminish the longer term value to the taxpayers upon ownership exit by the Government.

The Government is making all the right noises about connectivity to the broader community including by road and rail. The various levels of Government are best placed to do this, so that is a good outcome. The Government should be congratulated for taking the lead in funding the airport's development. Government has a mixed track record when it comes to building on time and on budget. For major infrastructure in a non-core area, there must be a question mark over their ability in this regard. On balance, I'd say watch this space but it would come as no surprise if difficulties are encountered down the track. The precise nature of the \$5.3 billion funding model will also be interesting to see unfold. What is clear is that the Federal Government can fund the project. What is not clear at this stage is whether an effective and appropriate funding model is utilised.

Finally, in relation to ongoing operation and development of the airport, this is where Government ownership presents the potential cold sweat scenario. Any way I look at it, operation in Government hands is unlikely to lead to the dynamic outcomes that a modern airport needs to be successful. If the Government appoints an experienced airport operator under a model that provides a suitable level of autonomy and appropriate incentives to continue to operate and develop the Western Sydney Airport in a manner that successfully competes for business with the other major airports, the Government building the airport should prove to be a good idea.

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