

BUILDING A NEW AIRPORT REQUIRES A SPECIAL TEAM

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When a major airport in Germany, a country known for its efficiency, is seven years behind schedule you start to understand that building an airport is tough work, really tough work.

Aviation is a global business and the successful construction of Sydney's second airport will require a collection of global problem solvers.

With the long awaited Federal Government's announcement of the relevant approvals for the new Western Sydney Airport at Badgery's Creek recently having been made by the Prime Minister, the next set of challenges is about to begin.

Sydney Airport Corporation (SAC) will have four months to decide whether it wants to exercise a right of first refusal to develop and operate the Western Sydney Airport. The myriad of pros and cons associated with deciding whether to exercise the right to develop the Airport are both extensive and complex.

Is the benefit of having a much greater degree of control over network and capacity risk outweighed by other risks such as the significant capital outlays, competition issues associated with properly managing the network or demand forecasts not matching the reality?

The extensive and significant obligations, costs, balance sheet drain and risks associated with designing, building, financing and operating a major greenfield infrastructure development where development of this nature and scale is not core business for SAC will also offer plenty of food for thought for SAC in making its decision whether to exercise its right of first refusal. Standard & Poors reported earlier this week that it expects SAC to not take up the option to develop Western Sydney Airport based on SAC's position that it will not put its current airport at risk. Of course, if SAC doesn't exercise the right of first refusal, the opportunity presents for a consortium of major foreign investors, developers and operators to enter the Australian airports market and construct and operate the Western Sydney Airport for the longer term.

Major greenfield airport developments in Australia have been few and far between. Major redevelopments at airports such as Canberra and Adelaide have been well received as has the comprehensive and systematic approach to developing the airport precinct adopted by Brisbane Airport Corporation. However, the opportunity to master plan a modern airport, airport precinct and complementary road and rail projects from scratch on the scale

anticipated at the Western Sydney Airport represents a unique opportunity in Australia. The development of an airport to assist with the management of considerable capacity constraints at a nearby major Australian airport is also unique.

The ability to plan from scratch and incorporate leading edge designs, technology, systems and processes provides an opportunity for Australia to develop a world class satellite airport and associated facilities providing high levels of user satisfaction and a tourist drawcard whilst also delivering productivity and profitability gains in a security environment designed to meet modern day threats.

Whilst Australian industry has experience with designing, developing, financing, and constructing major airport infrastructure, that capacity must be viewed in a different light when considering the ability to take the Western Sydney Airport from a concept to be developed to an operational airport and airport precinct. It represents a massive challenge.

Whilst the forecast development cost of approximately \$5 billion is not, in this day and age, overly remarkable by the standards of development costs for major infrastructure projects, the multi-faceted nature of a modern airport and airport precinct which need to be planned for now and well into the future represents a real challenge to get right. The reality is, that airport development, much like many of the aircraft that will be using the Western Sydney Airport is an international business. The teams that will need to be formed, irrespective of whether SAC exercises its right of first refusal, to deliver the project will entail many participants from both Australia and further afield. If SAC does not exercise its right of first refusal and the development and subsequent operation of the airport is opened up to a market process, many further participants will be involved with most bidding consortiums likely to entail a significant international flavour – be that from master planners and designers, developers, construction companies, financiers (both debt and equity) and potential operators and specialist service providers.

Having advised on major redevelopments of existing airport facilities and comprehensive airport developments comparable to the scale envisaged with the Western Sydney Airport, the challenges that will be encountered are many and varied.

The initial challenge in order to get the best possible result for the Western Sydney Airport is to assemble a highly skilled team to deliver and operate the project drawing upon the best experience from a relatively small pool that is currently available on a global basis. SAC's decision, will determine whether one team or a number of teams making Australia a global airport development hotspot is going to be required.

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