Airport or AirMall:
The rise and impact of non-aeronautical development at airports

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Airports are not just places where aircraft take off and land. Nowadays, there is an increasing trend where major airports around the world and in Australia have developed non-aeronautical uses, regardless of whether airport land has been privatized or not. Airports are progressively evolving into what John Kasarda (2006) has called the ‘aerotropolis’, where there is an array of non-aeronautical activities happening, such as hotels, shopping centres, entertainment complexes and business parks. Aerotropoli are emerging because of the accessibility advantages that airports provide to business in the new speed driven, globally networked economy. In Australia, all major airports occupy privately leased Commonwealth land and all activities are governed by the *Airports Act* 1996. Development is exempted from local and state planning instruments.

The main aims of this thesis are to study the evolution of airport planning to embrace business uses around the world and to evaluate the current planning processes for non-aeronautical development on airport land in Australia. The two major case studies are Hong Kong International Airport and Sydney Airport.

*Cover Photograph: A combination of three photographs taken by the author at Hong Kong International Airport (16 June 2007), Sydney Airport – International Terminal (8 June 2007) and Sydney Airport – Domestic Terminal (6 September 2007).*
I would like to firstly thank my thesis advisor Prof. Robert Freestone for giving me valuable and helpful advice during this period of time. Although I have gone through a lot of personal issues during the time, you have been exceptionally patient with me and being very supportive. Without your much needed guiding and support, I don’t think I will be able to accomplish this thesis.

Secondly, I would like to thank my parents, who have been extremely supportive throughout my University study, especially when I made a transfer from Bachelor of Science (Computer Science) to Bachelor of Planning at UNSW back in 2003. Without your financial support, I would never be a much happier person than I was previously and will never get to know what town planning is and why town planning is such an important ingredient into the continuous sustainability for any city in the world.

Finally, I would like to thank all my friends, family and fellow classmates who offered their assistance when needed and given me a lot of encouragement when I was going through difficult times.

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# CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abstract</td>
<td>i</td>
</tr>
<tr>
<td>Acknowledgement</td>
<td>ii</td>
</tr>
<tr>
<td>Figures</td>
<td>vii</td>
</tr>
<tr>
<td>Tables</td>
<td>x</td>
</tr>
<tr>
<td>Abbreviations</td>
<td>xi</td>
</tr>
<tr>
<td><strong>Chapter 1 - Introduction</strong></td>
<td>1</td>
</tr>
<tr>
<td>1.1 Research question</td>
<td>3</td>
</tr>
<tr>
<td>1.2 Aims of the thesis</td>
<td>3</td>
</tr>
<tr>
<td>1.3 Research Methodology</td>
<td>4</td>
</tr>
<tr>
<td>1.4 Thesis structure</td>
<td>6</td>
</tr>
<tr>
<td><strong>Chapter 2 - Airport Business</strong></td>
<td>8</td>
</tr>
<tr>
<td>2.1 Overview of historical airport developments</td>
<td>8</td>
</tr>
<tr>
<td>2.2 What factors trigger airports heading towards commercialization?</td>
<td>10</td>
</tr>
<tr>
<td>2.3 Sources and trends of non-aeronautical revenue at airports</td>
<td>12</td>
</tr>
<tr>
<td>2.4 Strategies on maximizing non-aeronautical revenue</td>
<td>23</td>
</tr>
<tr>
<td>2.5 Summary of airport business</td>
<td>29</td>
</tr>
<tr>
<td><strong>Chapter 3 - Airports Amendment Bill 2006</strong></td>
<td>30</td>
</tr>
<tr>
<td>3.1 The background and purpose of the Bill</td>
<td>30</td>
</tr>
<tr>
<td>3.2 Planning and development assessment under the Airports Act prior to amendments?</td>
<td>31</td>
</tr>
<tr>
<td>(a) Master plans</td>
<td>31</td>
</tr>
<tr>
<td>(b) Major development plans</td>
<td>33</td>
</tr>
</tbody>
</table>
3.3 Key areas in which the Bill amends the Act

- Consistent business activities and developments
- Airport ownership
- Content of draft or final master plans
- Public consultation process
- Meaning of major airport development
- Approval by the Minister for Transport and Regional Services

3.4 Key issues arise from the parliamentary inquiry

3.4.1 General issues
- Lack of coordination and integration between planning regimes
- Commercial use of airport lands

3.4.1 Specific issues
- Master plan beyond the 20 year planning period
- Public consultation process
- Meaning of major airport development
- Approval by Minister

3.5 Summary of the Airports Amendment Bill 2006

Chapter 4 - Australian Case Study - Sydney Airport

4.1 Introducing Sydney Airport
- Sydney Airport in a geographical context
- Sydney Airport’s ownership and management
4.2 Planning and recent non-aeronautical development at Sydney Airport in the post privatization era
(a) Sydney Airport Master Plan (SAMP) 51
(b) Land use zoning plan for Sydney Airport 54
(c) Recent non-aeronautical development at Sydney Airport 60

4.3 What triggers the intensification of non-aeronautical development at Sydney Airport?

4.4 Arguments against non-aeronautical development at Sydney Airport
(a) Undermining State and Local planning regimes 68
(b) Unmitigated impact on State and Local infrastructure 69
(c) Impact on surrounding communities 69
(d) Inconsistency with airport master plan 69
(e) Security and public safety issues 70

4.5 Summary of the Australian Case Study - Sydney Airport 70

Chapter 5 - International Case Study - Hong Kong 72

International Airport

5.1 From Kai Tak to HKIA 72

5.2 How did HKIA become a ‘SkyCity’?
(a) AsiaWorld-Expo 79
(b) SkyPlaza 80
(c) SkyPier 82
5.3 What triggers the intensification of non-aeronautical development in HKIA?

5.4 Planning System in Hong Kong

(a) Planning organizations

(b) Planning system

5.5 Planning and development assessment for non-aeronautical development on airport land of HKIA

(a) Airport Authority Ordinance

(b) HKIA 2025 Master Plan

(c) Chek Lap Kok Outline Zoning Plan

5.6 Summary of International Case Study - Hong Kong

Chapter 6 - Conclusion

6.1 Opportunities for further research

References
5.3 What triggers the intensification of non-aeronautical development in HKIA?

5.4 Planning System in Hong Kong
   (a) Planning organisations
   (b) Planning system

5.5 Planning and development assessment for non-aeronautical development on airport land of HKIA
   (a) Airport Authority Ordinance
   (b) HKIA 2025 Master Plan
   (c) Chek Lap Kok Outline Zoning Plan

5.6 Summary of International Case Study - Hong Kong International Airport

Chapter 6 - Conclusion

6.1 Opportunities for further research

References
Figure 2.1: Beginnings of an airport vernacular: the ground floorplan of the passenger station at the Croydon Aerodrome, London, 1928.

Figure 2.2: A terrace restaurant looks out over the airfield and the Peripheral Building in a proposed scheme for Idlewild Municipal Airport, New York, Wallace Harrison, architect, 1947.

Figure 2.3: Distribution of non-aeronautical VS aeronautical revenue for five Australian major airports, in between 2001—2006

Figure 2.4: Distribution of non-aeronautical VS aeronautical revenue for Hong Kong International Airport, in between 2001—2006

Figure 2.5: Distribution of non-aeronautical VS aeronautical revenue for Vancouver International Airport, in between 2001—2006

Figure 2.6: Distribution of non-aeronautical revenue by categories for Sydney Airport, in the financial year of 2005—2006

Figure 2.7: Distribution of non-aeronautical revenue by categories for Melbourne Airport, in the financial year of 2005—2006

Figure 2.8: Distribution of non-aeronautical revenue by categories for Brisbane Airport, in the financial year of 2005—2006

Figure 2.9: Distribution of non-aeronautical revenue by categories for Perth Airport, in the financial year of 2005—2006

Figure 2.10: Distribution of non-aeronautical revenue by categories for Adelaide Airport, in the financial year of 2005—2006

Figure 2.11: Distribution of non-aeronautical revenue by categories for Hong Kong International Airport, in the financial year of 2005—2006

Figure 2.12: Distribution of non-aeronautical revenue by categories for Vancouver International Airport, in the financial year of 2005—2006

Figure 2.13: Retail revenue collected by the five major Australian airports, in the period between 2001—2006

Figure 2.14: Retail revenue collected by the Hong Kong International Airport, in the period between 2001—2006
Figure 2.15: Retail revenue collected by the Vancouver International Airport, in the period between 2001—2006.

Figure 2.16: Property revenue collected by the five major Australian airports, in the period between 2001—2006.

Figure 2.17: Property revenue collected by Hong Kong International Airport, in the period between 2001—2006.

Figure 2.18: Property revenue collected by Vancouver International Airport, in the period between 2001—2006.

Figure 2.19: Car parking revenue collected by the five major Australian airports, in the period between 2001—2006.

Figure 2.20: Car parking revenue collected by Vancouver International Airport, in the period between 2001—2006.

Figure 2.21: Alternative layouts for duty- or tax-free shops or other shopping concessions: (a) non-directed flow, (b) directed flow; (c) open flow.

Figure 2.22: The ‘Vancouver Marketplace’ shop at Vancouver International Airport.

Figure 2.23: Advertisement by Intel over the internal pedestrian bridge in Terminal 2 at Hong Kong International Airport.

Figure 2.24: Samsung sponsored plasma television at Sydney Airport.

Figure 2.25: Aerobridge sponsored by HSBC at Sydney Airport.

Figure 4.1: Sydney Airport Aerial Photograph

Figure 4.2: Existing facilities and land-use arrangement for Sydney Airport

Figure 4.3: Indicative Development Concept for Sydney Airport under SAMP

Figure 4.4: Land use zoning for Sydney Airport under SAMP

Figure 4.5: Sydney Airport Approval Process—Planning and Development

Figure 4.6: Australian Customs Regional Headquarters at Sydney Airport

Figure 4.7: DHL airfreight facility at Sydney Airport

Figure 4.8: Formule 1 Hotel at Sydney Airport

Figure 4.9: Krispy Kreme Outlet at Sydney Airport

Figure 4.10: Approved MDP for carparking and commercial facilities at Sydney Airport
Figure 4.11: New 8-storeys car park in-construction at Sydney Airport

Figure 4.12: New 8-storeys car park at Sydney Airport after completion

Figure 4.13: Mercedes-Benz sales and service facility at Sydney Airport

Figure 5.1: Replacement airport sites investigated for Hong Kong (1946-1989)

Figure 5.2: The study process of PADS

Figure 5.3: Digital impression of the SkyCity project when completed

Figure 5.4: AsiaWorld-Expo

Figure 5.5: SkyPlaza - Terminal 2 Check-in Facilities

Figure 5.6: SkyPlaza - Transport Terminal for coaches

Figure 5.7: SkyPier when completed

Figure 5.8: Land use zoning within HKIA
Table 4.1  Chronological history of development at Sydney Airport

Table 4.2  Zoning Table for Sydney Airport

Table 5.1  Background and parallel studies of PADS
# ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAHK</td>
<td>Airport Authority Hong Kong</td>
</tr>
<tr>
<td>AAL</td>
<td>Adelaide Airport Limited</td>
</tr>
<tr>
<td>ACCC</td>
<td>Australian Competition and Consumer Commission</td>
</tr>
<tr>
<td>the Airports Act</td>
<td><em>Airports Act 1996 (Comm.)</em></td>
</tr>
<tr>
<td>ALC</td>
<td>airport-lessee company</td>
</tr>
<tr>
<td>ALGA</td>
<td>Australian Local Government Association</td>
</tr>
<tr>
<td>APACL</td>
<td>Australian Pacific Airports Corporation Limited</td>
</tr>
<tr>
<td>BAC</td>
<td>Brisbane Airport Corporation</td>
</tr>
<tr>
<td>the Bill</td>
<td><em>Airports Amendment Bill 2006 (Comm.)</em></td>
</tr>
<tr>
<td>the EP&amp;A Act</td>
<td><em>Environmental Planning and Assessment Act 1979 (NSW)</em></td>
</tr>
<tr>
<td>FAC</td>
<td>Federal Airports Corporation</td>
</tr>
<tr>
<td>HKIA</td>
<td>Hong Kong International Airport</td>
</tr>
<tr>
<td>MDP</td>
<td>major development plan</td>
</tr>
<tr>
<td>SACL</td>
<td>the Sydney Airport Corporation Limited</td>
</tr>
<tr>
<td>SAMP</td>
<td>the Sydney Airport Master Plan</td>
</tr>
<tr>
<td>SCACH</td>
<td>the Southern Cross Airports Corporation Holdings Limited</td>
</tr>
<tr>
<td>SCAA</td>
<td>Shopping Centre Council of Australia</td>
</tr>
<tr>
<td>SSCRAT</td>
<td>Standing Committee on Rural and Regional Affairs and Transport (Comm.)</td>
</tr>
<tr>
<td>TPB</td>
<td>Town Planning Board (Hong Kong)</td>
</tr>
<tr>
<td>VIAA</td>
<td>Vancouver International Airport Authority</td>
</tr>
<tr>
<td>WAC</td>
<td>Westralia Airports Corporation</td>
</tr>
</tbody>
</table>
Airports are not just places where aircraft take off and land. Nowadays, there is an increasing trend where major airports around the world and in Australia have developed non-aeronautical uses, regardless of whether airport land has been privatized or not. Airports are progressively evolving into what John Kasarda (2006) has called the ‘aerotropolis’, where there is an array of non-aeronautical activities happening, such as hotels, shopping centres, entertainment complexes and business parks.

In Australia, all major airports occupy privately leased Commonwealth land and all activities are governed by the *Airports Act* 1996. Development is exempted from local and state planning instruments.

An issue of whether ‘public interest’ has been ignored was raised on recent non-aeronautical developments proposed on airport land in Australia, especially with Sydney Airport. Just recently, there was a parliamentary inquiry conducted on the *Airports Act* 1996, due to the recent escalation of non-aeronautical developments being proposed on airport land around Australia. As a result of the inquiry, the *Airports Act* was amended in order to provide more transparency into the planning process for those types of development.

So is it going to be a continuing trend in Australia for the public to be shut up during the planning process?? An article by Powell (1998) agreed that this is going to be the case for Australia, mainly due to the strong trend on the part of governments at all levels in Australia to progressively withdrawn from public interest programs in favour of corporatisation and privatization of public administration in all of its many guises (as they did to the airports back in 1988 with the setup of the Federal Airports Corporation and then later on full privatisation).

The recent launch of a proposal to build a 48000 square metres outlet centre, a homemaker centre and discount store, office space, commercial buildings and 2412 parking spaces at Sydney Airport back in 2005 had caused a major stir in
the public, especially for the Councils that are affected by the plan. Many councils do not like the proposal, saying it would cause major traffic chaos and affect the trading of existing shopping centres around the area (Creedy et al. 2007).

In addition, associations like the Shopping Centre Council of Australia (2007) concerned that developer on airport land (i.e. the airport-lessee company) has had an unfair advantage towards developer outside airport land. For those developers outside airport land, they will have to go through a very detail assessment by the relevant State and Local authorities, whereby the developer on airport land might not require to go through the same process, as only projects that defined as ‘major’ under the Airports Act would require to lodge a Major Development Plan (MDP) for the Minister of Transport and Regional Services considered for approval.

This thesis will seek to explore the current legislation and planning framework for the development and assessment of non-aeronautical development on airport land in Australia. Furthermore, it will explore the issues raised from the recent public inquiry into the Airports Act, by looking at whether the result amendments were enough to govern the ‘public interest’ during the planning process.

Two major case studies will also be investigated - Sydney Airport and Hong Kong International Airport. It will look at the recent non-aeronautical development being proposed and/or built at the two airports. Furthermore, it will also compare whether the level of public involvement was equivalent or different during the planning process for those developments. If the level of public involvement was found to be poor in one or the other or both cases, this thesis will aim to provide some remedies into that planning process (if possible).
1.1 Research question

This thesis responds to the research question:

“Does the planning and assessment framework for the non-aeronautical development of airports in Australia and around the world adequately balance the public interest against the need for the airport operators to maintain commercial viability?”

1.2 Aims of the thesis

In responding to the research question, this thesis aims to:

● Study the evolution of airport planning to embrace business uses around the world;

● Explore the growth of non-aeronautical revenue at privatized Commonwealth leased Airports and other case studies around the world;

● Identify the legislative and administrative framework for the planning and assessment of development on Commonwealth leased airports and internationally with Hong Kong International Airport;

● Critically evaluate the current planning process for non-aeronautical development on airport land in Australia under the Airports Act 1996;

● Critically evaluate the current planning process for non-aeronautical development on airport land in the case for Hong Kong International Airport; and

● Propose remedies to concerns identified in the planning and development assessment process (where applicable).
1.3 Research Methodology

Prior to undertaking the research component it was required that I conceive of a relevant research question that was both contemporary and interesting. I chose the research task examined in this thesis, as I particularly have an interest in air-traveling, which requires myself to utilize the airport when I go on traveling overseas by plane. Being a frequent flyer myself, I will always concern about any new development happening in airports around the world.

Hearing so much about all the great retail and entertainment complex being proposed for Sydney Airport and seeing the development of virtually a shopping mall within the new terminal at Hong Kong International Airport, I was questioning myself as a planner about whether there is any planning process involved with those types of development on the airport land itself.

I did think about not pursuing this topic further, since one of the recent graduates Aaron Bowden of the BPlan program had done research on a similar topic in 2005. However, I was encouraged by Professor Robert Freestone to pursue the topic further, since there were many things happened at Sydney Airport after Bowden’s thesis. Since Bowden had mainly touched on airports in Australia, I thought it would be appropriate for me to explore a case study elsewhere in the world.

During the period of June and July 2007, I traveled to Hong Kong, Vancouver and Taipei for family and personal reasons. I had taken this valuable opportunity to do a site visit at those airports, taking photos that related to the commercial side of airports operation and undertake a deep observation (if any) non-aeronautical development sited for those airports. After evaluating the amount of information gathered from those airports during my visits, and the limitation of this thesis, I have decided to focus on just one international case study (rather than a couple) to be analyzed for this thesis.
Coincidentally, the Faculty’s Research Link Grant program afforded an opportunity to work with Professor Robert Freestone in researching the evolution of urban planning in airports. The research task involved a detailed research on urban planning texts that has had any information about the planning of airports, ranging from historical to present time. This research had assisted me enormously by giving me a deeper understanding on how airports have been evolved from the beginning to the present period and had also given me a kick start into the research component for this thesis. I decided that some of the works done for that research project could be used for this thesis. Therefore, it can be seen there was a strong theme focus on historical airport development in Chapter 1 and also in the two case studies investigated.

Apart from the research work done for the Research Link project that could be applied to my thesis, I also consulted a range of reading materials, such as newspaper articles and other relevant literature to supplement my research for this thesis.

Looking at the trends on airports towards commercialization, I decided it would be best to explore the trend on revenue gaining on airports from non-aeronautical sources. Data were obtained from the respective airports’ Annual Reports and tabulated. Subsequently, graphs were produced to provide some trends for detailed analysis.

In terms of analyzing the current planning framework for development assessment on airport land in Australia, I had consulted the Airports Act 1996 in detail. In addition, realizing that a parliamentary inquiry was recently conducted into the amendments of the Airports Act, I decided to consult the information about the parliamentary inquiry in detail, including the analysis of issues raised by public submissions during the inquiry.

Initially, there was an idea to conduct some sort of survey and in-depth interviews with the relevant stakeholders (e.g. Airport Authority, Council, etc.) on the issue of non-aeronautical development at Sydney Airport. Due to the scope of the thesis, this idea was not pursued at the end.
I was hoping to get a deeper understanding into some of the planning issues evolved from a number of non-aeronautical developments proposed at Sydney Airport in recent years. I had tried a number of times by email and telephone to get on hold to one of the planners at Sydney Airport, but unfortunately without success. This, however, did not jeopardize my research task, as I had already gathered enough information from various sources to satisfy the scope of this thesis.

1.4 Thesis structure

This thesis comprises the following structure:

- **Preliminaries** - this component of the thesis incorporates the thesis abstract, acknowledgement, table of contents and abbreviations.

- **Introduction** - this chapter introduces the research task, research question, aims of the thesis, research methodology and thesis structure.

- **Airport Business** - this chapter includes an overview of historical airport developments, discussion on the factors that trigger the commercialization of airports, identifies sources and trends of non-aeronautical revenue at airports, and the strategies that airports employed to maximize non-aeronautical revenue.

- **Airports Amendment Bill 2006** - this chapter discusses the background and purpose of the Bill, planning and assessment framework under the Airports Act prior to amendments, the key changes to the Airports Act, and the identifies the issues raised by public submissions during the inquiry.
• **Australian Case Study - Sydney Airport** - this chapter represents one of the focal points of the research task, and commences by introducing Sydney Airport as a case study for more detailed analysis, with an identification of the airport’s geographic context, ownership and management and an overview of the historical development at Sydney Airport. This chapter then goes on to explore the recent planning and non-aeronautical development that is happening at Sydney Airport in the post-privatization era, including an exploration of the SAMP, recent airport MDPs and other non-aeronautical developments that were built without the need to lodge any MDPs. The rationale of non-airside development on public land is then assessed by considering the impacts on commercial and retail activities, consultation requirements, contributions to infrastructure requirements, and flaws in the legislative and administrative framework. Building upon the knowledge and issues concerned gained from the previous chapter, additional measures to rectify some of the issues are imposed as a result.

• **International Case Study - Hong Kong International Airport** - this chapter represents another focal point of the research task, and commences by introducing Hong Kong Airport as a case study for more detailed analysis, with an overview of the historical development of the airport. This chapter then goes on to explore in detail about a major non-aeronautical development project currently undertaking by the AAHK called the SkyCity. Before seeking to resolve the planning and assessment framework for non-aeronautical development in Hong Kong International Airport, this chapter will give a brief overview of the planning system in Hong Kong. The last part of the chapter will explore the reasons for the intensification of non-aeronautical development and concludes with some suggestions to improve the current planning process for non-airside development in Hong Kong.

• **Conclusion** - the concluding chapter of the thesis summarises the key findings of the thesis and discusses further avenues for research.

• **References** - a list of references utilized in the preparation of the thesis appends the thesis.
2. Airport Business

To understand the reasons behind the rise of non-aeronautical development on airport land around Australia and the world, it is important to understand how an airport runs its business. This chapter will start by exploring a number of historical airport developments that contribute to the idea of an aerotropolis. It will then look into the reasons behind airports moving towards commercialization. In the last part of the chapter, it will investigate the ways and the trends that airports in Australia and round the world collect revenue from non-aeronautical activities.

2.1 Overview of historical airport developments

As described in Chapter 1, airport is not just a facility that provides essential operational and traffic-handling services. It also conducts commercial activities that would now contribute to the idea of aerotropolis (a city within the airport itself). However, when did this idea of injecting commercial activities in airports started? This has to be dated back in 1928 at Croydon Aerodrome in London. The Croydon Aerodrome was once the world’s largest airport at the time, with a site area of 330 acres (Gordon 2004). The logic of Croydon’s terminal lay in its symmetrical plan and the concept of airport circulation started (Figure 2.1). Arrivals moved through one part of the terminal while departures moved through the other. The outer wings of the terminal building were designated for freight. Check-in counters lined both sides of the hall, and there was a bookshop, a restaurant, a reading lounge, and a buffet counter for fast lunch service (Gordon 2004).

Figure 2.1 Beginnings of an airport vernacular: the ground floor plan of the passenger station at the Croydon Aerodrome, London, 1928.

Source: Gordon (2004)
In 1947, Fortune magazine reported that retail concessions were accounting for more than a third of airport revenue: “Travel, especially on vacation or expense account, puts people, including greeters and handkerchief wavers, in a spending mood. And when people have time on their hands – as they often do at an airport – they will spend out of boredom” (Gordon 2004). William Harrison who started working on the initial planning design for New York’s Idlewild Airport (now known as the JFK Airport) in 1946, was one of the first to fully comprehend the potential of retail marketing at the airport. In his proposed plan for Idlewild, the passenger became a kind of consumer guinea pig, guided along a route that was calculated to produce a maximum of concession revenue (Gordon 2004). After checking in, passengers had no choice but to walk through a shopping arcade – which featured stands, shops, food and liquor vending establishments, and a newsreel theatre. At the end of the arcade was a terraced restaurant with panoramic views of the airfield (Figure 2.2). When it came time to depart, passengers would need to proceed to one of eighty-six boarding pods to board on the plane. Each pod contained its own waiting room, newsstand and snack bar. However, the then Mayor of New York decided that the airport was too expensive for a city to own and operate and therefore the concept proposed by Harrison eventually didn’t come into reality (Gordon 2004).

**Figure 2.2** A terrace restaurant looks out over the airfield and the Peripheral Building in a proposed scheme for Idlewild Municipal Airport, New York, Wallace Harrison, architect, 1947.

*Source: Gordon (2004)*
In 1952, when Greater Pittsburgh in the United States opened its new “super airport”, it boasted that its new airport terminal was a “city within a city”, with a nightclub, a roof deck for twenty-seven hundred spectators, restaurants, and an outdoor dining terrace. Passengers who had time between flights could watch a movie in its full-sized theater or go shopping at one of a dozen retail stores. In addition, Greater Pittsburgh had a sixty-two-room hotel within its terminal, as the airport was seen it as a good source of additional revenue (Gordon 2004). As claimed by Gordon (2004), airports of the 1960s were adding more emphasis to the concept of a “Terminal City”, where gigantic new complexes were built expressly to accommodate jet travel. Airports were no longer like cities, but were real, self-contained urban nodes, servicing millions of passengers a year and hiring thousands of employees. Furthermore, they have their own police and fire departments, power plants, fuel dumps, dentists, doctors, hotels, conference centres and in some cases, theatres, nightclubs and churches.

By the mid-1990s, marketing analysts recognized that the most profitable resource was when a traveler locked in the transit area (Gordon 2004). The average wait for an international flight was as long as two hours and twenty-three minutes and the airport atrium became an anchor for high-end stores, fast-food stands, and other concessions. Harrods Department Store of London opened branches at London Gatwick and Heathrow airports and earned more revenue for those airports than any other income-producing service (Gordon 2004). Pittsburgh International Airport opened the Air Mall in 1992, with more than thirty stores, including Victoria’s Secret, Starbucks, and the Body Shop and served more than 60000 customers a day (Gordon 2004). Furthermore, commercialization went far beyond the air malls, where airports were now seen as international trade centers featuring corporate parks and conference centres. Businessmen could fly in, have meetings and leave without ever venturing away from the airport vicinity.

2.2 What factors trigger airports heading towards commercialization?

Traditionally, all airports were virtually owned by the public sector (Graham 2003). Major European airports such as Paris, London, Dublin were all owned by national governments, as well as many other airports outside Europe such as Tokyo, Singapore, Bangkok and Sydney. Elsewhere, local governments, either at a regional or municipal level, were the airport owners. This was the situation
with most airports in the United States. As Doganis (1992) explained, publicly owned airports were not in their objective to recover their full costs from charges of various kinds levied on passengers and other users. Rather, they were served as a prime purpose to ensure that the airport provides the desired level of public service as efficiently as possible and at a minimum cost to the taxpayer.

In the 1970s and 1980s, however, there was a change in government attitudes towards airports, where the view that airports could be and should be run as commercial enterprises (Doganis 1992). In light of that change in attitude, many airports gradually started to be considered much more as commercial enterprises and a more businesslike management philosophy was adopted. To adopt the businesslike practices, various airports had loosened their links with their government owners (Graham 2003). This was achieved with the establishment of more independent airport authorities or, in some cases, by corporatization, which involved the setting up of an airport company with public sector shareholders (e.g. Federal Airports Corporation (FAC) in Australia). The advantage of having these corporate entities was that they have been given greater commercial freedom in operating their airports, and have been put under pressure to break even or to produce profits thereby reducing the need for government financing (Doganis 1992). In addition, greater attention began to be placed on the commercial aspects of running an airport such as financial management, non-aeronautical revenue generation and airport marketing.

While the 1970s and 1980s were dominated by airport commercialization, the 1990s were the decade when airport privatization became a reality. Airport privatization usually associated with the transfer of the management of an airport, and in many cases the ownership as well, to the private sector (Graham 2003). However, the main reason that lead to the spread of airport privatization was because governments are increasingly reluctant to go on funding airport development themselves when they feel that airports have the financial strength to raise and pay for their own capital investment (Doganis 1992). A great example would be the privatization of the British Airports Authority (BAA) back in 1988. Privatization has freed the BAA from financial constraints on obtaining funding for its capital expenditure, which previously had been restricted by government’s policy on the limit of public-sector borrowing.
There are many benefits and risks resulting from privatization. As Doganis (1992) explained, as a privatized company, it has the freedom to expand the scope of its activities. In particular, it can set about realizing the full commercial value of its large land assets. Apart from greater freedom of action, a further advantage of privatization, some would claim the most important advantage, is improved efficiency. Privatization also entails some risks. As Graham (2003) explained, the inherently monopolistic position of many airports will continue as traffic growth outstrips the provision of new facilities. The fear is that priority will be given to shareholders or investors and that user and community needs will be neglected. For example, airport managers may reduce space for passenger and cargo shippers in order to maximize revenues from a variety of commercial activities. They may introduce totally unrelated activities, such as discotheques, into terminal buildings even when space is short. Furthermore, they may also enter into monopolistic arrangements with particular suppliers of services such as passenger or baggage handling, duty-free shops, freight handling or car hire by granting only one concession so that the concessionaires can extract monopoly profits from airport users. These can then be shared by the concessionaire and the airport authority through the concession fee arrangement made between them (Doganis 1992).

2.3 Sources and trends of non-aeronautical revenue at airports

Airport income is generated from aeronautical or traffic-related activities on the one hand or from non-aeronautical or commercial sources on the other. Aeronautical revenues are those that arise directly from the operation and landing of aircraft, passengers or freight. Whereas non-aeronautical avenues are those generated from non-aircraft-related commercial activities in the terminal(s) and on airport land (Ashford et al. 1999). They may arise from a whole host of sources but generally include rents for office space and check-in desks; income from shopping concessions of various kinds; car-parking fees; and revenue from catering whether this is provided by the airport or a concessionaire.

As in recent years, airports have become more commercially oriented they have tried to generate an increasing share of their revenues and of their profits from their commercial or non-aeronautical activities. They were forced to rely on non-
aeronautical revenues in many cases, mainly due to growing airline opposition to the further increases in aeronautical charges or because their own governments held back or limited such increases (Doganis 1992). At many airports around the world, commercial income has been rising more rapidly than their traffic, particularly at the larger international airports. For example, Frankfurt airport, within the period between 1976-1987, passenger traffic rose by 63 per cent but concession and rental income rose by 284 per cent (Doganis 1992).

**Figures 2.3, 2.4 and 2.5** are showing the distribution of aeronautical revenue versus non-aeronautical revenue in Australian major airports and international airports in Hong Kong and Vancouver. Looking at the trend for the five Australian major airports (Sydney, Melbourne, Brisbane, Perth, Adelaide), it can be seen nowadays that the proportion of non-aeronautical revenue is equal or greater than aeronautical revenue, except for the case of Brisbane, Perth and Adelaide. As shown on **Figure 2.3**, Brisbane, Perth and Adelaide were relying heavily on non-aeronautical revenue, as it contributed to nearly 70% of the total operational revenue. Looking at the cases for Hong Kong and Vancouver, Vancouver was heavily relying on non-aeronautical revenue, as it contributed consistently at around 65% of the total operational revenue. Whereas in Hong Kong, it was quite similar to the situation with Sydney and Melbourne, maintaining quite a balance of proportion between non-aeronautical and aeronautical revenue. Interestingly, however, in the latest 2005/2006 financial year, Hong Kong International Airport has had a big jump in the proportion of non-aeronautical revenue, which contributed to 60% of the total operational revenue and thereby showing that Hong Kong is also heading towards profit making based on non-aeronautical sources.

**Figures 2.6 to 2.12** are showing the distribution of non-aeronautical revenue by categories in the financial year of 2005-2006. In the five major Australian airports, the non-aeronautical source that generated the most revenue for Sydney, Melbourne and Perth was from retail, ranging from 32% in Perth to the whopping 75% in Melbourne. This trend shows that those three airports are focusing on more of the retail side of the business. For example, the operator of Sydney Airport had recently signed a new contract with one of the world’s top duty free operator – The Nuance Group. Nuance’s development plans aim to provide the
Figure 2.3 Distribution of non-aeronautical VS aeronautical revenue for five Australian major airports, in between 2001—2006

Figure 2.4 Distribution of non-aeronautical VS aeronautical revenue for Hong Kong International Airport, in between 2001-2006


Figure 2.5 Distribution of non-aeronautical VS aeronautical revenue for Vancouver International Airport, in between 2001-2006

Figure 2.6 Distribution of non-aeronautical revenue by categories for Sydney Airport, in the financial year of 2005-2006


Figure 2.7 Distribution of non-aeronautical revenue by categories for Melbourne Airport, in the financial year of 2005-2006

Figure 2.8 Distribution of non-aeronautical revenue by categories for Brisbane Airport, in the financial year of 2005-2006


Figure 2.9 Distribution of non-aeronautical revenue by categories for Perth Airport, in the financial year of 2005-2006

**Figure 2.10** Distribution of non-aeronautical revenue by categories for Adelaide Airport, in the financial year of 2005-2006

![Adelaide Airport Revenue Distribution](source: Produced by Yeung (2007). Adapted from AAL (2006))

**Figure 2.11** Distribution of non-aeronautical revenue by categories for Hong Kong International Airport, in the financial year of 2005-2006

![Hong Kong International Airport Revenue Distribution](source: Produced by Yeung (2007). Adapted from AAHK (2006))
platform for duty free at Sydney Airport to evolve from world-class to world’s best. The group stated that its aim will be achieved by combining innovative store layouts and market leading retail concepts with targeted strategies to improve average transaction values (SCACH 2007). In Adelaide, the most generated non-aeronautical source was from property revenue. The high generation of property rent can be seen by the recent development of the new South Australian Regional Office for the Australian Quarantine and Inspection Service (AQIS), the completion and opening of Burbridge Business Park, a new IKEA store and a new low care aged facility all located within the land of Adelaide Airport (AAL 2006).

In the case of Brisbane, a large proportion of non-aeronautical revenue came from investment property, as Brisbane airport launched a new Jetstream Business onto the market in 2006, giving investors the chance to buy office and warehouse units on Brisbane Airport for the first time (BAC 2006). In the cases of Hong Kong and Vancouver, again the highest category of non-aeronautical source was retail. The unproportionally high revenue collected from other sources shown in Figure 2.12 for the case of Vancouver, was because of the airport collecting a so-called “Airport Improvement Fund”, which is a surcharge to all passengers using Vancouver International Airport. The fund is used for future capital expenditure on the airport.
Looking more detailed in terms of retail revenue for Australian, Hong Kong and Vancouver in **Figure 2.13 to 2.15**, it can be seen that the revenue for retail continued to grow on a year-by-year basis for all airports that were investigated. Interestingly for the case in Hong Kong, there was an unexpected huge drop in retail revenue during the 2003 to 2004 period, mainly due to the outbreak of the SARS disease, that led to low passenger numbers and thereby less spending at the airport. However, since then, Hong Kong had recovered and expected to grow even more in terms of airport retail revenue as the opening of the new Terminal 2 in 2007 as part of the SkyCity project (which will be discussed in further detail in **Chapter 5**).

**Figure 2.13** Retail revenue collected by the five major Australian airports, in the period between 2001-2006

![Figure 2.13](image)


**Figure 2.14** Retail revenue collected by Hong Kong International Airport, in the period between 2001-2006

![Figure 2.14](image)

In terms of property revenue collected by airports in Australia, Hong Kong and Vancouver in Figure 2.16 to 2.18, again it is growing slightly on a year-by-year basis for all airports. In the case of Hong Kong, it was unexplainable to the slight drop in property revenue for 2005/2006 period. However, as the new Airport World Trade Center opened in 2007 as part of the SkyCity project (which will be discussed in Chapter 5), it is unlikely that the adverse trend will continue.

Figure 2.15 Retail revenue collected by Vancouver International Airport, in the period between 2001-2006


Figure 2.16 Property revenue collected by the five major Australian airports, in the period between 2001-2006

Finally, in terms of car parking revenue collected shown in Figure 2.19 and 2.20 (specific data was not available for Melbourne, Adelaide and Hong Kong), it can be seen that the revenue is growing relatively high year-by-year for Sydney, Brisbane, Perth and Vancouver. In between 2001-2006, revenue collected for car parking had grown for 45% in Sydney, 84% in Brisbane, 95% in Perth and 43% in Vancouver.
2.4 Strategies on maximizing non-aeronautical revenue

The airport environment is a unique location for shopping and other commercial facilities (Graham 2003). Airport retailing is fundamentally different from high street retailing since passengers are going to the airport to catch a flight rather than to shop. Consequently, the passengers will be far less familiar with the airport shopping environment than with their neighbourhood shops, and coupled
with the fear of missing the flight, may impose a sense of anxiety on the passengers (Graham 2003).

To fully harness the commercial development potential of the airport traffic, Graham (2003) said that the range of facilities on offer and even the product selection should match very closely the preferences and needs of the specific passengers’ types at the airports. To achieve this aim, airports, together with their retailing and catering partners, have increasingly been devoting more resources to getting to know their customers. At the most basic level, this involves an analysis of the air services offered and the origin and destination of travelers. In addition, duty- and tax-free retailers can get information about travelers from their boarding passes which are shown when purchases are made. Furthermore, this is supplemented by market research, which will investigate the demographic, geographic and behavioural features of the passengers (Graham 2003).

On the other hand, Doganis (1992) suggested that the concession revenue generated per passenger is influenced partly by the total amount of space allocated for retailing and other commercial activities and partly by the location and layout of such spaces. The first locational factor is the position of shops in relation to passenger flows is of prime importance. This determines the level of passenger penetration, that is the percentage of passengers that makes a purchase in a shop. The second locational factor is the floor level on which shops or services are provided in relation to the passenger flows. Because of space constraints, many airports must locate certain commercial outlets on floors to which passengers do not have to go to in the normal course of departure. The third locational factor is the split of available space between landside and airside facilities.

To induce potential customers to become actual customers and to spend as much as possible, Doganis (1992) suggested that the layout of airport shops is particularly important for those selling a range of products such as duty-free shops. Customers must be encouraged to browse and to see as many goods on
offer as possible. In the simple traditional layout as shown in Figure 2.21(a), passengers can walk through quickly without seeing all the goods on display and sales are likely to be restricted. In the more complex layout in Figure 2.21(b), passengers are forced to walk past most of the display shelves by using counters and shelves in the shop to direct the flow of passengers. Another alternative layout in Figure 2.21(c), is to have entirely open shopping areas with scattered displays and counters where passengers can move in and out at any point as if in an open market.

Figure 2.21 Alternative layouts for duty- or tax-free shops or other shopping concessions: (a) non-directed flow, (b) directed flow; (c) open flow.

Source: Gordon (2004)
Another strategy suggested by Graham (2003) to maximize non-aeronautical revenue is the adoption of a branding strategy. To increase the appeal of retail presence and selection at airports, most airports are trying to blend together famous brand outlets with local outlets which can give the airport some kind of identity and can distinguish it from other airports. The character and the culture of the city or the country which the airport serves can be represented by selling local merchandise or gourmet products such as the ‘Vancouver Marketplace’ shop at Vancouver International Airport (Figure 2.22), where it sells literally everything that is related to Canada (e.g. maple syrups).

**Figure 2.22** The ‘Vancouver Marketplace’ shop at Vancouver International Airport.

Apart from that, Graham (2003) also pointed out that advertising is also an area where airports can generate a significant amount of revenue, with airports increasingly being seen as an important advertising medium. For example, advertisement by Intel on the internal pedestrian bridge inside Terminal 2 of Hong Kong International Airport (Figure 2.23); plasma television sponsored by Samsung at Sydney Airport (Figure 2.24); and aerobridge for boarding sponsored by HSBC at Sydney Airport (Figure 2.25).
Figure 2.23 Advertisement by Intel over the internal pedestrian bridge in Terminal 2 at Hong Kong International Airport.

Photo: Victor Yeung, 16th June 2007
**Figure 2.24** Samsung sponsored plasma television at Sydney Airport.

*Photo: Victor Yeung, 8th June 2007*

**Figure 2.25** Aerobridge sponsored by HSBC at Sydney Airport.

*Photo: Victor Yeung, 8th June 2007*
2.5 Summary of airport business

Airport has been a business since the early days, not just carrying on as a business for aviation operation purpose, but also providing commercial services to those who utilize the airport, mainly air passengers. The commercialization of airports was deepen when government attitude changes, setting up independent authority or corporation, in order to run airports as business enterprises in a businesslike manner. Airport privatization came in at a time when governments decided that airports were expensive to run, and airports had the ability to sufficiently generate funding for future capital expenditure. The increasing trend to airport privatization, had given more opportunities to private airport operators to maximize the use of their land assets, thereby increasing non-aeronautical development being conducted within the terminal(s) or on airport land and hence bumping up the profits gained from non-aeronautical compared to aeronautical sources (as seen in the trend analysis for airports in Australia, Hong Kong and Vancouver in Section 2.3). The intensification of non-aeronautical development around Australia and the world will continue, as airport operators adopting strategies such as the location and layout approaches for concessionaires and branding strategy for retail offerings to maximize airports’ non-aeronautical avenues into the long term future.
Chapter 3 examined the evolution of airport planning to embrace business uses in Australia and around the world. This chapter will examine the issues raised by submissions to the recent inquiry conducted by the Australian Commonwealth Government’s Senate Standing Committee on Rural and Transport (SSCRAT) on the Airports Amendment Bill 2006 (the Bill). It will commence by looking at the purpose and background behind the Bill, followed by an overview of the process of development and assessment on airport land under the previous Airports Act. In the final part of the chapter, it will look into the key changes to the Airports Act and the issues raised by the submissions.

Under the current legislative framework, all of the 22 leased Australian federal airports (i.e. Sydney Airport, Melbourne Airport, Brisbane Airport) are regulated by The Airports Act 1996 (the Act). The Act governs activities which include leasing and management, ownership and control of airport companies, land use planning and building controls, environmental management, protection of airspace, control of on-airport activities, pricing and quality of service and access and demand management. The Bill sought to amend the Act to further strengthen the current planning process for non-aeronautical developments proposed on airport land.

3.1 The background and purpose of the Bill

A key trigger for the parliamentary inquiry was the large number of non-aeronautical developments on airport land in the decade since the Act was first passed. In particular, large retail and manufacturing developments have been approved over the objections of State Governments, Local Councils, retailers and local residents.

The purpose of the Bill was to (SSCRAT 2007a):

- improve the land use planning system in place at leased federal airports through increasing the focus on strategic planning, simplifying planning controls and improving development assessment processes; and
implement a number of recommendations arising from the Senate Rural and Regional Affairs and Transport Committee Report (SRRATC 2000) on the Inquiry into the Development of the Brisbane Airport Corporation Master Plan. These recommendations in relation to the Act include the insertion of purpose and objective statement for airport master plans; to specify the relationship a major development plan has to a master plan; and to include more prescriptive requirements for community consultation by airport owners and airport-lessees; and

align the planning arrangements for Canberra Airport with those for other federal airports, and provide for greater flexibility for future updates of some day-to-day on-airport activities.

On 7 December 2006, the Senate committee commenced the inquiry and invited the public to make submissions by the 19 January 2007. The committee received 73 submissions and they were placed on the committee’s website for public viewing. A public hearing was conducted in Canberra on 30 January 2007, where witnesses were called upon to present their cases in front of the committee.

3.2 Planning and development assessment under the Airports Act prior to amendments

(a) Master plans

Under section 75 of the Airports Act, a draft master plan must be prepared and submitted to the Minister for Transport and Regional Services within 12 months of a company acquiring or being granted an airport lease (except in the situation when a final master plan for the airport is not in force at the time of the acquisition or grant). However, if a final master plan (the original plan) is in force for an airport, the airport-lessee company must give the Minister a draft master plan for the airport before the expiry of the original plan.

Under the Airports Act, the draft master plan is required, to relate to a period of 20 years and it must be updated every five years (SRRATC 2000). Under section 77 of the Airports Act, the original plan remains in force at the end of that five years until a fresh final master plan is created and comes into force. The master plan is a strategic policy document setting out the vision of the airport’s current
and future management and development. A master plan also specifies an airport-lessee company (ALC)’s development objectives, addressing the extent of any consistency with local planning schemes in force under a law of the State or Territory in which the airport is located (Bowdon 2005).

Under section 71 of the Airports Act, matters which must be included in a draft master plan for an airport comprise:

- the airport-lessee company’s development objectives for the airport;
- the airport-lessee company’s assessment of the future needs of civil aviation users of the airport, and other users of the airport, for services and facilities relating to the airport;
- the airport-lessee company’s proposals for land-use and related development of the airport site, where the proposals embrace airside, landside, surface access and land planning/zoning aspects;
- forecasts relating to noise exposure levels;
- the airport-lessee company’s plans, developed following consultation with the airlines that use the airport and local government bodies in the vicinity of the airport, for managing aircraft noise intrusion in areas forecast to be subject to exposure above the significant Australian Noise Exposure Forecast (ANEF) levels;
- the airport-lessee company’s assessment of environmental issues that might reasonably be expected to be associated with the implementation of the plan;
- the airport-lessee company’s plans for dealing with the environmental issues mentioned in paragraph (f) (including plans for ameliorating or preventing environmental impacts);
- if a draft environmental strategy for their airport has been approved – the date of that approval; and
- such other matters (if any) as are specified in the regulations.

In terms of public consultation, under section 79 of the Airports Act, the ALC is required to consult formally with the public, namely to invite public submissions, for a period of 90 days, before submitting the draft master plan to the Minister for Transport and Regional Services for approval. In addition, the ALC is also required to advertise in a newspaper circulating generally in the State or Territory in which the airport is situated. Details of the public consultation undertaken, submissions received, and details of consultation undertaken by the ALC prior to the formal public consultation period are required to be included in
the draft master plan lodged with the Minister (Bowden 2005). Following approval of a master plan, under section 86 of the Airports Act, the ALC is required to place a public notice in a newspaper circulating in the relevant State or Territory stating that the plan has been approved and advising where the approved plan can be sighted or a copy obtained.

A master plan is essentially a long-term land-use plan for the whole of an airport site. However, it does not spell out individual projects in any great detail (i.e. proposed future developments on site are general and purely indicative). The approval of a master plan does not represent the approval to build any specific major development referred to in the master plan (Bowden 2005).

(b) Major development plans

Under section 89 of the Airports Act, a Major Development Plan (MDP) is required for each development that is defined as “major” development and is prepared by the airport-lessee company taking into account of public comments. Therefore, not every airport development requires a MDP. Approval of a master plan by the Minister for Transport and Regional Services does not pre-empt separate consideration of a MDP, and MDPs must be separately approved (SCRRAT 2007a). However, under section 94 of the Airports Act, the Minister for Transport and Regional Services will not approve a MDP if it is inconsistent with the approved final master plan which is in force for the airport.

Under section 91 of the Airports Act, matters which must be included in a MDP comprise the following:

a. the airport-lessee company’s objectives for the development;
b. the airport-lessee company’s assessment of the extent to which the future needs of civil aviation users of the airport and other users of the airport, will be met by the development;
c. a detailed outline of the development;
d. if a final master plan for the airport is in force – whether or not the development is consistent with the final master plan;
e. if the development could affect noise exposure levels at the airport – the effect that the development would be likely to have on those levels;
f. the airport-lessee company’s plans, developed following consultations with the airlines that use the airport, local government bodies in the vicinity of the airport and – if the airport is a joint user airport – the Department of Defence, for managing aircraft noise intrusion in areas forecast to be subject to exposure above the significant Australian Noise Exposure Forecast (ANEF) levels;

g. an outline of the approvals that the airport-lessee company, or any other person, has sought, is seeking or proposes to seek under Division 5 or Part 12 in respect of elements of the development;

h. the airport-lessee company’s assessment of the environmental impacts that might reasonably be expected to be associated with the development;

i. the airport-lessee company’s plans for dealing with the environmental impacts mentioned in paragraph (h) (including plans for ameliorating or preventing environmental impacts);

j. if a draft environmental strategy has been approved - the date of the approval; and

k. such other matters (if any) as are specified in the regulations.

A MDP is more detailed than the preliminary concept presented in the master plan. It provides detailed analysis into the economic, social and environmental impacts arising from the proposed development. Similarly, MDPs are subject to a 90-day public consultation period before the MDP can be lodged with the Minister for Transport and Regional Services for consideration. Under section 94 of the Airports Act, the ALC is required to include details of the public consultation undertaken, submissions received, and details of consultation undertaken by the ALC prior to the formal public consultation period in the draft MDP lodged with the Minister for Transport and Regional Services.

The approval of a MDP by the Minister for Transport and Regional Services is based on the assessment of the airport’s development needs, airport operating capacity, environmental impacts, proposed noise amelioration measures, community consultation, safety and other considerations relevant to the development at the time it is put forward for consideration (Bowden 2005). Once a MDP is approved, under section 96 of the Airports Act, the ALC is required to place a public notice in a newspaper, circulating in the relevant State or Territory, stating that the MDP has been approved and advising where the approved plan can be sighted or a copy obtained.
3.3 Key areas in which the Bill amends the Act

Following the completion of the inquiry in February 2007, the Commonwealth government had gazetted the Airports Amendment Act 2007 on 15 April 2007. The purpose for the Airports Amendment Act 2007 was solely for the implementation of the changes derived from the inquiry into the Airports Act. Subsequently, an amended Airports Act was gazetted and effective in operation on 14 May 2007. The following sections will explore the key changes to the Act.

(a) Consistent business activities and developments

One of the key changes to the Airports Act derived from the parliamentary inquiry was to make clear the Federal Government's intention at the time of privatization of the airports, by permitting non-aeronautical development at leased airports. In the previous section 32 of the Act, it only defined that an ALC must carry on activities that relate to the operation and/or development of the airport. New paragraphs were inserted into section 32 of the Airports Act, which provided that such non-aeronautical development proposed by the ALC must be consistent with the airport lease and approved master plan (SCRRAT 2007a).

(b) Airport ownership

Previously, under Section 44 of the Airports Act, an airline company was not permitted to hold a stake of more than 5% in an airport-operator company. However, this ownership restriction is lifted, it would now allow an airline company to own more than 5% share (which literally allowed 100% full acquisition) in an airport other than a core regulated airport, which may or may not be subject to particular conditions by regulations (SCRRAT 2007a).

(c) Content of draft or final master plans

New provisions in section 71 of the Airports Act stipulate that a draft or final master plan may, subject to specified conditions, relate to a period beyond the current 20 year planning period set by section 72 of the Act. This provision will better enable state and territory land use planning agencies to implement long-term planning goals that are compatible with an airport's proposed long term aeronautical operations (SCRRAT 2007a).
(d) Public consultation process

The Bill also amended the current public comment provisions in relation to master plans, major development plans, minor variations of master plans and major development plans and environmental strategies. An ALC is now required to publish advice on its website for all draft plans and draft variations. This requirement is an addition to the current requirement that such advice be published in a locally circulating newspaper. The amendments also require that copies of plans be made available free of charge on the website throughout the public consultation period.

Another significant change to the public consultation process is a reduction in the number of days available for public comment on all types of plans including variations and amendments. The period available for public consultation for draft plans reduces from 90 calendar days to 45 business days. For draft minor variations, the public consultation period is reduced from 30 calendar days to 15 business days.

Previously, the ALC is required to only state that it has had due regard to comments provided by the public in preparing their draft plans and draft variations. The amendments now required that the ALC must ‘demonstrate’ how the company has had due regard to the public comments (SCRRAT 2007a).

The Commonwealth government has also recently developed consultation guidelines which complement the measures in the Act. The guidelines were aimed to promote the meaningful exchange of information and views between the operators of the privatized airports and stakeholders on all land use, planning and development proposals (DOTARS 2007).

(e) Meaning of major airport development

Previously, as stated in Section 3.2, a MDP is not required unless the development was defined as ‘major’ development under section 89 of the Airports Act. The dollar threshold for construction costs is one of the triggers determining when a MDP needs to be submitted for non-aeronautical development. The amendments increased the threshold from $10 million to $20 million.
million. Furthermore, a new subsection has been added in section 89 of the Airports Act, whereby a MDP may be required upon Minister for Transport and Regional Services’ request even if the individual building projects do not singly exceed the dollar threshold, but which are consecutive or concurrent projects or extensions to existing buildings (SCRAT 2007a).

(f) Approval by the Minister for Transport and Regional Services

A new timeframe has been introduced for the Minister for Transport and Regional Services to decide whether to approve or not a draft master plan, variation of final master plan, major development plan, variation of major development plan and draft environment strategy (SCRAT 2007a). The period will be downsized from the current 90 calendar days to 50 business days. ‘Stop the clock’ provisions have also been created under the new sections 80A, 93A and 125A of the Act, where the cessation to countdown the number of days allowed for Ministerial approval of draft plans will apply when the Minister requests the ALC for additional information to guide the Minister’s decision (SCRAT 2007a).

Upon approval of a draft plan, the amendments will now request the ALC to publish advice on its website (in addition to publishing the advice in a locally circulating newspaper) that a final plan or a variation of any plans, has been approved (SCRAT 2007a) and stating that copies of the approved plan will be made available free of charge on its website. In addition, the period of the approved plans made available to the public will be cut down from 90 calendar days to 50 business days.

Another initiative that has been introduced to the Airports Act is the completion timeframe for the proposed major development in a MDP upon approval by the Minister for Transport and Regional Services (SCRAT 2007a). At present, there is no such clause in the Act, which meant that the ALC could hold the development approval for a MDP as long as they wished without commencing any development relating to the approved MDP. The new provisions required that the ALC will need to substantially complete the proposed major development within 5 years of the approval. An extension of up to two years may be granted upon request to the Minister for Transport and Regional Services (SCRAT 2007a).
3.4 Key issues arise from the parliamentary inquiry

This section examines the main issues and concerns raised in the course of the committee’s inquiry. It will start by looking at general concerns raised in the Bill and airport development and then move on to issues in relation to specific provisions in the Bill.

3.4.1 General issues

(a) Lack of coordination and integration between planning regimes

A number of witnesses and submissions to the inquiry expressed concern about difficulties potentially resulting from developments on airport land not being subject to the same planning and approval regimes as similar developments on non-airport land (SSCRAT 2007a). The Australian Local Government Association (SSCRAT 2007h) in the hearing noted that:

“Generally, as part of a development approval, councils and states take into account the impact of a new development on existing residents and businesses. Our concern is that developments on airports are not subject to such a process”.

This may be problematic where developments on airport land have a direct impact on infrastructure in the surrounding area, but developers are not required to contribute to the costs of maintaining and renewing that infrastructure. Witnesses from the City of West Torrens (SSCRAT 2007i) in South Australia explained that:

“The six million people who go through Adelaide Airport each year travel through the City of West Torrens – they do not have any other choice – and the infrastructure and roads system is grinding to a halt…Access for the building of the airport terminal took place via Richmond Road, a council road. That road was cut to ribbons by the heavy vehicles using that. The council will pick up the tab for that - $1 to $2 million”.

(b) Commercial use of airport lands

The majority of witnesses raised the issue of unfair commercial advantage where developments on airport land are not subject to the same financial and regulatory regimes as similar developments not on airport land (SSCRAT 2007a).
The Shopping Centre Council of Australia (2007) in its submission stated that:

“We can see no public interest justification for exempting non-aviation development on airport land from the state and local planning laws that apply to every other development”.

3.4.2 Specific issues

Apart from the general issues raised above, there were specific issues raised as explained in the following.

(a) Master plan beyond the 20 year planning period

In its submission, the Queanbeyan City Council (2007) stated that the Airports Act should not be amended to enable any master plan extend beyond the 20-year planning period. Two reasons were provided which included ‘the imposition of costs that may never be necessary’ and the ‘uncertainty of planning beyond the 20-year period for critical factors such as the future availability and costs of fossil fuels, the future of the airline industry, technological advancements’ (Queanbeyan City Council 2007: p. 5).

(b) Public consultation process

Witnesses to the public hearing and submitters to the parliamentary inquiry were broadly supportive of the Bill’s requirements that ALCs publish advice on their website including the provision of copies of their proposals free of charge to interested parties throughout the consultation period (SSCRAT 2007a). However, one of the main issues of concern related to the ability of a newspaper and/or internet advertisement to sufficiently raise the awareness of interested stakeholders and the community. In its submission, the Queanbeyan City Council (2007) suggested that the website advertising was not going far enough and that ALCs should be required to notify interested parties. Queanbeyan City Council (2007) suggested:

“There should be a change to the bill requiring airports to notify in writing those persons identified under the various provisions labeled ‘consultation’, which list local government and state and territory governments, in relation to major development plans, master plans and environment strategies. Of course, in this day and age that can be done electronically”.

Victor Yeung  |  Chapter 3 : Airports Amendment Bill 2006
The absence of an independent third party to manage and report the outcome of the consultation process to the Minister and the subsequent control of the process by the ALC in reporting to the Minister is a source of concern (SSCRAT 2007c). The Australian Mayoral Aviation Council (SSCRAT 2007d), gave an example during the public hearing of the consultation process for the a brickworks development in Perth that reflects the current situation under the present Airports Act:

“While there was much consultation about the brickworks, the real problem was that the person who gave consent was the person leasing land to the brickworks. There was no independent third party, and that is the real difficulty”.

In its submission, Hobart City Council (2007) suggested that in the current system where there is no clear separation of the roles of the assessor of public submissions received during consultation period and the proponent of the draft plan going through consultation. The proponent is significantly open to perceptions of bias and Hobart City Council (2007) proposed that all submissions received on a proposal should go directly to the responsible Australian Government department for consideration in the same way as the public lodge submissions with the appropriate local government authority across Australia.

There was much discussion on the proposed reduction to the number of days available for public comment. The majority of witnesses, particularly state and local council authorities, objected to the reduction in the number of days. The Australian Local Government Association (2007) stated in its submission that it does not support the proposed reduction in the statutory consultation period from 90 calendar days to 45 working days, as it does not provide Local Government with adequate time to have a matter formally considered by its Council. It also did not see the point of having the period changed from calendar days to working days and further suggested that the consultation period should be set to at 60 working days to more closely approximate the current period.

The majority of witnesses at the public hearing supported the intent of the amendment that the ALC must demonstrate it had given due regard to public comments when lodging the draft plans for Ministerial consideration (SSCRAT
Most discussion concentrated on what was meant by ‘demonstrate due regard’ and how this would actually work in practice. The Shopping Centre Council of Australia (SSCRT 2007e) welcomed the improvement on the current requirements of the Act, and stated:

“We hope that the change in wording will mean that DOTARS will now take a much more rigorous approach to ensuring that they have in fact taken into account those sorts of submissions. In other words, questions will go back to the airport lessee about the submissions, asking them to point to areas where they have taken those submissions into account and perhaps to change their MDP as a result of those submissions”.

(c) Meaning of major airport development

The Southern Sydney Regional Organisation of Councils (2007) raised concern in its submission that about the increase in the dollar threshold for construction costs from the current amount of $10 million to $20 million. This, will thereby increasing increase the amount of development that can occur on the airport site without the need for a MDP and associated public exhibition and opportunity to comment. Therefore, it may result in less opportunity for community involvement rather than more.

On the other hand, the extension of the Minister’s power to aggregate developments and determine that individual building developments or proposals constitute a major airport development was supported by the majority of witnesses and submitters (SSCRT 2007a). During the public hearing, the Australian Airports Association (SSCRT 2007g) agreed that the development process on airport sites will would be tightened under the Bill and stated:

“Under the bill, if you seek to break up what is otherwise a unitary development into little bits that are each less than $20 million the minister will have a capacity to say, ‘No, that is all going to be aggregated into one and you require a major development plan’. That is certainly a strengthening of the minister’s hand’.

(d) Approval by Minister

The majority of the evidence received during the inquiry expressed support for the proposed ‘stop the clock’ provision in the Bill, particularly given the
‘deemed approval’ clause in the Act (SSCRAT 2007a). However, the Australian Airports Association (2007) expressed concern in its submission that the use of this provision could extend the assessment period indefinitely, as there is a potential for inappropriate abuse of political power to unreasonably extend decision times for airport plans and developments. The association suggested that the usage of the ‘stop the clock’ provisions to be monitored by pervasive measures such as the Minister can only use the provision once in relation to any proposed decision. In addition, it is also suggested that the Minister must specify the reasons into why the requested information is necessary to allow a decision to be made.

Concerns were raised regarding the ‘deemed approval’ of the development if the Minister has not made a decision to approve or not to approve the development within the legislated time-frame. This power resides in the Act and is not contained within the Bill (SSCRAT 2007a). However, Simon Corbell, Minister for Planning, ACT (SSCRAT 2007f) expressed concern on the absence of safeguards in the approval process and commented:

“For example, in the ACT there are set time limits for consideration of development applications. **If the planning authority refuses or does not make a decision within those set time limits, it is a deemed refusal and the proponent, the applicant, has the opportunity to seek a review of that refusal in the Administrative Appeals Tribunal. So there are mechanisms to safeguard the authority simply sitting on an application and not making a decision one way or the other**”.

### 3.5 Summary of the Airports Amendment Bill 2006

During the period of December 2006 to February 2007, a Federal parliamentary inquiry on the Airports Amendment Bill 2006 was conducted in response to the intensification of non-aeronautical development occurring in Commonwealth airport lands that are leased out to the respective ALCs, but regulated under the Airports Act 1996.
The Bill sought to amend some of the provisions to the current Act. They are:

- to make clear the Commonwealth Government’s intention at the time of privatization of the airports, by permitting non-aeronautical development at leased airports, provided such development is consistent with the airport lease and approved master plan

- refining the planning and development approval regime attaching to airport master plans, major development plans, including streamlining public comment and assessment periods, providing purpose clauses, ensuring easier public access to a master plan, major development plans and allowing the Minister to request further information during the assessment process via the ‘stop the clock’ provisions.

Although the inquiry was completed and the Airports Act was amended, taking into account on some of the considerations by the submissions and witnesses’ comments during the inquiry, this thesis reckons that there are still spaces for improvement to the current planning process for non-aeronautical development on airport lands.

In terms of public consultation, this thesis agrees with the Australian Local Government Association (2007) that a reduction in time in public consultation from 90 calendar days to 45 business days could leave the affected Council(s) with inadequate time to carefully consider the proposed plan(s). Although the affected Council(s) does not involve in the actual development assessment process, the affected Council(s) would need to assess whether the proposal will impact the future development of their local government areas and thereby it was necessary for their concerns to be made to the proponent. Furthermore, this thesis agrees with Hobart City Council (2007) that there is a lack of clarity and transparency when the ALC deals with the public comments received in relation to the proposed plan.

In light of the above-mentioned matters, this thesis recommends the following:

- the consultation period of 90 calendar days be re-imposed to allow enough time for the public to review the proposals and to make comments.
● additional provisions should be inserted in the Act, that ALC must conduct public consultation workshops to interested stakeholders during the consultation period. This will allow the ALC to brief interested stakeholders about the proposed plan and giving the workshop attendees an opportunity to post questions to the ALC in relation to the development.

● that copies of the draft plans should be displayed in a designated area within the airport and also in the libraries of the LGAs that are affected by the proposal in addition to the current requirements.

● that an independent hearing and assessment panel be employed by the Minister for Transport and Regional Services. This panel should comprise of professionals that have expertise in either the field of aviation, planning, environment and economics. The role of the panel is to independently assess all the public submissions received in relation to the proposed development during consultation period and report back to the Minister for Transport and Regional Services for consideration during decision making process.
In the previous chapter, this thesis explored the recent changes to the legislation governing major airports in Australia as a result of a major parliamentary inquiry at the beginning of 2007. It was felt that there remains a lack of transparency in the planning process for non-aeronautical developments on airport lands and still room for improvement when taking into account the 'public interest'. This and the next chapter will investigate two case studies – one international and one Australian – to see whether the 'public interest' question has been fully considered during the planning process for non-aeronautical developments on airport lands.

The first case study chosen is Sydney Airport. Sydney Airport is the nation’s international gateway, and carries half of Australia’s international visitors each year (SACL 2005a). This chapter will start by looking at the historical development around Sydney Airport, how it started as a Government-owned entity to become a fully privatized airport. It will then look into the long term planning framework for Sydney Airport under the Sydney Airport Master Plan and the recent non-aeronautical developments that have been proposed and/or built. The last part of the chapter will explore the reasons behind the intensification in non-aeronautical development and how the different organizations/stakeholders have perceived about those developments at Sydney Airport.

4.1 Introducing Sydney Airport

(a) Sydney Airport in a geographical context

Sydney Airport is located eight kilometers south of the Sydney’s Central Business District and is adjacent to Port Botany – Sydney’s major port facility. The 905 hectare site is surrounded by water on three sides, Botany Bay to the south, the Cooks River to the west and the Alexandra Canal to the north (SACL 2004). The airport is bounded by three local government areas, namely the Cities of Botany Bay, Marrickville and Rockdale. The airport is served by a number of major roads and railways including General Holmes Drive, the M5 East, Southern Cross Drive,
the Port Botany Goods Line and two on-airport suburban railway stations (SACL 2004). An aerial photograph of the Sydney Airport site is shown in Figure 4.1.

**Figure 4.1 Sydney Airport Aerial Photograph**

*Source: SACL (2004)*
(b) Sydney Airport’s ownership and management

The Commonwealth of Australia currently owns the land occupied by Sydney Airport which is leased to Sydney Airport Corporation Limited (SACL). However, the actual owner of Sydney Airport is the Southern Cross Airports Corporation Holdings Limited (SCACH) – which is a parent company of SACL. The ownership of SCACH is shared between Macquarie Airports (MAp) together with various Macquarie Infrastructure Funds (81.78 per cent), Hochtief Airport (13.27 per cent) and Ontario Teachers Australia Trust (4.96 per cent) (SACL 2007a).

SACL’s management is headed by the Chief Executive Officer who oversees eight different divisions within the corporation. These divisions include Aviation Business Development, Retail, Property & Commercial, Airport Operations, Asset Planning & Services, Corporate Affairs & Human Resources, Company Secretariat & Legal and Chief Financial Officer (SACL 2007b).

(c) Overview of the historical development at Sydney Airport

The history of Sydney Airport was begun in 1919, when three men – Nigel Love, Harry Broadsmith and Jack Warneford, established the Australian Aircraft and Engineering Company Ltd (AA & E Co. Ltd). They formed a partnership and signed an agency agreement with Avro (an aircraft manufacturers in England) to assemble, manufacture and sell Avro 504K aircraft in Australia (SACL 2005a).

Seeking an aerodrome on which to establish their venture, Nigel Love scoured the Sydney area before being directed towards the bullock paddock at Mascot, where Love was impressed with the flat surface and the site being clear of obstruction on all sides (SACL 2005a). The first flight from Mascot took place in November 1919 and the “Mascot Aerodrome” was officially opened in January 1920 (SACL 2004).

In 1921, the Commonwealth Government decided to acquire the aerodrome as part of a program to develop a nation-wide airport network. In 1930, a report was published by the Commonwealth’s Parliamentary Standing Committee on Public Works into the development of the Mascot Aerodrome. In response to the criticism from the parliamentary report of the lack of facilities at Mascot, additional land was purchased and the main runway was surfaced with gravel.
and two ancillary grass runways were laid out (SACL 2005a). According to the Sydney Airport Master Plan (2004), these early runways were located in the vicinity of what is now the Domestic terminal complex and the Qantas Jet Base.

In 1940, a new passenger terminal was opened at a cost of £51000 and the aerodrome was declared ‘an airport worthy of the City of Sydney’ (SACL 2004). The airport was further developed during the war years to enhance its civilian and military facilities.

After the war, the Commonwealth Government appointed Dr Bradfield (an engineer with the Department of Civil Aviation at Melbourne) to develop the airport’s first master plan (SACL 2005a). Bradfield’s original plan for Sydney Airport included an extension to the east into Botany Bay, diversion of the Cooks River and taking underground the large sewer main on the southern side of the airport. In addition, Bradfield originally made provision for parallel runways in four directions, some on land and some on newly reclaimed areas of Botany Bay. However, due to the increase in cross-wind landing capabilities of aircraft, significant alterations to the plan resulted, and the four-runway vision eventually became a two-runway layout (SACL 2005a).

Entering into the jet age, aircraft noise became a very big issue with the arrival of new turbo-prop aircraft such as the Boeing 707. As a result, in 1963, a curfew was eventually introduced at Sydney Airport between 11pm to 6am (SACL 2004). In the same year, a proposal to extend the main north-south runway into Botany Bay was approved by the Parliamentary Public Works Committee, and the extension opened in 1968.

In 1965, the Commonwealth Government announced plans for the construction of a new, enlarged international terminal on the western side of the airport (SACL 2004). However, Sydney’s new international terminal was born out of controversy, largely because the Government has already decided to develop an international airport at Tullamarine near Melbourne to replace the existing Essendon airport. Apart from that, Sydney’s commercial and business sectors did not like the idea of having a second international airport on the Australian eastern seaboard and they preferred the millions of dollars be spent on Sydney Airport (SACL 2005a).
The decision to build an international terminal on the western side of the airport led to other changes. Up until then, it had been government policy to provide terminal facilities for the domestic airlines, and the plans for the new international terminal had taken into account extensions that might be required by the domestic airlines (SACL 2005a). However, a change in government policy resulted in the domestic airlines having to provide their own terminals. As a result, Ansett and Trans Australia Airlines (now Qantas Domestic) decided to extend their domestic terminals on the eastern site, where they remain today (SACL 2005a).

In 1970, Queen Elizabeth II opened Sydney’s new international terminal. The new terminal was equipped with modern passenger and baggage handling facilities, with a radiating passenger concourse and new aerobridges (SACL 2005a). On 1 July 1987, control and operation of Sydney Airport was passed from the Commonwealth Department of Transport to the newly-formed Federal Airports Corporation (FAC), a Commonwealth Government Business Enterprise (O’Neill 1987).

In December 1987, a major upgrading of Sydney’s domestic airline terminals was attached as a condition under new leases negotiated between the FAC, Australian Airlines (immediate precursor of Qantas Domestic) and Ansett. Under the 20-year leases, both airlines had a right to redevelop their terminals within 10 years of the lease, with the right to expand their facilities lapsing after 10 years (Jones 1987). The new leases, worth $20 million a year for the FAC, gave the airlines greater control over their areas within the terminals in relation to business concessions, including bars, restaurants, kiosks and coffee shops (Jones 1987).

The most debated issue about Sydney Airport’s future in the 1980s was whether as the then Federal Transport Minister Ralph Willis stated (Jones 1989), “$185 million for the third runway, against $1 billion for “fast tracking” a second airport at Badgerys Creek”. A report undertaken for the FAC by the multinational consultancy Bechtel in 1989 concluded that a second airport at Badgerys Creek would cost $1.8 billion and cost $190 million for site preparation and six years to be built (Lagan et al. 1989). In comparison, the report concluded a third runway would cost $185 million and four years to build (Lagan et al. 1989). On 22 March
In 1989, the Federal Cabinet finally decided to opt for a third runway for Sydney Airport due to financial restraints, as stated by the then Prime Minister Bob Hawke (Clark 1989) “In present economic circumstances the Government cannot justify the expenditure of more than $2 billion on an ambitious and early development of a full-scale international airport at Badgerys Creek”.

In 1992, a major expansion to the international terminal was opened. The 70000 square metres international terminal complex extension was connected to the southern end of the existing terminal and included a 21000 square-metre, and a 50000 square metres, four-level terminal (Jones 1990; SACL 2004).

On 1 July 1998, the control and operation of Sydney Airport was passed from FAC to Sydney Airports Corporation Limited (SACL). The Australian Government had already sold 17 Australian airports under the control and operation of the FAC, and Sydney Airport was the last major FAC airport to be sold (McGuire 1998; Aircraft and Aerospace 1998). Six months after SACL took over control of Sydney Airport, a $600 million upgrade was announced as Sydney headed towards the Sydney 2000 Olympic (Wainwright 1998). In July 2000, another major $600 million redevelopment of the international terminal was formally opened. The redevelopment resulted in nearly double the number of retail outlets, an extra 55 check-in counters and expanded baggage carousels (Chulov et al. 2000).

After almost 30 years of debate in Canberra, the federal cabinet ruled out building a second airport over Badgerys Creek in October 2000. The main reason behind the final decision was due to the investigation done by Department of Transport officials. They found that the capacity of Sydney Airport would not reach saturation point for at least another 30 years and passenger traffic could be raised by either changing the curfew, lifting the cap of 80 flights per hour, changing the long term noise sharing plans, or replacing smaller planes with larger ones (Shanahan 2000).

In December 2000, the Commonwealth Government announced its decision to privatize the airport (SACL 2004). The sale process commenced but was subsequently deferred following the terrorist attacks in the United States and the collapse of Ansett Australia in September 2001 (Gordon 2001).
In June 2002, the sale of Sydney Airport to the Southern Cross Airports Corporation Holdings Limited (SCACH) was concluded with a record breaking price of $5.58 billion. In addition, the SCACH acquired the former Ansett Domestic Terminal for $192 million as part of the deal (Frith 2002).

Sydney Airport now comprises three main terminals: T1 International, T2 Multi User Domestic and T3 Qantas Domestic (which is still under the 20-year lease established back in 1987 and managed by Qantas). The combined terminals can handle a total of 66 aircraft and over 17000 passengers per hour (SACL 2006a).

T1 International Terminal contains 192 check-in counters, 20000 square metres of retail space (including over 120 retail, service outlets, cafes and restaurants), a centrally located undercover taxi rank with a 190 vehicle holding area and amenities for taxi drivers, and car park that has 1780 car parking spaces and 56 ‘short stay’ spaces and 20 accessible spaces (SACL 2006a). T2 Multi User Domestic Terminal contains 35 check-in counters, four executive lounges, 480 parking spaces and 51 retail, food and beverage and service outlets (SACL 2006a). T3 Qantas Domestic Terminal contains 28 check-in counters, a 920-seat Qantas Club lounge featuring 12 meeting rooms, and retail, food and beverage and service outlets (which includes a post office) (Ballantyne 1994). A chronological history of development at Sydney Airport is depicted in Table 4.1.

4.2 Planning and recent non-aeronautical development at Sydney Airport in the post privatization era

(a) Sydney Airport Master Plan (SAMP)

One of the consequences of the sale of Sydney Airport was the requirement (under the Airports Act as detailed in Section 3.2) for the development of a 20 year master plan for the airport. The draft master plan was first launched by SACL on 1 August 2003 (ABC 2003). Subsequently, after the plan was publicly exhibited for three months, the then Minister for Transport and Regional Services John Anderson approved the Sydney Airport Master Plan (SAMP) on 24 March 2004 (SMH 2004). Anderson also emphasized at the announcement of the approval of SAMP that “approval of the master plan does not open the way to significant new developments on the site or to changes in the way the airport operates” (SMH 2004).
<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920</td>
<td>- The site is officially declared an aerodrome on 20 January 1920</td>
</tr>
<tr>
<td>1924</td>
<td>- First hangar is erected and the first regular services operate from Sydney to Melbourne and Adelaide</td>
</tr>
<tr>
<td>1930</td>
<td>- The first gravel runway is completed</td>
</tr>
<tr>
<td>1935</td>
<td>- Mascot is declared an international airport</td>
</tr>
<tr>
<td>1936</td>
<td>- The airport is named Kingsford Smith Aerodrome</td>
</tr>
<tr>
<td>1938</td>
<td>- Approval granted to build a passenger terminal</td>
</tr>
<tr>
<td>1940</td>
<td>- Runways are sealed for the first time</td>
</tr>
<tr>
<td>1941</td>
<td>- Work commences on a new international terminal</td>
</tr>
<tr>
<td>1943</td>
<td>- Runways are sealed for the first time</td>
</tr>
<tr>
<td>1947</td>
<td>- Work commences on a new international terminal</td>
</tr>
<tr>
<td>1960</td>
<td>- Main north-south runway is extended into Botany Bay. The 11pm-6am curfew introduced</td>
</tr>
<tr>
<td>1963</td>
<td>- Approval is granted for major expansion of Sydney Airport</td>
</tr>
<tr>
<td>1970</td>
<td>- Queen Elizabeth II opens Sydney’s new international terminal.</td>
</tr>
<tr>
<td>1972</td>
<td>- North-south runway extensions are completed.</td>
</tr>
<tr>
<td>1980</td>
<td>- Qantas International Air Cargo Terminal constructed</td>
</tr>
<tr>
<td>1983</td>
<td>- FAC takes over ownership and operation of Sydney Airport</td>
</tr>
<tr>
<td>1988</td>
<td>- Approval granted for the construction of third runways</td>
</tr>
<tr>
<td>1990</td>
<td>- Third runway opens</td>
</tr>
<tr>
<td>1994</td>
<td>- FAC disbanded. SAACL takes over the ownership and operation of Sydney Airport</td>
</tr>
<tr>
<td>2000</td>
<td>- Federal Government $2 billion injection into improvement of Sydney Airport</td>
</tr>
<tr>
<td>2002</td>
<td>- Macquarie Airports becomes major shareholder in $5.6 billion sale of Sydney Airport</td>
</tr>
<tr>
<td>2003</td>
<td>- Master Plan outlining the next 20 years of Sydney Airport is initiated</td>
</tr>
<tr>
<td>2005</td>
<td>- Preparations are made to handle the new large Airbus A380</td>
</tr>
</tbody>
</table>

Source: SACL (2005a)
The existing facilities and land-use arrangement of Sydney Airport is shown on a map in Figure 4.2. Through the master planning process, SACL (2004) predicted there would be growing demand to develop the areas around Sydney Airport to accommodate non-aeronautical activities such as offices, car parks, hotels, convention centres and shopping facilities (refer to Figure 4.3 for the proposal under SAMP). To determine the various land uses for Sydney Airport, SACL (2004) adopted the “highest and best use” principles to maximize commercial development opportunities as much as possible. In addition, SACL identified a number of commercial activities that could be located on land not required for aviation purposes in the short term. SACL’s proposal for non-aeronautical development in Sydney Airport was divided between four precincts under the SAMP and is summarized below:

- **International Precinct** – SACL (2004) proposes expansions in car parking and other transport related infrastructure in response to customer service demands. Commercial developments including offices and hotels are also planned to complement the highly active civic space (SACL 2004). SACL (2004) predicted that the precinct can accommodate demand for at least 120,000 square metres of commercial floorspace.

- **Domestic Precinct** – Due to existing site constraints, car parking has been accommodated within parking structures for many years. Further car park development to the east of the existing structures has been proposed by the SACL (2004) to meet future increased facilitation demand. SACL (2004) also proposes to have a number of uses to facilitate commercial demands, including offices, hotels, retail, service facilities, and commercial signage. SACL (2004) forecasts that the precinct can accommodate at least 120,000 square metres of commercial floorspace.
● **Southern Precinct** – SACL (2004) identifies existing navigation sites on the south eastern parts of the airport are to be vacated as new technology is introduced and is reserved for future aviation uses beyond the timeframe of the master plan. Until the site is needed for aviation purpose, SACL (2004) expected these areas will remain available for commercial development. Additional commercial developments for these locations might include hotels, food outlets, vehicle centres and signage. Other areas could satisfy demand for uses such as aviation support, business park style offices, light industrial and volume retail.

● **Northern Precinct** – SACL (2004) proposes freight related and other light industrial and commercial uses along several land parcels across the north of Alexandra Canal.

(b) Land Use Zoning Plan for Sydney Airport

Under the provisions of the Airports Act 1996, SACL is required to describe proposals for land use and related planning, zoning or development in the SAMP in relation to the landside part of the airport. In addition, it is required to utilize terminology (including definitions) consistent with that applying in land use planning, zoning and development legislation in force in the state in which the airport is located (i.e. NSW EP&A Act). SACL has prepared a land use zoning plan (**Figure 4.4**) and zoning table (**Table 4.2**) to control future permissible development at the airport. The objectives of each land use zone are set out and the types of permissible development are also set out for each zone. All development requires development consent through SACL’s internal development assessment and consent process (refer to **Figure 4.5**). Development uses which are not specified in a particular zone may be permissible on merit, following an assessment by SACL as to whether that use is consistent with the SAMP, as well as other uses permitted within that particular zone (SACL 2004). Where there are inconsistencies between current land use and the indicative development concept as depicted in the land use zoning plan, SACL stated in the SAMP that the current land uses may continue and shall be regarded as an additional permissible form of development on those sites.
Figure 4.2 Existing facilities and land-use arrangement for Sydney Airport

Figure 4.3 Indicative Development Concept for Sydney Airport under SAMP

Figure 4.4 Land use zoning plan for Sydney Airport under SAMP

**Figure 4.5** Sydney Airport Approval Process—Planning and Development

**Source:** SACL (2004)
<table>
<thead>
<tr>
<th>Zoning</th>
<th>Objective</th>
<th>Development which may be carried out with consent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Use 1—Airport Airside</td>
<td>To identify land for the current future facilitation of airfield operations.</td>
<td>Runways, taxiways and aprons; aircraft engine-run areas; airside roads; aviation fuel distribution; aircraft and airport maintenance facilities including hangars, associated workshops and stores; GA and helicopter facilities; visual and non-visual navigation aids; aircraft surveillance equipment; meteorological facilities; advertising structures; advertisement; and utility installation.</td>
</tr>
<tr>
<td>Special Use 2—Airport Terminal and Support</td>
<td>To identify land for airport terminal and support facilities and their associated administrative, business and retail components, and for interim freight facilities.</td>
<td>Airport terminal and support facilities including their associated administrative, business and retail components; passenger transfer stations; terminal-related business including commercial premises, hotel; parking space; FBO facilities; transport infrastructure; terminal support including terminal services facilities; storage and maintenance; aviation fuel storage; advertising structure; advertisement and utility installation</td>
</tr>
<tr>
<td>Special Use 3—Airport Freight</td>
<td>To identify land for airport freight facilities.</td>
<td>Airport freight facilities; ULD storage and maintenance; security control and screening points; airside deliveries; transport infrastructure; warehouses and storage; advertising structure; advertisements and utility installation</td>
</tr>
<tr>
<td>Special Use 4—Arterial Road Widening</td>
<td>To identify land for the provision or future widening of landside roads.</td>
<td>Advertising structure; advertisement; road widening; and utility installation</td>
</tr>
<tr>
<td>Special Use 5—Transfer Corridor</td>
<td>To identify land for the facilitation of inter-terminal transfers of passengers and baggage</td>
<td>Facilitation of inter-terminal transfers of passengers and baggage’ advertising structure; advertising and utility installation</td>
</tr>
<tr>
<td>Mixed Use 1—Mixed Aviation, Business and Industrial</td>
<td>To identify reserve land areas for long-term aviation purposes as described in Special Uses 1 to 4 and to provide land for interim business and industrial purposes</td>
<td>Purposes as described in Special Uses 1 to 4</td>
</tr>
<tr>
<td>Mixed Use 2—Mixed Business</td>
<td>To identify land for business development</td>
<td>Advertising structure; advertisement; bulk store; bulky goods retailing; bus depot; bus station; car repair station; child care centre; club; commercial premises; educational establishment; general store; health care professionals; hotel; motel; motor showroom; parking space; place of assembly; refreshment room; retail plant nursery; road transport terminal; service station; shop; tourist facilities; transport terminal; utility installation; volume retail; warehouse</td>
</tr>
<tr>
<td>Mixed Use 3—Environmental Sensitive Business</td>
<td>To identify land for business development in areas adjacent to significant sites identified in SA CL; Environment Strategy 1999</td>
<td>Business development adjacent to areas identified in SA CL’s Environment Strategy; advertising structure; advertisement; child care centre; club; commercial premises; educational establishment; general store; health care professionals; parking space; place of assembly; refreshment room; shop; tourist facilities; and warehouse</td>
</tr>
<tr>
<td>Open Space—Open Space Reservation</td>
<td>To identify land appropriate for use as open space, including the Engine Ponds and Mill Stream</td>
<td>Advertising structure; advertisement; recreation areas; and utility installation</td>
</tr>
</tbody>
</table>

*Source: SA CL (2004)*
(c) Recent non-aeronautical development at Sydney Airport

There are a number of non-aeronautical developments that were proposed and/or built at Sydney Airport in the post-privatisation period. The first major development is the new New South Wales regional headquarters of the Australian Customs at 10 Cooks River Drive (situated next to the car parking entrance of the T1 International Terminal, refer to Figure 4.6). A MDP for the site to accommodate two commercial office blocks was originally approved by the Minister for Transport and Regional Services back in May 2002 (a month before Sydney Airport was sold to SCACH), delivering up to 27000 square metres of office accommodation for up to 1000 staff, and secure parking for 245 cars in two buildings (SCACH 2003). However, the planned two office blocks (one of 10 floors and another of nine) was scaled back in April 2003 with only a single 10-floor office block, housing 1000 employees across 15000 square metres commercial floor space (Robins 2003a). The building was completed and officially opened in July 2005 (AAP 2005). It was indicated by SACL back in 2003 that the second office block may be developed in the future and would have been occupied by the Australian Protection Services (Robins 2003a). There is presently no further indication by SACL whether it will proceed with the second office block on that site.

Figure 4.6 Australian Customs Regional Headquarters at Sydney Airport

Photo: Victor Yeung, 6 September 2007
In June 2003, SACL and leading express freight and logistics company DHL, announced the development of a new airfreight facility at Sydney Airport (SCACH 2004; refer to Figure 4.7 for a picture of the completed facility). Opened in 2005, DHL leased the former Virgin Blue Domestic Express Terminal and a site lease for the former Express Terminal public car park and an area currently occupied by DHL for six years from SACL (SCACH 2005; Robins 2003b) and developed a new purpose built 6200 square metres warehouse facility capable of handling in excess of 20000 shipments every day (Aston 2003). The key benefit for DHL will be the easy access to aircraft apron space for DHL’s Boeing 727-200 Trans Tasman freighter aircraft from the new airfreight facility (SCACH 2004). The total leased area is approximately 11000 square metres with a total project construction cost of $9 million (The Australian 2003).

Figure 4.7 DHL airfreight facility at Sydney Airport

Photo: Victor Yeung, 6 September 2007

Also in June 2003, SACL announced that hotel group, Accor, would develop a new 6 storey 119 room Formule 1 hotel adjacent to the airport’s domestic precinct on Joyce Drive (SCACH 2004; refer to Figure 4.8 for a picture of the completed hotel). Opened in 1995, the $6 million project was constructed on a site of approximately 1995 square metres (SCACH 2004; SCACH 2005). Adjacent to the Formule 1 hotel is the 24-hour Krispy Kreme (famous food outlet specializing in donuts; refer to Figure 4.9 for a picture of the food outlet). The arrival of Krispy Kreme was a direct result of negotiations concluded between
SACL and Krispy Kreme back in 2003 (SCACH 2004). It is a single storey retail/warehouse factory on a site of 4000 square metres. In addition, SACL (SCACH 2004b) claimed that Krispy Kreme complements the commercial development strategy for the domestic terminal precinct.

**Figure 4.8** Formule 1 Hotel at Sydney Airport

![Formule 1 Hotel at Sydney Airport](image)

*Photo: Victor Yeung, 6 September 2007*

**Figure 4.9** Krispy Kreme Outlet at Sydney Airport

![Krispy Kreme Outlet at Sydney Airport](image)

*Photo: Victor Yeung, 6 September 2007*
In September 2004, SACL unveiled a draft MDP to build two 12-storey car park stations and a pair of 9-storey office blocks, with 18,000 square metres of floor space, to house commercial premises and a possible hotel on the north-western corner of the existing surface car park at the International Terminal (T1) (Goedsir 2004). In April 2005, despite opposition from local councils, the then Federal Transport Minister John Anderson approved the airport’s plan, which adds 7,900 car spaces after construction finishes (Creedy 2005; refer to Figure 4.10 for the location of the approved car park and commercial facilities). SACL (2005b) stated in the MDP that the provision of the multi-level car park would enable the efficient provision of sufficient additional car parking to cater for forecast passenger and related activity at the International Terminal over a 10 year period to 2013/14. In addition, it would enable the replacement and/or relocation of an estimated 4,750 existing airport-related parking spaces that are likely to be displaced by future uses included in the SAMP (SACL 2005b). Despite gaining an approval from the Transport Minister back in 2005, it was not until April 2007 that SACL announced the construction of the car park (Saleh 2007). However, it will only at this stage construct a single 8-storey car park building, a departure from the approved 12-storeys. The new car park will provide an additional 3,000 undercover parking spaces at a cost of $68 million (Saleh 2007). At the time of writing, there was no further indication of when SACL will complete the remaining stage of the development in the approved MDP. However, as mentioned in Section 3.3, the recent amendments to the Airports Act will now require the ALC to complete the approved project within 5 years of gaining the approval. This is obviously different to the NSW EP&A Act, which the approved development must be completed within 2 years. Figure 4.11 shows the new car park in construction and Figure 4.12 illustrates what the car park will look like after construction.

In June 2005, SACL announced that Mercedes-Benz has entered into long-term lease agreements with SACL for the development of a purpose-built Mercedes-Benz sales and service facility located within the Sydney Airport precinct (SACL 2005c). Opened in January 2006, the facility is located on Sir Reginald Ansett Drive, the main gateway into Sydney’s domestic airport (SCACH 2006; Figure 4.13). This facility enables Mercedes customers to have their cars serviced at the site whilst away.
**Figure 4.10** Approved MDP for carparking and commercial facilities at Sydney Airport

*Source: SACL (2004)*
Figure 4.11 New 8-storeys car park in-construction at Sydney Airport

Photo: Victor Yeung, 6 September 2007

Figure 4.12 New 8-storeys car park at Sydney Airport after completion

Source: SCACH (2007)
In October 2005, SACL released a draft MDP for a proposed $200 million worth of new retail and commercial space (Chong 2005). SACL was seeking federal government approval on two options for 20 hectares of unimproved airport land at the end of the third runway. The two development options, with access from Foreshore Road, encompassed plans for discount retail outlets; bulky goods; specialty food outlets; a supermarket; office space; car parking and potentially cinemas (SACL 2005d). Both options were accredited for public exhibition by the Department of Transport and Regional Services and the Department of Environment and Heritage, and are compatible with the 2004-approved SAMP (SACL 2005d). Following a 90-day public consultation period and public backlash against its development proposal, SACL submitted its revised plan to the then federal Transport Minister Warren Truss in July 2006 (Manning 2006). In its revised plan, SACL withdrew its plans for the larger aviation and retail precinct (including cinemas) and instead submitted a significantly reduced version of the aviation and retail business precinct (including offices) (SACL 2006b). The revised proposal comprised a 48400 square metres gross floor area of retail development and 2000 square metres for mezzanine offices. The proposal encompasses an outlet centre (24000 square metres), homemaker centre (10000 square metres), food courts (1900 square metres) and

Figure 4.13 Mercedes-Benz sales and service facility at Sydney Airport

Photo: Victor Yeung, 6 September 2007
independent discount store (12500 square metres) and 2412 car parking spaces (SACL 2006b). On 13 February 2007, the federal Transport Minister Mark Vaile turned down the $200 million retail development proposal, stating that the development could be hit by a plane due to the close proximity to the end of the third runway (Creedy et al. 2007). Furthermore, the Minister was not satisfied with the proposal due to the possibility of buildings creating wind turbulence along the runways and road traffic problems in and around the airport and on roads to nearby Port Botany (Creedy et al. 2007). SACL expressed that it will need to undertake additional analysis and work before deciding whether to again submit the retail centre for the government's consideration (SACL 2007c).

4.3 What triggers the intensification of non-aeronautical development at Sydney Airport?

The increase of non-aeronautical development at Sydney Airport by the privatized-SACL can be seen as continuing the operating principles that were started by the FAC. When FAC commenced controlling and operating 17 Australian airports (including Sydney Airport) in 1988, it was the Commonwealth’s intention to provide the administration of the airports with greater commercial freedom and to emulate governance, management, and incentive systems active in the private sector (Hooper et al. 2000). In addition, one of FAC’s chief aims was to keep aeronautical passenger and freight charges to a minimum by maximizing income from other sources (i.e. non-aeronautical development) (Hooper et al. 2000). Therefore, it was intended that the FAC would operate the airports (i.e. Sydney Airport) along commercial lines.

It was stated by SACL in the car parking and commercial development MDP approved back in 2005, that SACL’s core business is the management and operation of Sydney Airport as undertaken through an organizational structure focused on two functional divisions – namely, revenue and support (SACL 2005b). It is the objective of the Property & Development business unit within SACL to continue the pursuit of development strategies that allow for the necessary controls to ensure delivery of the aviation needs depicted in the SAMP and to support commercial development opportunities across the airport site (SACL 2005b). Interestingly, the-then SACL executive chairman Max Moore-Wilton confirmed that the continuation of non-aeronautical development at Sydney Airport is inevitable, “All the world’s great airports are moving towards a
model that offers a diverse mix of non-aeronautical services so as to have a more sustainable and cost-effective business” (Chong 2005).

4.4 Arguments against non-aeronautical development at Sydney Airport

This section discusses issues raised in some of the submissions into the now defunct $200 million retail and commercial development MDP at Sydney Airport. The scale of the original proposals underlined the new governance regime affecting Australia’s airport and complex questions regarding private versus public interest.

(a) Undermining State and Local planning regimes

The NSW Government (2006) stated in its submission to SACL that major retail and commercial development like the one proposed at Sydney Airport would be assessed under Major Projects SEPP and trigger application of Part 3A of the EP&A Act if it was assessed under NSW legislation. Under Part 3A, additional justification and assessment is required including the preparation of a ‘Statement of Commitments’ and demonstration of how the proposal meets state and regional planning objectives for the area. However, the MDP stated that the documentation of the proposed development and consultation would ‘generally’ meet the applicable requirements under NSW planning and development consent process. This is inaccurate and does not provide a comparable Statement of Commitment under Part 3A.

The other concern by both the NSW Government (2006) and Randwick Council (2006) was that the proposal does not accord with the Sydney Metropolitan Strategy. Sydney metropolitan strategy has been based on ‘centres policies’ that identified major centres and restricted office based and retail activities outside those centres. The strategy requires retail and office activity to be located in identified or designated retail zones and retailing to be allowed in industrial areas only where it is ancillary to industrial uses. The metropolitan strategy does not identify Sydney Airport as a retail centre (NSW Government 2006). Rather it is designated as a ‘specialised centre’ which is defined as an area containing major airports, ports, hospitals, universities, etc. Both NSW Government (2006) and Randwick Council (2006) agreed that the MDP is clearly inconsistent with the metropolitan strategy which does not support major retail development in a ‘specialised centre’ such as the airport with no public transport access.
The Shopping Centre Council of Australia’s submission (2006) identified that the site of the MDP proposal lies within the local government areas of Botany and Rockdale. According to the draft MDP, the site is not zoned under Rockdale LEP but is zoned Special Use 5A under Botany LEP which provides for development that is incidental to airport operations – meaning major retail and office developments are not consistent within this zoning.

(b) Unmitigated impact on State and local infrastructure

NSW Government (2006) in its submission emphasized that it is a standard practice under State planning regime for developers to be levied proportion to the impact of their development with the levies being invested in compensatory works and/or the provision of public services and community facilities. The preliminary modeling of the proposed MDP shows the development would add an extra 20000 to 25000 vehicle kilometers traveled by 2011. If the proposal was assessed under NSW EP&A Act, then developer contributions are required to be paid by the developers and local council infrastructure would need to be provided before development consent could be obtained.

(c) Impact on surrounding communities

The Shopping Centre Council of Australia expressed concern that SACL did not undertake its own economic impact assessment in the proposal. The Council criticized SACL for not giving considerable concern of the potential impact of its large scale development on existing shopping centres and shopping strips in the surrounding areas.

(d) Inconsistency with airport master plan

The site of the proposed MDP developments is zoned "Mixed Use 1 – Mixed Aviation Business and Industrial" in the SAMP, land which has been identified for long term aviation purposes but to provide for ‘interim’ business and industrial purposes. The MDP estimated value of the project was $250 million. Both the NSW Government (2006) and the Shopping Centre Council of Australia (2006) indicated that capital investment of this magnitude is doubtful on an ‘interim’ basis. In the absence of any information in the MDP on when and how the
‘interim’ shopping centre will be demolished when they are required for aviation purposes, both submissions said that it is difficult to believe the 20 hectare site is reserved for long term aviation purposes and that the MDP is thus inconsistent with the SAMP.

(e) Security and public safety issues

Randwick Council (2006) was particularly concerned with the non-aeronautical development being proposed in a location adjacent to runways, which resulted in large numbers of people unrelated to air travel accessing the airport site. Randwick Council (2006) condemned that SACL ignored public safety by not taking a risk assessment on its development proposal as would normally be required of development posing potential risk.

4.5 Summary of the Australian Case Study - Sydney Airport

Sydney Airport is undergoing a lot of changes through the increased non-aeronautical developments being proposed and/or built after privatization. With the Sydney Airport Master Plan due for renewal next year, it would be interesting to see if there are going to be more intensification of non-aeronautical development lying ahead for Sydney Airport. Assessing the comments made by SACL and various concerns made by the public, this thesis agrees with the NSW Government (2006) that Sydney Airport – now being a private entity - is trying to maximize their profits to their shareholders by ignoring the public interest in the proposals of non-aeronautical developments, especially in the situation which plans proposed by SACL being inconsistent with State and Local planning regimes.

In addition, this thesis agrees that SACL is trying to take advantage of the loop holes that exist in the current Airport Acts. For example, proposing non-aeronautical developments that are under the $10 million dollars threshold (e.g. the Formulae 1 hotel, DHL airfreight hub), bypasses the need to consult with the public as they do not require a MDP under the Airports Act. Furthermore, SACL did not take into consideration the level of traffic congestion that the non-aeronautical proposals would create on local and state roads, as SACL is not required under the Airport Acts (as other developers outside airport land would), to pay developer contributions to fund State and Local infrastructure.
and is thereby able to pass responsibility back to the State and Local government to do the necessary improvements for them.

This thesis recommends the following changes in addition to the recommendations stated in Chapter 3 about the Airports Act:

- that additional provisions are made to allow the public to comment on non-aeronautical development that are not classified as ‘major development’ which does not require a MDP;

- a separate assessment board comprising members from the State government and LGAs that are affected by the development proposals from their respective ALCs be instituted to review or advise on proposals. The purpose of the board would be to check any inconsistencies between the ALC’s proposals against State and Local planning regimes and provide an added layer of assessment and consultation before being considered by the federal Minister for Transport and Regional Services; and

- additional provisions should be made to enforce the ALCs to made contributions to improve state and local infrastructure when a new development has occurred on land in their respective airport.
In the previous chapter, this thesis explored the recent non-aeronautical developments that were happening over in Sydney Airport and how Sydney Airport tried to take advantage of loop hole in the Airports Act to bypass public consultation for non-aeronautical development proposals during the planning process.

The second case study chosen for this thesis is the Hong Kong International Airport (HKIA). The HKIA has been voted recently as the world’s best airport for the sixth time in seven years by the 8 million passengers who participated in the annual Skytrax (an independent London-based air transport research organization) survey (Skytrax 2007). This Chapter will commence by looking at the initial development of the new airport for Hong Kong to replace the previous Kai Tak airport. It will then look into the recent non-aeronautical developments in HKIA and the reasons behind the intensification of those non-aeronautical developments. In the last part of the chapter, it will look at the current planning system in Hong Kong and how those non-aeronautical developments are assessed under the current system.

5.1 From Kai Tak to HKIA

The previous HKIA was situated at Kowloon Bay and started as Kai Tak Airport back in 1935 when the first commercial passengers landed from Penang on a flight operated by Imperial Airways (Civil Aviation Department 2005). In 1954, the Hong Kong Government approved a master plan for airport development but a passenger terminal building was not built until 1962.

Remarkably, as early as 1946, the Hong Kong Government had started thinking about the relocation of Kai Tak Airport, as the government realized that Kai Tak will eventually reach its capacity and could not effectively serve the future passenger growth (Ng 1993). After the Second World War, the Hong Kong Government employed an engineering consulting firm to investigate two sites for the new airport – both Ping Shan and Stanley were found to be unsuitable (Figure 5.1).
In 1973, Chek Lap Kok (also known as Lantau Island) was recommended as the site for a replacement airport after a comprehensive site search was conducted (Ng 1993). However, a final decision to build a new airport had been held up by the stock crisis in 1973, the oil crises in 1974-1975, and the uncertain political future in Hong Kong in the early 1980s. After the signing of the Joint Declaration between the British and Chinese Governments (which the British government agreed on handing back Hong Kong to the Chinese government on 1 July 1997) in 1984, interest in building a new international airport was revived (Ng 1993). A group of businessmen initially offered to build the airport in the Western Harbour of Hong Kong, a different site to the early favourite Chek Lap Kok. This was later rejected by the then Financial Secretary of Hong Kong, as he argued that Kai Tak would not reach its saturation point until 2005-2006.

However, at the same time, it became clear that airport facilities were approaching saturation point much faster than expected, with passengers increasing from 7.1 million in 1981 to 11.2 million in 1987 (Ng 1993). The Hong Kong Government therefore decided to re-examine the possibility of building a new international airport to meet the increased demand, which later led to the formation of the Port and Airport Development Strategy (PADS).
When PADS was planned in the late 1980s, the bureaucracy had not attempted another territory-wide site search, due to the fact that the Hong Kong Government had already previously chosen Chek Lap Kok as the site for its replacement airport. Apart from that, numerous planning studies were conducted on the implications of having the replacement airport at Chek Lap Kok, hence the government has a deeper understanding about the site than anywhere else (Ng 1993).

The PADS consultants were only required to test three airport scenarios in the study: retaining the airport at Kai Tak, or relocating the airport either to Chek Lap Kok or to the Western Harbour. In addition, the consultants were required to formulate a flexible development strategy that could integrate a suitably located new airport, along with related infrastructure and associated urban development (Ng 1993).

Table 5.1 summarises all the studies which directly contributed to the formulation of PADS. Figure 5.2 shows the study process of PADS. Both of Table 5.1 and Figure 5.2 suggested that there was no room for public participation on the part of various interested parties (i.e. stakeholders) at critical stages in the development of the plan. Studies done on the airport were not made public and the public was left in the dark about the progress of these projects. The closed planning system also denied the general public opportunities to raise questions and doubts such as whether there are any alternatives to the site selection and how different groups be affected when the new airport is built.

The general public was unable to judge whether Hong Kong could afford to have the expensive infrastructure development as the amount of financial reserves in the territory then was kept secret (Ng 1993). The Financial feasibility study and environmental impact assessment were not completed when PADS was announced. Unfortunately, these studies have been kept as confidential documents not available for public scrutiny (Ng 1993).

On 11 October 1989, the then Governor of Hong Kong announced the implementation of PADS to the Hong Kong Legislative Council, which included a replacement airport at Chek Lap Kok. The total cost of implementing PADS was estimated at HK$127.4 billion at 1989 prices (Ng 1993).
### Table 5.1 Background and parallel studies of PADS

<table>
<thead>
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<th>Aims</th>
<th>Studies</th>
<th>Date</th>
<th>Responsible agents</th>
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<td>Coordination</td>
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<tr>
<td>Inventory of existing airports</td>
<td>[Except for a 4-day tour visit to Guangdong Province by a high-level team led by a special adviser to the Governor to gather planning-related information in mid-1987]</td>
<td>Absent</td>
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<td>Kai Tak Development Potential Study</td>
<td>October 1987 to September 1988</td>
<td>Government commissioned consultants</td>
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<td>Alternative sites</td>
<td>Alternative Replacement Airport Sites Study</td>
<td>April 1988 to April 1989</td>
<td>Government commissioned consultants</td>
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<td></td>
<td>Port and Airport Development Strategy Study</td>
<td>March 1988 to August 1989</td>
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<td>Financial feasibility</td>
<td>Finance and Institutional Study (FINS)</td>
<td>May 1988 to ?</td>
<td>Government commissioned consultants</td>
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<tr>
<td>Environmental impact studies</td>
<td>Not completed when PADS was announced in 1989</td>
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*Source: Ng (1993)*

### Figure 5.2 The study process of PADS

*Source: Ng (1993)*
In April 1991, the multi-billion-dollar PADS had been the subject of heated debate between the Chinese and British Government, as China feared that Hong Kong’s monetary reserves would dry up after the changeover of Hong Kong from Britain to China in 1997 (Kohut et al. 1991). The two sides agreed in principle to set up a new advisory body on Hong Kong’s infrastructure development as demanded by the Chinese to bolster the transparency of the airport scheme. In addition, British officials are understood to have had no objection to appointing some China-affiliated figures to the advisory committee.

Although breakdown in talks between the two governments continued on the financial agreement to fund the $100 billion project (Godfrey et al. 1991), it was the Queen’s Royal seal of approval (Yeung et al. 1991) in July 1991 that gave the HKIA a green light to continue on. However, another round of airport talks collapsed within the Joint Group Airport Committee (comprising members from the Chinese and British government appointed officials), as the Chinese Government hit out at Britain’s airport funding package as “retrogressive” and demanded proposals be revised to help bring out an agreement on the infrastructure plan (Cheung et al. 1992).

Eventually the funding arrangement for the new HKIA project was resolved, and the Provisional Airport Authority (PAA) for Hong Kong’s new airport at Chek Lap Kok was set up (Porter 1993). A detailed transport plan was released by the PAA, in which the new HKIA at Chek Lap Kok would be accessible by road, rail and ferry when finished (Becker 1993). In the years leading up to opening of the new HKIA, the PAA started to grant licenses in a bidding process to interested operators on air-cargo handling in Hong Kong in 1993 (Porter 1993).

In December 1995, the airport island was granted to the Airport Authority Hong Kong (AAHK) from the Hong Kong Government for the development and operation of the airport (Town Planning Board 2006). In 1996, the AAHK granted franchises for aircraft maintenance and ramp handling in the new HKIA (SCMP 1996). Subsequently, in 1997, the AAHK awarded 14 commercial catering licenses and one staff catering license (range from 60 to 64 months) for the passenger terminal at the new airport (Tabakoff 1997). Through granting these catering licenses, a commercialization picture of the new HKIA becomes evident: A big “Window-On-The-World” restaurant comprising 1306 square metre coffee
shop, an Asian food court and two snack bars; Maxim’s Caterers will operate a 2329 square metre Chinese dim sim restaurant; famous brand food outlets such as McDonald’s, Oliver’s Super Sandwiches and TCBY will all operate at the Hong Kong Sky Mall (which is also later known as the Terminal 1 of the new HKIA).

In July 1998, the new HKIA opened for business at Chek Lap Kok (Lantau Island). The total airport site area is 1255 hectares, with two runways and two passenger terminals operating 24 hours a day all year (AAHK 2007b). Terminal 1 has a floor area of 570000 square metres, with 288 passenger check-in counters, over 160 retail shops (mostly in the restricted area) and 40 catering outlets. Terminal 2 has a floor area of 140000 square metres, with 56 passenger check-in counters (can be expanded to 112), over 100 retail shops (mostly in the non-restricted area) and 25 catering outlets. There are three car parks in the airport providing 2500 spaces and a coach station at Terminal 2 which provides 36 pick-up bays for coaches (AAHK 2007b). Both Terminal 1 and 2 are served by international airlines, there is no specific pattern on which airlines should serve which terminal. It is purely up to the airlines to decide whether they want to operate from Terminal 1 or 2. However, since Terminal 2 is relatively new, it only now occupied by a mixture of low cost and international carriers.

5.2 How did HKIA become a ‘SkyCity’?

The ‘SkyCity’ is a concept launched by the AAHK in 2001 for the expansion of the passenger terminal and other facilities at HKIA. The plan came out as a result of a strategic overview of major airport development study that was produced by Asia Pacific Airport Consultants as part of the HKIA new master plan (Wallis 2001a).

The ‘SkyCity’ project includes an international exhibition centre, an office and retail complex, a ferry terminal, golf course, business park, hotels and leisure and entertainment facilities over on a 1 million square metre landscaped peninsula (AAHK 2002b), northern side of the HKIA (Figure 5.3). The individual projects within the ‘SkyCity’ project will be explained further below.
Figure 5.3 Digital impression of the SkyCity project when completed

Source: AAHK (2007a)
AsiaWorld-Expo (an international exhibition centre) belongs to the first phase of the ‘SkyCity’ project. The planning of the HK$4 billion exhibition centre project started back in 2001, when the AAHK invited international tenders from conference and exhibition operators and other companies interested in jointly developing the complex (Wallis 2001b). However, the AAHK made it clear that the Hong Kong Convention and Exhibition Centre (Management), owned by New World Services, which operates the convention and exhibition in Wan Chai, would be banned from bidding for the airport exhibition centre and stated in its briefing paper “To promote competition in the provision of exhibition space, we consider that the management and operation of the international exhibition centre should be independent of that of the Hong Kong Convention and Exhibition Centre” (Wallis 2001b).

At the end of the bidding process, the AAHK offered a 25-year build-and-operate contract at the exhibition centre to the winning bidder - Dragages et Travaux Publics with Birmingham’s National Exhibition Centre in late 2003 (Wallis 2003). The Hong Kong Government paid up to HK$2 billion of the construction costs and the winning bidder paid the remaining HK$2 billion, with AAHK taking a 10 percent stake in the project (Lau 2002). In addition, the private operator was responsible for the development’s design and some of its construction, along with infrastructure and transportation facilities.

AsiaWorld-Expo (Figure 5.4) opened its door for business in December 2005 and is now an exhibition and events venue offering over 70000 square metres of rental space, with 10 state-of-the-art ground level, column-free exhibition and events halls, including the 13500-seat AsiaWorld Arena, the biggest multi purpose-built indoor seated entertainment arena in Hong Kong (AsiaWorld-Expo Management Limited 2007).

In the recent government’s policy address, the Chief Executive of Hong Kong Donald Tsang said that Hong Kong as a global city, needs to remain competitive with the ever increased in conference market, especially within the Pearl River Delta region such as Macau. Tsang announced further plan to expand Hong Kong’s existing conference capacities, with a proposed expansion that will
eventually see AsiaWorld-Expo offering over 100000 square metres of rented space for exhibition and conference purposes (Mingpao News 2007).

Figure 5.4 AsiaWorld-Expo

Photo: Victor Yeung, 16 June 2007

(b) SkyPlaza

In 2002, the AAHK initiated development of the first stage of its new commercial complex – known as SkyPlaza, after asking international developers to submit expressions of interest to build and manage the facility. SkyPlaza, the 1.08 million square foot project is located opposite the airport express train station and adjacent to HKIA’s main terminal building (T1) (Wallis 2002). However, in 2003, the AAHK has backed off from initial plans to delegate the building and management of its SkyPlaza development to local and international developers, opting for contractors instead (Lee 2003). The one reason that private developers were not interested to build and manage the SkyPlaza project was due to the reduction in size of the office portion of the development, as a result of oversupply in the market (Lee 2003).

The HK$4 billion SkyPlaza development which houses the (T2) passenger terminal with check-in facilities (Figure 5.5) and a transport terminal for coaches (Figure 5.6) was officially opened on the 1 June 2007. SkyPlaza also comprises
two office towers totaling about 60000 square metres (Lo 2002), including one which serves as the AAHK’s headquarters, and the other namely the Airport World Trade Centre which provides office space for airlines and airport-related businesses (Ma 2006). One of the anchor attractions of SkyPlaza is Asia’s largest four-dimensional (4D) cinema. This 330-seat cinema provides an entertainment venue for many of the transfer passengers with a long waiting time as well as for leisure visitors to the airport (Ma 2006). Another attraction in SkyPlaza is Asia Hollywood, which is intended to help promote the Hong Kong film industry. The concept is that a visitor to the airport can choose a scene from one of their favourite movies and, with the help of technology, “appear” in the scene and play a role before the cameras (SCMP 2006a). In addition, the SkyPlaza houses a 30000 square metre retail and entertainment complex with 120 stores, a Gourmet Garden comprising 23 restaurants (Ma 2006).

**Figure 5.5 SkyPlaza - Terminal 2 Check-in Facilities**

*Photo: Victor Yeung, 16 June 2007*
SkyPier is a temporary ferry terminal started back in 2003, where mainland travellers who fly out of Hong Kong can bypass immigration and customs formalities. At present, it only serves transit passengers commuting between Hong Kong and five Pearl River Delta ports – namely Macau, Shekou and Fuyong in Shenzhen, Zhongshan and Humen in Dongguan (Sinn 2004). In 2006, AAHK announced that it is investing HK$1 billion to develop a permanent SkyPier ferry terminal, which is expected to open in 2008. The custom-designed permanent SkyPier (Figure 5.7) will be eight times the size of the existing temporary terminal and would be able to handle larger capacity and more advanced facilities to support the development of new ferry routes (SCMP 2006b). A new hotel will be built above the new SkyPier (as explained below).

Figure 5.6 SkyPlaza - Transport Terminal for coaches

Photo: Victor Yeung, 16 June 2007

(c) SkyPier

Figure 5.7 SkyPier when completed

Source: AAHK (2007a)
(d) SkyCity Nine Eagles Golf Course

SkyCity Nine Eagles Golf Course was opened at the end of 2006. The HK$100 million development project is located to the east of the existing passenger terminal, which is set within an aesthetically attractive environment with a landscape of undulating greens, artificial lake and extensive sand bunkers (AAHK 2006b). The golf course provides a comprehensive range of facilities including equipment rental, luggage storage, restaurant, a club house, and pro-shop as well as lighting for night-time golfing (AAHK 2006b).

(e) SkyCity Marriott Hotel

HKIA currently has only one airport hotel, called the Regal Airport Hotel, adjacent to Terminal 1. In August 2006, AAHK signed an agreement with Union Sky Holdings Limited for the construction of the 1000-room second airport hotel - the Hong Kong SkyCity Marriott Hotel, which will be operated by the internationally known hotel management company – Marriott International Inc (AAHK 2006c). The second airport hotel will be constructed on a 2.7 hectare site along the waterfront to the east of the passenger terminal. The new five-star hotel will be developed in two stages with the first phase (658 rooms), an investment of approximately HK$1 billion, targeted for completion in the second half of 2008. The second stage, which could add 342 rooms to the facility, will be built above the new SkyPier (Lee 2006). In addition, the hotel will offer extensive meeting facilities, various dining and entertainment options with three distinct restaurants plus a lounge, and numerous recreation facilities, including an indoor swimming pool and a health club and spa featuring a gym, treatment rooms, saunas, steam rooms and whirlpools (AAHK 2006c).

5.3 What triggers the intensification of non-aeronautical development in HKIA?

There are a number of factors that trigger the intensification of non-aeronautical development in HKIA. HKIA is currently operating at a very competitive environment. Neighbouring airports in Singapore, Bangkok and Korea are working hard to capture the expected future growth between 2005 and 2020 in passenger and freight services (AAHK 2007a). In addition, airport expansion programmes are now underway in mainland China airports such as Beijing, Shanghai and Guangzhou. By 2010, mainland China is expected to have 158
operating airports (AAHK 2007a). Furthermore, the continued liberalization of the mainland China aviation market, has lead to an increase in direct international flights to China. This impacts on the need for passenger to transit through Hong Kong on their way to and from the mainland (AAHK 2007a).

As claimed by AAHK (2007a), airport management nowadays is more than the operation of runways and terminals. AAHK seeks to continue on maximizing usage of its existing asset, by increasing retail and catering facilities within the passenger terminals (AAHK 2002a). In addition, it is trying to create a pleasant airport experience for its customers through the SkyCity project (which was introduced in Section 5.2). AAHK hopes that the SkyCity project will expand HKIA’s catchment area beyond Hong Kong and into the Pearl River Delta region, hence enhancing the growth in HKIA physically and financially towards the future (AAHK 2007a).

At present, the HKIA is owned by the Hong Kong Government and managed by the AAHK – a government owned entity. Back in August 2003, the Hong Kong Government formally announced its intention to privatize the AAHK. The Hong Government indicated that the privatization would take the form of an initial public offering (AAHK 2004). However, since the announcement, the Hong Kong Government has not proceeded further with the process and no date has been specified on when AAHK will eventually privatize.

The expectation that AAHK will become a privatized authority in the future is also a main reason that leads to the intensification of non-aeronautical development in HKIA. It is claimed by AAHK that it has been well-prepared for the change in ownership by managing the airport business under prudent commercial principles (AAHK 2004). Since October 2001, business units have been created within AAHK and these units are held directly accountable for the performance of their respective lines of business (AAHK 2004).

5.4 Planning System in Hong Kong

Before moving on to discuss how planning and assessment done on non-aeronautical developments on airport land in Hong Kong, it is necessary to first provide some background information about the planning system in Hong Kong.
(a) Planning Organisations

The Planning and Lands Branch at the Development Bureau of HKSAR is in charge of the policy portfolios of planning, land use, buildings and urban renewal in Hong Kong (ISD 2007). Taking directives from the Development Bureau, the HKSAR Planning Department is responsible for formulating, monitoring and reviewing land use at the territorial level. The Planning Department also prepares district/local plans, area improvement plans, the Hong Kong Planning Standards and Guidelines as well as undertakes actions against unauthorized land uses (ISD 2007).

The principal body responsible for statutory planning in Hong Kong is the Town Planning Board (TPB). It is formed under the Town Planning Ordinance (TPO) and serviced by the Planning Department. Comprising predominantly non-official members, the TPB oversees the preparation of draft statutory plans, considers representations to such draft plans and considers applications for planning permission and amendments to plans (ISD 2007). There are two standing committees under the TPB, namely the Metro Planning Committee and the Rural and New Town Planning Committee. Under the TPO, the TPB may also appoint a committee among its members to consider representations to draft statutory plans.

(b) Planning System

Hong Kong’s planning system comprises development strategies at the territorial level, and various types of Statutory and Departmental Plans at the district/local level. Guiding the preparation of these plans is the Hong Kong Planning Standards and Guidelines (ISD 2007).

The Territorial Development Strategy (TDS) aims at providing a broad planning framework to guide future development and the provision of strategic infrastructure in Hong Kong. It also serves as a basis for the preparation of district plans (ISD 2007).

Two types of statutory plans are prepared and published by the TPB under the provisions of the TPO. The first type is the Outline Zoning Plan (OZP) which
shows the proposed land uses and major road systems of an individual planning area. Areas covered by OZPs are in general zoned for uses such as residential, commercial, industrial, open space, government/institution/community uses, green belt or other specified purposes. Attached to each OZP is a Schedule of Notes showing the uses which are always permitted in a particular zone and other uses for which prior permission from the TPB must be sought (ISD 2007).

The second type of statutory plan is the Development Permission Area (DPA) Plan. DPA plans are prepared after the gazetted of the Town Planning (Amendment) Ordinance in 1991 to provide interim planning control and development guidance for rural areas in the New Territories until more detailed OZPs are prepared (ISD 2007). DPA plans indicate broad land use zones and are also accompanied by Schedules of Notes showing permissible uses and uses with prior permission. DPA plans are effective for a period of 3 years and will be replaced by OZPs.

Departmental Plans are administrative plans prepared within the framework of statutory plans. These plans show more detailed level planning parameters (e.g. site boundaries, location of access points and footbridges, specific types of government or community uses to facilitate the coordination of public works, land sales and land reservations for specific uses) (ISD 2007). Public engagement in the form of public forums, workshops, exhibitions is part of the process in developing the strategies and preparation of the plans (ISD 2007).

5.5 Planning and development assessment for non-aeronautical development on airport land of HKIA

(a) Airport Authority Ordinance

The Airport Authority Hong Kong (AAHK) was inaugurated in December 1995 under the Airport Authority Ordinance (an equivalent to an Act). The Ordinance enables the AAHK to provide, operate, develop and maintain HKIA in the vicinity of Chek Lap Kok and to make provision for the safe, secure and efficient operation of the airport (BLIS 2001).

Under section 5 of the Ordinance, the Authority may provide to the airport, such facilities, amenities or services as are, in its opinion, requisite or expedient. In
addition, the Authority may engage in or carry on any airport-related activity in trade, commerce or industry at or from any one or more places in the leased area (BLIS 2001). Furthermore, the Chief Executive of Hong Kong may, after consultation with the Authority, permit or assign any airport-related activities by order published in the Gazette (BLIS 2001). This provision sets the pace for allowing non-aeronautical development on airport land in HKIA.

In terms of planning and development approval, the Ordinance does not have any specific provisions for that matter. Under section 7 of the Ordinance, the Authority shall have power to do anything which is requisite or expedient, or is calculated to facilitate, or is conducive or incidental to, the performance of any of its functions and which is not inconsistent with any other provision of the Ordinance (BLIS 2001). The Authority will allow to acquire, hold or dispose of all kinds of property including land; grant leases of land; either solely or jointly with any other persons improve, develop or alter any land held by it; either solely or jointly with another person or persons engage in or carry on any airport-related activity; employ an agent or contractor; solely or jointly with another person or persons carry out or execute works (BLIS 2001). Therefore, the Authority can conduct any development as they wish, without being assessed by the government’s planning authority, other than by the Authority itself.

However, under section 20 of the Ordinance, the Hong Kong’s Chief Executive in Council, may under its discretion considering the public interest, give the Authority such directions in writing as regards the performance of any of its functions as it considers appropriate.

(b) HKIA 2025 Master Plan

Under the land grant conditions, back in December 1995, the AAHK was required to prepare the Airport Concept Plan and Master Layout Plans for specific building projects to the satisfaction of the Hong Kong Government (Town Planning Board 2006). This leads to the formation of Master Plan 2020 back in 2001, and subsequently the HKIA 2025 Master Plan in 2006.

HKIA 2025 Master Plan is a 20-year plan that will guide the development of HKIA and ensure the airport continues to contribute to the social and economic
development of Hong Kong, the Pearl River Delta region and the Chinese Mainland as a whole (AAHK 2006d). In HKIA 2025 Master Plan, it promotes Hong Kong’s role as a cargo and logistics hub and the construction of SkyCity (Section 5.2), which will make HKIA destination in its own right (AAHK 2006e).

(c) Chek Lap Kok Outline Zoning Plan

HKIA is currently zoned under the Chek Lap Kok Outline Zoning Plan. The plan aims to indicate the broad land use zonings and major transport network for the airport island at Chek Lap Kok so that development and redevelopment on the island can be put under statutory planning control. The current land use zonings that applied to HKIA include “Commercial”, “Government Institution or Community”, “Other Specified Uses” (Airport, Airport Service Area, Business Park, Pier), “Green Belt” and “Coastal Protection Area” (Figure 5.8). There is an extensive “Other Specified Uses” zoning, which allows airport, commercial and retail uses. However, there is no requirement under the Airport Authority Ordinance that the AAHK needs to lodge a development application with the Town Planning Board for any development, especially non-aeronautical development.

Figure 5.8 Land use zoning within HKIA

Source: TPB (2006)
5.6 Summary of International Case Study – Hong Kong International Airport

Hong Kong International Airport has substantially changed from its previous presence in Kai Tak at Kowloon Bay to the present Chek Lap Kok at Lantau Island. The present HKIA is truly developing itself towards an Airport City, significantly through the mega SkyCity Project which features one of Asia’s largest international exhibition centre and arena, an extension of the main passenger terminal in T2 which also houses retail outlets, restaurants and even a 4D cinema. Furthermore, the nine-hole golf course, the 5 star hotel and a permanent ferry terminal are all under way to provide even more growth to HKIA commercially in the long term.

However, looking through the current legislation that is guiding the development and planning assessment for HKIA, there is a serious issue of whether the legislation (Airport Authority Ordinance) has given too much planning power to the AAHK. There is clearly no public involvement during the planning process, especially for all the non-aeronautical development happening in the SkyCity project throughout all these years. If the Hong Kong Government decides to eventually privatize AAHK, then it would need to seriously look at how the current regulation will protect the public interest and whether changes in the legislation are required.

Therefore, this thesis recommends that the current Airport Authority Ordinance would need to be altered to provide more public involvement in development projects happening on the land of HKIA. For example, by including provisions that would require the AAHK to exhibit development plans to the public for a certain period of time and invite the public for comments. Furthermore, an independent hearing and assessment panel should be set up by the Hong Kong Government for the purpose of assessing any major development projects proposed in HKIA.
6. Conclusion

Airports has been a business since the early days, not just carrying on as a business for aviation operation purpose, but also providing a variety of commercial services to those who utilize the airport, mainly the air passengers. The commercialization of airports was deepen when government attitude changes in the 1980s, setting up independent authority or corporation, in order to run airports as business enterprises in a businesslike manner.

The trend on airport privatization started at a time when governments decided that airports were expensive to run. Furthermore, governments realized the potential that airports could sufficiently generate funding for future capital expenditure. The increased in airports being transferred to private entity, also saw an increase into private airport operators given the power to maximize the use of their land assets, thereby a soar in non-aeronautical development being conducted within the terminal(s) or on airport land and hence big profits being made from non-aeronautical sources compared to aeronautical sources in recent years (as seen in the cases for airports in Australia, Hong Kong and Vancouver in Section 2.3).

During the period of December 2006 to February 2007, a federal parliamentary inquiry on the Airports Amendment Bill 2006, was conducted in response to the recent intensification of non-aeronautical development occurring in lands over Commonwealth-leased airports. The Bill sought to amend some of the provisions to the current Act, which include a clarification on future proposal on non-aeronautical development, that the development must be consistent with the airport lease and approved master plan. In addition, the Bill also amended the Act by refining the planning and development approval regime attaching to airport master plans, major development plans. Measures include streamlining public comment and assessment periods, ensuring easier public assess to a master plan, major development plans and allowing the Minister to request further information during the assessment process via the 'stop the clock' mechanism.
Although the inquiry was completed and the Airports Act was subsequently amended, this thesis reckons that there are still spaces for improvement to the current planning process for non-aeronautical development on airport lands. In terms of public consultation, this thesis agrees that a reduction in public consultation time from 90 calendar days to 45 business days could seriously reduce the chance for the public to make a comment about the proposal. This thesis also agrees that there is a lack of clarity and transparency when the ALC deals with the public comments received in relation to the proposed plan.

Looking at the two case studies investigated, both Sydney Airport and Hong Kong International Airport are undergoing a lot of changes through the increased non-aeronautical developments being proposed and/or built in recent years. However, by looking at the differences in the planning and assessment process for non-aeronautical development on airport land for Sydney and Hong Kong, ‘public interest’ is certainly being ignored in the case of Hong Kong, as the legislation (Airport Authority Ordinance) that regulates the airport has given too much planning power to the AAHK. For example, there are no provisions in the Ordinance that required the AAHK to lodge any development application to the Town Planning Board in relation to any non-aeronautical development; no provisions in the Ordinance that required the draft Master Plan to be public exhibited for comment; no provisions in the Ordinance that required the development to be complied with the land use zoning plan. Therefore, the planning process for non-aeronautical development in Australia (i.e. Sydney) is certainly far more better regulated. It was great to see that recent amendments to the Airports Act do somehow improve the level of public participation during the planning process.

However, this thesis concludes that there are still grounds for further improvement in the process, and therefore recommends the following:

- the consultation period of 90 calendar days to be re-instated to allow enough time for the public to review the proposals and to make comments
additional provisions should be inserted in the Act, that ALC must conduct public consultation workshops to interested stakeholders during the consultation period. This will offer an opportunity for the ALC to brief their plans and giving a chance for the attendees to the workshop to ask questions in relation to the development.

Additional provisions should be made to enforce the ALCs to made contributions to improve state and local infrastructure when a new development has occurred on land in their respective airport.

The copies of the draft plans should be displayed in a designated area within the airport and also in the libraries of the LGAs that are affected by the proposal in addition to the current requirements.

That an independent hearing and assessment panel be employed by the Minister for Transport and Regional Services. This panel should comprise of professionals that have expertise in either the field of aviation, planning, environment and economics. The role of the panel is to independently assess all the public comments received in relation to the proposed development during consultation period and report back to the Minister for Transport and Regional Services for consideration during decision making process.

In the case of Hong Kong, this thesis recommends the following:

A review of the Airport Authority Ordinance is urgently required to provide more public involvement in development projects happening on the land of HKIA. For example, by including provisions that would require the AAHK to exhibit development plans to the public for a certain period of time and invite the public for comments.

An independent hearing and assessment panel should be set up by the Hong Kong Government to oversee the assessment of any major development projects proposed in HKIA.
6.1 Opportunities for further research:

Opportunities for further research related to the planning and development on airport lands, but are not limited to:

- Undertaking a quantitative assessment of the economic impact of non-aeronautical development on retail and commercial businesses in the vicinity of Commonwealth leased airports across Australia, in terms of impacts on customer numbers, tenancy rents, tenancy vacancies, property values, development applications received/approved and similar variables.

- In light of the changes as a result from the Planning Reform for New South Wales, to investigate whether the Sydney Airport Master Plan is consistent with the planning objectives of state and local planning policies. It would be interesting to see whether the Sydney Airport Master Plan (which is due for renewal in 2008) is consistent with the new Standard NSW Local Environment Plan Template.


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