

Airport Infrastructure Development : Future Outlook in a Changing Market

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Thanks to Bjorn and thanks Sita for the opportunity to talk to you today a little bit about Perth Airport. I'd also like to acknowledge in the audience Brad Geatches, the CEO of Perth Airport. Brad joined us in March this year, so if there are any difficult questions I'll leave those for Brad, now that he's been there long to understand the airport.

I want to talk a little bit about some background to Perth Airport, just to give you a sense of where we are. Perth Airport is Australia's fourth busiest airport and it's the fastest growing, quite naturally, of the city airports. It's got some very very unique market features, which I'll come to. Our fly in/fly out operations and our interstate back-of-the-clock operations, or for those who know it locally, the midnight horror, it's Australia's western international gateway, well placed to Asia and the Middle East. We've very well balanced markets in terms of inbound and outbound and we've got very strong yield characteristics, with a good balance of business and visiting friends and relatives market.

We also have a very large airport estate, some 2100 hectares. It's the apex of the fast growing metropolitan area of Perth and it's the largest and single and active contiguous land use on the metropolitan regional planning scheme. So it's a very very significant land estate.

Our recent business growth, I'll first concentrate on the last column, which shows growth in the last year, significant growth in domestic passengers of 14.9, significant growth in international passengers of 9.6. The middle row of general aviation, which is 41 per cent of the aircraft movements at Perth, that is, people flying to work, roughly 7 per cent of our passengers, but that's experienced significant growth, both in last year and the previous year. So just under half of the activity at Perth Airport is people flying to work. The remaining 60 per cent is what we would traditionally associate with airports, which is our domestic passenger services.

Our recent growth rate has been very strong, as I say, the fast growing of the city airports, with a compound growth rate of 12 per cent over the last five years, so a very significant growth in passenger numbers. The growth significantly, after some very significant setbacks and shocks to the system, the graph shows what we expected our long term growth to be and we expected a recovery after SARS, after the Ansett collapse, after 9/11. What we didn't expect to do was head off in a trajectory, like we have, for our domestic passengers and a growth rate that's been sustained. I showed you the figures till June. The growth rate has been sustained and at a slightly increased rate for the first months of this year. So we're still on a very very trajectory from what was in the early stages of this century some very tough times for airports.

So at Perth Airport we're proud over the last year that we have provided safe, reliable and secure transport for eight million passengers. We've supported an 82 per cent increase in domestic activity in the past five years. That's nearly a doubling of our domestic passengers in five years, 100 per cent increase in regional and fly in/fly out, fly to work operations in the past two years and, according to all the passenger surveys, have done it and maintained very very good customer service levels. It's not been without its issues and it's not going to be without issues in the future.

WA itself is facing some something capacity constraints in terms of labour, construction, accommodation, taxis, you name it. The infrastructure is stretched to the seams in Perth. At Perth Airport we know we are also facing those capacity constraints, particularly on our domestic apron. We've got issues with overnight parking capacity. We've got issues of runways and aprons at peak times, that is, from 6 till 7.30 in the morning which, as I say, is our fly to work operations. We've got capacity constraints in our domestic terminals, T2 and T3, and we've had capacity constraints in the car parking. They're the capacity issues we have to address over the coming period of Perth Airport.

Our domestic passenger issues, we are close, as this shows, to our domestic apron constraints and you will see where our constraints are. They begin about 10 or 11 o'clock at night and they go through till 5 or 6 o'clock in the morning and, if you quickly do your calculation on this, you will see that for 30 per cent of the time we're roughly running in excess of 90 per cent capacity utilisation at Perth Airport. That's stretching it. I might also say - you've also probably worked out - that we're less than 50 per cent for roughly 60 per cent of the time. So it's a peaky business that we're operating in, but we're close to domestic capacity and that's where our constraint is in Perth with our domestic apron capacity.

So what are we doing? Additional car parks are under construction, doubling of capacity in our car parks effectively to open this month, terminal modifications, new taxiways that are under construction and new aircraft parking positions are currently underway. So if you fly into Perth Airport you will see construction activity now taking place to relieve congestion on the domestic apron.

Qantas in the last month have announced significant investment to the Qantas terminal, domestic terminal, more check-in spaces, extra security screening, expanded departure lounges, extra baggage reclaim and an expansion of the aerobridges to take wide-bodied capacity and the significant increase in wide-bodied capacity that's going into Perth.

To address the issues of our fly in/fly out operations, our regional operations, we're considering a purpose-built regional intrastate terminal to address the specific demands of people flying to work rather than what we consider to be the general travelling public in passenger services, a purpose-built regional terminal adjacent to the international terminal, which will be delivered within 18 months, ease congestion out of the domestic precinct, strong support from the airlines who use this, Ozjet, Alliance, National Jet System, not little planes like these, jet systems that use our regional intrastate services for the major resource developments that are going on in Western Australia. Just a short schematic of where that would be and the nature, again to indicate that there's a lot of aircraft and not much terminal and that's the nature of the operation that's required for this specific market segment that Perth is experiencing of satisfying and supporting the development of the resource sector in WA.

In terms of longer term developments it's about where do we go for our next significant capacity expansion? Is that to expand our current domestic and international precinct or do we amalgamate them? The issues are relatively simple. Is growth going to be such that we'll reach capacity in such a timeframe that is too short to recoup the necessary investment that's necessary to take from our existing to our ultimate capacity on the domestic side? If it is, then we will begin a program of transiting all our operations to an area which is now exclusively the international precinct and, of course, all the ancillary infrastructure improvements that have to be part of a major airport development, significant expansion

in car parking, road network planning, new access ways to the airport, public transport options and planning and, of course, with terminal developments, urban design and planning issues.

So the challenges. How do we get our growth plans right? Nothing like we did in the past, that's for sure. In 2004 we did a master plan. We consulted widely, had agreement with all our customers. Where are we now in 2007? We've hit our aircraft movements of where we thought we'd be in 2020 and our domestic passengers is where we thought we'd be in 2015. This is after significant agreement from all our airline partners, all our government partners. So how we manage and we predict this growth going forward is a challenge for us. How we manage it and how we do against a background of what the environment was for airlines and airports when we've just been through in 2003/2004, where we've been through the SARS; we've been through 9/11; we've been through the Bali bombings; we've been to a second Bali bombing. I was just reflecting this morning. It's only two years since the last Bali bombing occurred and the significant impact that had on Perth Airport in particular. So there wasn't an environment to put a lot of spare capacity in 2003/4 when we look at going forward.

How we look going forward has to be done against again a background of forecasting conservatism. I mean we thought we had high forecasts going forward, but we needed somebody to come forward and give us an outrageously optimistic forecast about what should happen in the future and us to believe it, get our airlines to believe and then build a program around it. That's what we needed to happen and that generally doesn't happen, so I keep telling the guys at the airport, "Economists have predicted none of the last booms, but have predicted five of the last three recessions" and that's the natural conservatism that occurs in forecasting. So we really have got to be game enough and bold enough to take a really optimistic view of the future and build against it.

The regulatory environment is an issue which we have to address and one is the direct environment and the other one is what I call the regulatory disposition. We own an asset where there's a regulatory disposition that should address that asset owners, like us, build too much too early. We gold plate. We build capacity just in case it might be need and we pass the costs on to somebody else. The regulatory disposition is to make sure we don't do that, so there's a regulatory disposition to make sure that we only deliver amount at the right time. The problem is that when you the unprecedented growth like we've had you end up doing too little too late and that's about the situation we're in. That's the regulatory disposition. The regulatory environment has been very conducive. The new regulatory environment that started in 2001 has not constrained our capacity at all. The previous one did, but the most recent regulatory environment is simply a matter of us and the airlines agreeing to what we have to do to develop for the future and, of course, where might want to go is one thing, but how we get there with the various community stakeholders is critical.

Another perhaps unique feature of Perth is the extent to which we have to consult with the community. The most recent surveys that we did of a number of people, a significant number of people in the Perth metropolitan area said that 90 per cent of those people visited Perth Airport at least once a year and 60 per cent visited Perth Airport at least for times a year. So the level of public involvement in what happens in Perth is very very high. Their interest in what's going on in Perth is extreme. So we have to work with a number of bodies to make sure we can deliver the outcomes we want to deliver. We have an airline consultative group where we work with the airlines. We do individual airline negotiations. We have a Perth Airport advisory board that works with three tiers of governments. We have a Perth Airport municipalities group that interacts with the four local authority areas that sit around Perth Airport and we work closely with the WA government through planning and infrastructure, which works on road network planning, our public infrastructure planning and our urban design. We have to align all those people with a common goal if we want to achieve the outcomes that we need to achieve to try and meet the demand, both for domestic passenger transport and to support the growing State of WA and its resource economy if we plan to go forward.

Thank you.

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