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## **Introduction**

I am pleased to join you at the 2017 BOOMTOWN! Property and Infrastructure Summit. Congratulations to Chris Brown and his team on organising another successful event about one of our fastest growing regions – Western Sydney.

Today I want to focus on how we are going to realise the vision for Western Sydney Airport to be the core of an aerotropolis – defined as

a metropolitan sub-region whose infrastructure, land use, and economy are centred on an airport.<sup>1</sup>

I want to start today by making the point that if we are to realise the aerotropolis vision, the first thing we need to do is deliver a successful airport. Next I want to talk about the way that particular industry segments are likely to benefit from the airport - and in turn contribute to the jobs and economic activity that are necessary in building an aerotropolis. Finally, I want to touch on the co-operation we are seeing across all levels of government to achieve this vision.

## **The importance of a successful airport to a strong Aerotropolis**

Let me turn first then to the importance of making sure that Western Sydney Airport is a success.

You can have a successful airport without an aerotropolis – but you can't have an aerotropolis without a successful airport.

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<sup>1</sup> Kasarda, John D. 2015. A Western Sydney Aerotropolis: Maximising the benefits of Badgerys Creek

Two well-known examples of unsuccessful airports are Mirabel in Montreal and Ciudad Real in Spain.

Now in both of these cases there was an impressive physical facility built and opened for service – but the problem was that demand was not adequately considered and airlines and passengers were not attracted to use the airport in sufficient numbers.

Ciudad Real for example is located more than 200 kilometres from Madrid, in a town of 75,000 people. It opened in 2009 and closed by 2012 – reflecting a lack of interest from airlines. According to one press report, its investors

produced a financial plan that was not based on any studies of the market or of demand that would justify the anticipated traffic.<sup>2</sup>

With Western Sydney Airport we have a very clear focus on ensuring that the airport is a success – attracting airlines, passengers and freight from the outset and growing steadily.

Let me highlight four factors which give confidence on this front.

### The need for aviation capacity in Sydney

The first factor is that there is a clear need for additional aviation capacity in Sydney. The 2012 Joint Study on Aviation Capacity found that Kingsford Smith Airport does not have enough capacity to meet rapidly growing demand for air travel to and from Sydney.

By 2027 there will be no more slots available at Kingsford Smith; by the mid-2030s there will be no additional capacity.<sup>3</sup>

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<sup>2</sup> <https://www.theguardian.com/world/2015/jul/17/don-quixote-airport-building-cost-1bn-sold-china-10000>

<sup>3</sup> Commonwealth of Australia. 2012. Joint Study on aviation capacity in the Sydney region

At the same time demand is growing - with increases in flights, passengers carried and freight.

Just look at international flights. In August 2017 international passenger traffic was up 6.3 per cent, and freight was up 13 per cent, on August 2016.<sup>4</sup>

From 2026, Sydney's aviation growth will be split across the two airports, until Sydney Airport reaches capacity. From that point, all new growth in aircraft numbers will come to Western Sydney Airport.

### Western Sydney Airport's catchment area

The second factor is that Western Sydney Airport will have a substantial catchment area.

Over two million people will be closer to Western Sydney Airport than Kingsford Smith, making it cheaper and more convenient for them to travel to the new airport.

As one airline chief executive pointed out to me, he has customers living in Western Sydney who are paying \$69 for a flight from Sydney to Melbourne – but \$180 in cab fares to get to and from Kingsford Smith.

The importance of an airport's catchment area was reinforced to me last year when I visited Heathrow, Gatwick and Luton Airports, all of which serve London.

At both Gatwick and Luton, the Chief Executive emphasised the benefit of the catchment area – people who are closer to their airport than other airports in the London area. For Luton this means people to the north of London; for Gatwick people to the south.

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<sup>4</sup> [https://bitre.gov.au/publications/ongoing/files/International\\_airline\\_activity\\_1708.pdf](https://bitre.gov.au/publications/ongoing/files/International_airline_activity_1708.pdf)

### A board and management team with a clear focus

The third factor is in choosing the board and management team of WSA Co, we are placing a premium on people who can craft an effective competitive strategy for Western Sydney Airport. In particular, WSA Co Chairman Paul O’Sullivan is a former Chief Executive of Optus – giving him unparalleled experience in building a successful infrastructure business competing against a well-established incumbent.

### A clear strategy in the segments where Western Sydney Airport will be competitive from the outset

That brings me to the fourth factor – developing a clear strategy in the segments where Western Sydney Airport will be competitive from the outset.

To be clear, from opening Western Sydney Airport will service all segments of the market; it will be a full-service airport offering domestic, international and freight, capable of handling the largest passenger plane in use, the A380.

But, in its early years, it is important to have a clear understanding of the market segments where Western Sydney Airport will have an advantage from the outset. One such segment is low cost carriers and leisure carriers, serving destinations such as Australia’s other capital cities; New Zealand; and holiday destinations like Bali. For these operators, the airport’s catchment area offers an attractive market opportunity.

I have seen some commentary which criticises the idea of Western Sydney Airport as a ‘low cost’ or ‘discount’ airport. That is a misunderstanding.

Low cost carriers represent 16.5 per cent of international passenger traffic in Australia in August 2017 — up from 15.8 per cent in August 2015.<sup>5</sup>

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<sup>5</sup> [https://bitre.gov.au/publications/ongoing/files/International\\_airline\\_activity\\_1708.pdf](https://bitre.gov.au/publications/ongoing/files/International_airline_activity_1708.pdf)

In the domestic market, low cost carriers have taken significant market share on both key leisure and main-haul routes. Domestic low cost carrier market share rose from around eight per cent in 2005 to 31 per cent in 2013.<sup>6</sup>

Qantas CEO Alan Joyce has indicated that Western Sydney Airport could potentially be a base for Jetstar, the Qantas Group's large and successful low cost carrier. Joyce commented that in London British Airways operates out of Heathrow and Ryanair out of Stansted, and a similar model could work for Jetstar at Western Sydney Airport.<sup>7</sup>

If the first segment where Western Sydney Airport is expected to have a competitive advantage from the outset is low cost and leisure carriers serving Western Sydney Airport's catchment area, the second segment is inbound international carriers unable to secure a slot at Kingsford Smith.

It is instructive to look at comments reported in the media late last year from the local management teams of Chinese airlines. For example, Kathy Zhang of China Eastern said that because Kingsford Smith was so close to its capacity, it was hard to start new flights into Sydney, and added:

The second airport facility and infrastructure is very important if we are opening the skies.<sup>8</sup>

The third segment where Western Sydney Airport will be competitive immediately is freight. The capacity for 24-hour operations, together with its location in Western Sydney – close to many logistics facilities – gives the airport some real strengths.

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<sup>6</sup> Western Sydney Airport EIS 2016, Volume 1, Chapter 2, p. 84

<sup>7</sup> Robyn Ironside, The Daily Telegraph, 30 January 2017

<http://www.dailytelegraph.com.au/news/national/jetstar-set-to-call-badgerys-creek-home-under-alan-joyces-vision-for-qantas-operations/news-story/3630cd4a9bcb5c230a123d901c7d9355>

<sup>8</sup> Scott Murdoch, The Australian, December 21 2016,

<http://www.theaustralian.com.au/business/aviation/chinese-airlines-stress-need-for-second-airport-in-sydney/news-story/6b8f619723b8ea0015dc3395bf515aa4>

The plans for the first phase of Western Sydney Airport’s operations see it starting with around 3 to 5 million passengers a year from 2026, and reaching around 10 million passengers a year by the early 2030s.

## **Industries Likely to Benefit from the Airport**

Let me turn then to consider the way that the airport is likely to attract and stimulate industry activity in the surrounding region. There are many possibilities – today I want to look at four in particular.

### Agriculture and agri-business

Agriculture is a sector with substantial existing export activity – and considerable opportunity for growth. It is also a very important generator of airfreight volumes. Today, premium Australian perishables like meat, seafood and dairy products make up approximately 60% of outbound airfreight by volume from Kingsford Smith Airport.<sup>9</sup>

The proximity of rapidly growing Asian markets, together with the superior market access made possible by the Turnbull Government’s free trade deals with China, Japan and Korea among others, creates very favourable conditions for building extra export volumes. A conveniently located new airport offers an efficient way to get those extra volumes to market.

Already Western Sydney is a gateway for produce from across the nation, with all major retailers having their NSW fresh distribution centres located in the region.<sup>10</sup>

NSW Farmers have recently proposed building on these factors to create a “Fresh Food Precinct” located near Western Sydney Airport. In their report *Think Big Think Fresh: A Fresh Food Precinct for Western Sydney Airport*,

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<sup>9</sup> Liverpool City Council/PwC: *Liverpool: the gateway to Sydney’s Aerotropolis* November 2017.

<sup>10</sup> <https://assets.kpmg.com/content/dam/kpmg/au/pdf/2017/western-sydney-fresh-food-precinct.pdf>

NSW Farmers set out a vision of an agri-business precinct capable of delivering fresh produce and pre-prepared food anywhere in the world within 36 hours from production to consumption – providing access to premium food markets and the consumers that are willing to pay for the value of these products.<sup>11</sup>

The report proposes an integrated 24/7 production and logistics ecosystem optimising productivity across both highest value land assets and land best utilised for field-based agriculture. Analysis by KPMG finds that this could add an additional 8,000 jobs to the region, not including job creation in the local supply industries.<sup>12</sup>

There are plenty of great examples of the economic value generated by a strong relationship between an airport and the agri-business sector. Schiphol airport in the Netherlands has become a global hub in the sale of fresh cut flowers.

Today more than half of the world's cut flowers are bought and sold at the auction in Aalsmeer near to Schiphol.<sup>13</sup> The trade generated by this is supported by, and in turn supports, the growth of Schiphol airport.

Closer to home, construction is now underway with the Toowoomba Integrated Milk Project.<sup>14</sup> Located close to Wellcamp Airport, the factory leverages access for fresh and UHT milk for domestic and international markets.

In a 2016 survey of high value Chinese customers, Australia was ranked 2nd out of 20 countries for quality of agriculture products used in food production.<sup>15</sup>

This means that well located Australian Airports, including Toowoomba and

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<sup>11</sup> <https://assets.kpmg.com/content/dam/kpmg/au/pdf/2017/western-sydney-fresh-food-precinct.pdf>

<sup>12</sup> <https://assets.kpmg.com/content/dam/kpmg/au/pdf/2017/western-sydney-fresh-food-precinct.pdf>

<sup>13</sup> <https://www.nytimes.com/2014/12/17/world/europe/dutch-flower-auction-long-industrys-heart-is-facing-competition-.html>.

<sup>14</sup> <http://www.wellcamp.com.au/latest-news/media-releases/state's-first-infant-formula-factory-to-be-built-in-toowoomb>

<sup>15</sup> <https://assets.kpmg.com/content/dam/kpmg/au/pdf/2017/western-sydney-fresh-food-precinct.pdf>

Western Sydney Airport, are very well placed to be a key node in the export of Australian produce.

### Tourism

The second industry which is likely to benefit from Western Sydney Airport is tourism.

There is a close relationship between aviation and tourism. There were 156 million passenger movements through Australian airports in 2016-17, contributing to a tourism sector that added \$53 billion to Australia's GDP.<sup>16</sup> And there is significant growth expected – with international tourism demand projected to grow by 4.5 per cent per annum.<sup>17</sup> At Scenic World in the Blue Mountains, domestic visitors have increased 40.7% over the past three years, and Chinese visitation has gone up 47.2% in that time.<sup>18</sup>

So there will be a national impact from Western Sydney Airport – but we can also expect a local impact. Indeed, there is already significant investment occurring in Western Sydney tourism – with investors in some cases specifically citing the new airport as a contributing factor.

There is a new Holiday Inn nearing completion at St Mary's.<sup>19</sup> The new \$45 million Western Sydney Zoo will open at Bungarabee in 2019.<sup>20</sup> Scenic World in the Blue Mountains has just completed a \$3 million upgrade of the Scenic Skyway.<sup>21</sup>

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<sup>16</sup> <https://www.tra.gov.au/tra/2016/soi/tra.gov.au/reports/soi2016/eco-gdp.html>

<sup>17</sup> Up to 9.6 million passengers in 2023. *Aviation: International airline activity statistical report*, BITRE, August 2016.

<sup>18</sup> Speech by Anthea Hammon to the Tourism Infrastructure Forum, April 2017.

<sup>19</sup> <http://www.dailytelegraph.com.au/newslocal/the-standard/holiday-inn-at-st-marys-rugby-league-club-close-to-finishing/news-story/ea9afd1d9588b8a9a933c5958db0f6fd>

<sup>20</sup> <http://www.dailytelegraph.com.au/business/45-million-jurassic-park-is-coming-to-western-sydney/news-story/1c03241a1cc707f748e087fc4c12099e?login=1>

<sup>21</sup> [http://www.scenicworld.com.au/wp-content/uploads/2017/11/MEDIA-RELEASE\\_New-Scenic-Skyway-opens-doors-in-the-Blue-Mountains1.pdf](http://www.scenicworld.com.au/wp-content/uploads/2017/11/MEDIA-RELEASE_New-Scenic-Skyway-opens-doors-in-the-Blue-Mountains1.pdf)



Accor Hotels has announced plans for a new MGallery by Sofitel hotel at the Inglis Riverside Stables in Warwick Farm.<sup>22</sup> AccorHotels chief operating officer Simon McGrath was quoted as saying:

The new airport will be fantastic for western Sydney...it is an incredibly exciting location to be involved in.<sup>23</sup>

### Defence and Aerospace

A third area of significant opportunity for the Aerotropolis is the defence and aerospace sector. We can look at global examples to see the close relationship between airports and facilities for this sector.

The jet engine company Rolls Royce has engine maintenance facilities located adjacent to Changi Airport in Singapore.

Lockheed Martin has a large operation in the business park next to Dallas Fort Worth Airport in Texas.<sup>24</sup>

Leveraging the Turnbull Government's unprecedented defence procurement spend is an obvious opportunity. Recently the giant US defence contractor Northrop Grumman announced that it would invest \$50 million in an Electronic Sustainment Centre of Excellence to be located near Western Sydney Airport.<sup>25</sup> As the Prime Minister has said, the Centre will be in a prime position to service and maintain aircraft and systems, including for the F35 Joint Strike Fighter and MQ-4C Triton.<sup>26</sup>

Northrop Grumman have stated that they expect this centre to see their Australian employee numbers increase from 500 to 1,000.

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<sup>22</sup> <http://www.afr.com/real-estate/inglis-and-accorhotels-to-build-equinethemed-mgallery-by-sofitel-at-new-stables-20170530-gwgr1u>

<sup>23</sup> <http://www.afr.com/real-estate/inglis-and-accorhotels-to-build-equinethemed-mgallery-by-sofitel-at-new-stables-20170530-gwgr1u#ixzz4z6QORgl>

<sup>24</sup> <https://www.lockheedmartin.com/us/mfc/siteinformation/dallas.html>

<sup>25</sup> <https://www.pm.gov.au/media/50-million-new-jobs-future-centre-excellence-western-sydney-airport>.

<sup>26</sup> <https://www.pm.gov.au/media/50-million-new-jobs-future-centre-excellence-western-sydney-airport>.

As a recent report prepared for Liverpool Council by PWC notes:<sup>27</sup>

Defence also positively impacts a wide range of other industries and has a strong track record of working with universities to develop and disseminate technology and develop the workforce required by industry.

So it makes good sense for the Commonwealth and New South Wales Governments to have a clear focus on developing an aerospace and defence industries precinct as part of the Western Sydney Airport Aerotropolis.<sup>28</sup>

### Advanced logistics

The final Aerotropolis growth opportunity I want to talk about today is advanced logistics.

Western Sydney Airport is well located to be a logistics hub for the Greater Sydney Region and NSW.

Already we are seeing significant investment by the logistics sector in the region. Recently the Prime Minister and I visited TNT Express' logistics hub at Erskine Park. This facility was opened just over two years ago – and a significant factor in TNT choosing this location was its convenient access to the future Western Sydney Airport.

Again, this is consistent with the experience at airports around the world. For example, Incheon Airport in Korea has now positioned itself as the world's second biggest cargo hub, while Dallas Fort Worth's International Commerce Park logistics centre has grown to provide over 3,000 jobs and contribute almost \$330 million to the local economy.<sup>29</sup>

As the only curfew-free international airport in the Sydney Basin, Western Sydney Airport will have a competitive advantage when it comes to advanced

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<sup>27</sup> <https://www.pwc.com.au/agendas/cities/liverpool-sydneys-aerotropolis.pdf>

<sup>28</sup> <http://www.industry.nsw.gov.au/invest-in-nsw/industry-opportunities/defence/western-sydney-aerospace-and-defence-industries-precinct>

<sup>29</sup> <https://www.pwc.com.au/agendas/cities/liverpool-sydneys-aerotropolis.pdf>

logistics. Careful design and development of the Aerotropolis is an opportunity to maximise this advantage.

### **How we are working with the NSW government and local government**

I have given examples today drawn from four specific sectors where we are already seeing strong evidence of businesses being attracted to locate near Western Sydney Airport.

Let me hasten to add that there are plenty of other sectors where there is strong interest – including education, advanced manufacturing, science and research and medical and healthcare to mention just a few.

I am very confident that we are going to see investment and economic activity across a wide range of sectors – as we need to see if we are to establish an aerotropolis.

Of course one of the other priorities is the approach to urban planning around the airport. This brings me to the last area I want to touch on today. In order to realise the full potential of the airport – and the aerotropolis – Commonwealth and State Governments are working very closely together.

The Commonwealth is working closely with the Greater Sydney Commission on the strategic planning for the region. Recently the Commission has released drafts of a new Greater Sydney Region Plan and a new Western City District Plan.

The Commission's plans set out an overall vision for the region as a city cluster, leveraging both existing centres and the new airport. More detail on specific land uses and infrastructure will then be set out in a Land Use and Infrastructure Plan to be released by the NSW Government in the coming months.

This work is also aligned to transport planning being undertaken by both the Berejiklian and Turnbull Governments for Western Sydney.

We are working closely together to ensure the new airport will have first-class ground transport connectivity. This includes the jointly funded \$3.6 billion Western Sydney Infrastructure Plan. – including a new M12 Motorway to connect the airport to the M7 and the Sydney motorway network.

We have also jointly carried out a scoping study into the rail needs of Western Sydney and Western Sydney Airport. This has reported to the two governments and we will have more to say on the way forward in coming months.

The two governments are also working together, along with local councils, to agree on our shared priorities through the Western Sydney City Deal.

This is a framework to bring together all three tiers of government in the development of the Western Parkland City, with the Western Sydney Airport as the economic focus – but encompassing policies in other areas such as jobs, skills and education, liveability, environment and housing.

Western Sydney Airport is an opportunity to shape the development of Western Sydney for decades to come and all three levels of government are working together to seize this opportunity.

## **Conclusion**

Let me conclude with the observation that over the next decade and beyond we have a truly remarkable opportunity.

We have a powerful combination of factors including a new airport with well-founded expectations of strong growth; very healthy prospects for attracting investment, businesses and jobs to the region; significant expected population

growth in the region; a substantial expanse of largely undeveloped land in the region around the airport; and a structured approach to land use and transport planning with the Commonwealth and state governments working closely together.

There has never been a better opportunity in Australia to turn the aerotropolis theory into practical reality.

If we get it right we will not only deliver a great airport, we will establish a vibrant, economically successful and highly liveable new community in Western Sydney.