

# Viability and Economic Impact

## Executive Summary

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The need for a second international airport in Sydney has been over-estimated, and other solutions given little consideration. In the EIS, only the potential economic benefits of the airport are considered. Negative economic impacts such as job and business losses, relocation and re-training costs, and reductions in tourism to the Blue Mountains, have not been considered. The airport is inconveniently placed, and the infrastructure plans and costings are insufficient. Travellers and airlines are unlikely to use an inconveniently located airport. No consideration has been given to the impact of competition from Newcastle and Canberra International Airports. The viability of the Western Sydney Airport is therefore highly questionable. It may require enormous government subsidies, as does Avalon airport, and may fail altogether in the long run, as did Mirabel Airport. A better solution is high speed rail links to Newcastle and Canberra International Airports, with the potential to extend the rail lines in the future.

## 1. The Need for a Second International Airport in Sydney

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Kingsford Smith Airport (KSA) is the largest airport in Australia. In 2014, there were 307,000 aircraft movements, 38.7 million passengers and approximately 408,500 tonnes of international air freight. KSA is currently subject to a curfew that limits flights between 11pm and 6am, a cap to aircraft movements set at 80 per hour, and limitations imposed by the Regional Ring Fence. The Regional Ring Fence limits commercial operations by enforcing the allocation of slots to flights from regional destinations. According to the WSA EIS predicted levels of growth, all aircraft slots at KSA are expected to be filled by 2027, given the above conditions (Department of Infrastructure, 2015). However, a more recent KSA report than that cited in the EIS states that KSA has the capacity to expand to more than 78 million passengers and will accommodate demand until at least 2045. Larger, wide bodied aircraft are increasing the capacity of each slot. Passenger numbers since 2000 have increased by 50%, but aircraft movements are up by less than 10% (Kerrie Mather Presentation).

### 1.1 KSA is seriously underutilised

Removing the impediments described above would create significant increases in capacity at KSA. Problems cited against this in the EIS are, for example, the impact on residents due to increases in aircraft noise. However, the EIS has deemed it acceptable to allow aircraft to fly 24 hours a day, seven days a week, over the quiet environment of the Blue Mountains, with noise levels at approximately 60dB, and flights every 10 minutes. It should therefore be acceptable to lift the curfew at KSA, and allow flights 24 hours a day, seven days a week, over the ocean as well as comparatively noisy suburbs of inner Sydney. This will provide an extra seven hours of operation, or 7,880 extra flights per day. Increasing the movement cap would add an additional 85 slots per day (with the curfew) (Department of Infrastructure, 2015). Abolishing the Regional Ring Fence would be expected to add further slots for international flights. Regional flights could be accommodated by

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Bankstown, Canberra and Newcastle Airports. It would also be possible to relocate all propeller driven aircraft from KSA to Bankstown. Issues of increased noise in the area should not be a problem, as noted above.

**1.2 Assumptions in Forecast Growth**

According to the WSA EIS, expected international tourism growth from 2013-2023 is predicted to be 4.5% per year, to 9.6 million. China alone is expected to contribute approximately 25% towards this increase. However, these predictions, which are used as a basis to justify another international airport, are based on assumptions that growth in tourism to Sydney will remain constant, will not decrease, and will not plateau. This seems unlikely, since inbound tourism is highly affected by conditions in source countries, including economic downturns, income, wealth, confidence, the changing value of the Australian dollar, and airfares (Tourism Research Australia, 2009).

**1.3 Potential Solutions to Increases in Passenger Numbers**

It has already been pointed out above in section 1.1.1 that capacity at KSA can be substantially increased to meet the needs of increasing passenger numbers. In addition, Bankstown airport could make a significant contribution to decreasing the load of traffic at KSA.

High Speed Rail has frequently been raised as an alternative to construction of a second international airport in Sydney. The NSW Government conducted a study into this possibility, and the estimated cost was \$114 billion for a service from Melbourne to Brisbane, via Canberra and Sydney.

However, simple solution would be to link the Airports in Newcastle and Canberra to Sydney by High Speed Rail. The service could then be extended as demand and funding allow. This proposition is strongly supported in the report on the Future Canberra Airport Travel Port. Newcastle is already an international airport, and Canberra is due to begin international operations in September 2016 ([canberraairport.com.au](http://canberraairport.com.au)) Both of these airports operate 24 hours a day. The added benefit of utilising these airports is that they could contribute towards stopovers and tourism in these regional areas. Current travel times between these airports and Sydney are 2-2 ½ hours from Newcastle, and 4hrs from Canberra, by XPT (Train Link NSW). Driving times are approximately 2 hours from Newcastle and 3 hours from Canberra. These times are not excessive compared to probable commute times to the CBD from the WSA, as described below. However, they could be drastically reduced by the introduction of High Speed Rail, which would significantly decrease travel times. For example, in Taiwan, conventional rail travel times between Zuoying and Taipei (a distance of 345km) are 5-8 hours. Introduction of High Speed Rail decreased this to 90 minutes. Travel by air takes 50 minutes, but this does not allow for the added check-in times, security and delays associated with air travel. The total budget was \$17 billion, including 47km of tunnel and 252km of elevated bridges. However, the total High Speed Rail link between Melbourne and Brisbane has been assessed to require 81km of tunnel and only 98km of elevated rail, so the cost is likely to be less than the Taiwan example (Zero carbon Australia High Speed Rail). High Speed Rail has the added advantage of increased sustainability compared to air travel (NI, J., CHANG, J. AND KAO, T., 2012). \$17 billion is similar to the likely cost of building the WSA and associated infrastructure.

## **2. Economic Benefits and Costs**

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### **2.1 Job creation**

The EIS details potential job growth, based on predicted passenger numbers at the new WSA airport, but does not consider job or business losses in the rural or tourist sectors (Department of Infrastructure, 2015). Indeed, the Economic Impact study of the WSA draft EIS only considers potential benefits, and does not investigate negative impacts at all. Stage 1 of airport construction is predicted to create 3,231 jobs over the period 2017 to 2024, with the contribution to employment peaking in 2022 at 3,000, then decreasing by 2024 to less than 1,500 (Table 24-1). By 2031, direct airport jobs are predicted to reach 8,730. This is commensurate on the prediction of 10 million passengers annually, which is unlikely for reasons outlined below under viability. It is therefore likely to represent a gross overestimation.

The EIS admits that households in the Western Sydney region currently have an average income that is only 90% that of the Greater Sydney Metropolitan area. For example, of Blacktown residents, only 41.9% have post school qualifications, compared to 48.3% for Greater Sydney, during the period from 2006 to 2011 (Blacktown/Statistics/deographics). 4.7% of residents in Blacktown have poor English speaking skills. Given these statistics, and the unlikely existence of specialist airport related (eg air traffic control) and pilot qualifications amongst the low paid people of Western Sydney, it seems unlikely that these higher paying jobs will go to local residents. There will of course be jobs in retail and service industries at the airport, but these will not contribute towards increasing the average wage. In order for the people of Western Sydney to take full advantage of job opportunities at the airport, significant investments in training will need to be made. These costs are not considered in the WSA EIS, and are not likely to be forthcoming in light of recent severe cuts to training services such as TAFE. It is more reasonable to assume that these jobs will come from residents outside Western Sydney travelling to the airport site.

### **2.2 Job and business losses**

The draft EIS does not consider the job, business losses and displacement that will occur as a result of the construction of the WSA. The region surrounding the proposed airport site at Badgerys Creek is currently rural, interspersed with suburban housing developments. The site itself is currently leased for land uses including horse agistment, grazing, a winery, a piggery, a duck farm, and market gardens. There are also low income residential premises and outbuildings on the site, mostly built between 1950 and 1980, and these would be likely to contain asbestos. These businesses and associated jobs will be destroyed as a direct result of construction. The proposed development in the surrounding areas will also lead to job and business losses in surrounding rural areas. For example, there are more than 100 poultry farms in the region. These businesses will either have to close or relocate at significant cost. If these farms are conservatively estimated to employ only five people each, this still equates to 500 jobs that will be lost in this industry alone. Other industries such as dairies, market gardens, orchards, horse breeders, beef cattle farms and more will also be negatively impacted by the continuing development. People from these industries are unlikely to gain employment at an airport without significant re-training. As stated above, this cost has not been assessed.

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**2.3 Services to Western Sydney**

The Western Sydney Airport is touted by politicians and the EIS to serve the transport needs of the people of Western Sydney. However, only 11% of airline passengers flying out of Sydney currently come from Western Sydney. The majority come from Inner Sydney, the Eastern suburbs and the North Shore (together equalling 59% of passenger origins) (Sydney Airport Corporation, 2006). Any need for air travel by the people of Western Sydney is therefore overestimated.

**2.4 Impacts on Tourism in the Blue Mountains**

The Blue Mountains region has a high dependency on tourism, and much of this tourism involves pursuits that require quiet, such as bird watching, nature observation, and meditation, or where quiet is highly desirable, such as bushwalking, rock climbing, picnicking and camping. It is one of the most visited nature based tourism destinations in Australia (NSW National Parks and Wildlife Service Blue Mountains National Park Plan of Management, 2001)

The WSA has been touted by politicians, and in the EIS, as an increased source of tourism to the Blue Mountains, due to its proximity. However, there is no evidence that this would be the case. There is, however, much evidence to indicate that this would not be the case. (Rapoza et al, 2015) (Krog et al, 2010). All evidence suggests that businesses that rely on quiet would be negatively impacted, and numbers of visitors to the National and other parks, would decrease, as a result of aircraft noise. Wildlife would also be adversely affected by noise pollution, leading to decreases in wildlife based activities, such as bird watching (Shannon et al, June 26, 2015) (Pilcher et al, 2009).

There are reportedly four core motivations for tourists visiting the Blue Mountains:

1. Pamper
2. Rejuvenate
3. Discover
4. Physical Exploration

(Tourism Research Australia, 2009). Pampering and rejuvenation are unlikely to occur in a region affected by 60dB Aircraft noise 24/7.

There are many businesses in the Blue Mountains that rely on quiet, including meditation centres and wilderness tour groups. There are hundreds of B&Bs, romantic honeymoon retreats, and resorts in the Blue Mountains that will be negatively impacted, particularly by overnight aircraft noise. Overnight aircraft noise is predicted to be 60dB and likely to cause wakening, particularly in people who are not accustomed to it (Fidell et al 2013) (Maschke et al, Jan 2016) (McGuire S; Muller U; Elmenhorst EM; Basner M, 2016). This will deter tourists from making return visits. The use of recreational areas or parks has been reported to be reduced in response to airport noise, even amongst people who initially reported that they would not change their usage behaviour (Krog et al, 2010). Business and job losses in the Blue Mountains will result.

In addition to the above impacts, the majority of visitors to Sydney face dispersal barriers, or travel with tour groups. Of 1.8 million international tourists visiting NSW in 2011, only 17% stayed outside Sydney. Of 1.4 million domestic visitors to Sydney between 2009 and 2011, only 6% stayed outside of Sydney. Dispersal barriers included lack of time (57%) and being in Sydney for a specific reason and not at liberty to disperse (51%) (Destination Visitor Survey, 2012). Dispersal barriers and the set

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itineraries will mean that the proximity of the airport to the Blue Mountains will offer no benefit in terms of visitor numbers.

**2.5 Location – Priority Growth Area**

According to the 2009 National Aviation White Paper, the development of an integrated planning approach for the Sydney region does not support the construction of an airport at Badgerys Creek. The White paper (2009) concluded that Badgerys Creek is no longer an option, due to years of urban growth and spatial planning for future growth in the south west region of Sydney. The best use of the government held land was deemed to be release for future residential development.

**2.6 Property Values**

The WSA EIS admits that both Australian and International studies demonstrate that aircraft noise adversely impacts residential property values. The previous study on the impact of the third runway at KSA found a 2.9% divergence in housing prices between affected and unaffected properties. The time series analysis in the EIS determined that there is a decrease in value of 0.5 to 0.6% for every decibel increase in noise above the standard. Higher priced properties are more affected by this trend. As an example, aircraft noise over Glenbrook is predicted to be approximately 60-70dBA. Urban areas are assumed to have a background noise level of 50-60dBA. Glenbrook, like most of the Blue Mountains, is a quiet area surrounded by national park, so is likely to have background noise that is lower than this. An accurate study needs to be undertaken in the Blue Mountains, rather than making assumptions on current noise based on general urban areas. Nevertheless, taking the conservative assumption of a background noise level of 50dBA, and aircraft noise of 60dBA (10 dBA, a doubling in noise levels), this would lead to a drop in property values of 5%. This would equate to a reduction in median house prices in Glenbrook from \$687,500 to \$653,125 for a three bedroom house, and from \$860,000 to \$777,500 for a four bedroom (Real Estate). Other areas may suffer even more, with aircraft noise over Rooty Hill predicted to reach 65-70dBA and over Horsley Park, 70-80dBA. Residents of Western Sydney and the Blue Mountains will suffer financial loss and hardship as a result of the proposed WSA.

**Viability**

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The viability of the Western Sydney Airport is seriously doubtful. The site is positioned 50km west of the Sydney CBD. The travel times to the CBD by car are currently 1 ½ to 3 hours by car, depending on traffic. There are no plans for a high speed rail link to the Sydney CBD. \$2.9 billion has been allocated over ten years for infrastructure upgrades, but this is solely for roads. There are currently no rail services in the area, and transport will initially be by bus and car only (Transport). Current commuting times by car from Badgerys Creek to the Sydney CBD are 1 ½ hours during normal conditions, and up to 3 hours during peak times. The proposed rail link to the airport will form a part of the general Sydney rail network, connecting between Badgerys Creek and St Marys. No corridor has as yet been determined for this planned rail link. A recent media release claimed that the WSA would be “rail ready” and an express rail line could be constructed from Parramatta to the city that would enable trips of 15 minutes. However, the “rail ready” refers to the digging of holes under the airport terminal to make room for possible future train stations. It does not incorporate any actual plans for building a rail line. The express rail line is a suggestion by Parramatta council. There are no actual plans or budgeting in existence for this proposal. One cannot, therefore, assume that current commute times will change. Current train travel times from St Marys to Central are approximately 1 hour. After midnight, services are by bus, which travel once hourly and take 1 ½ hours. Passengers

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and airlines will not use an airport with a location that is not convenient. This is why Avalon Airport in Melbourne has required millions of dollars in assistance packages from the State Government in order to remain open, and why Jetstar has been unable to make flights to Avalon profitable. Avalon, like the proposed WSA, is situated 50km outside the CBD, has no rail link, and has struggled to compete with the more conveniently located Tullamarine Airport (The Australian, March 18, 2015) (The Australian John Ferguson, 2015). Indeed, the Deutsche Bank has concluded that the WSA may require \$1billion in subsidies in order to make it viable during its first decade (www.smh.com.au, 2015).

If airlines are forced to use WSA instead of KSA, it is possible that they would do the same as airlines in Canada. When a rule was introduced forcing flights to Montreal to use Mirabel Airport, instead of the more conveniently placed Trudeau, the airlines chose to abandon flying to Montreal, and instead flew into Toronto (CTV News, 2014). Mirabel airport is set for demolition.

Insufficient infrastructure, inconvenience and competition from Canberra and Newcastle International Airports will make an airport at Badgerys Creek economically unviable.

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**Recommendations**

The proposal to build an airport at Badgerys Creek is not financially viable and should be refused

High Speed Rail should be constructed linking the international airports in Canberra, Sydney and Newcastle

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