
CHAPTER 2 THE ECONOMIC IMPACT OF CANBERRA AIRPORT





“AIRPORTS HAVE BEEN AMONGST THE MOST IMPORTANT JOB GROWTH HUBS IN AUSTRALIAN CITIES.”

BITRE



2 The economic impact of Canberra Airport

In just 17 years of private ownership, Canberra Airport has been transformed from an aviation backwater into a modern and vibrant Aerotropolis. A worldwide paradigm shift in airport development, from the traditional transport only node to a diverse development and employment locality has been embraced at Canberra Airport, leveraging off and financially supporting the aviation transport functions.

The ACT Chief Minister Ms Katy Gallagher, MLA, on opening the Majura Park Shopping Centre (29 March 2012) said:

“Majura Park Shopping Centre marks another significant milestone in Canberra Airport’s business development strategy. In just over a decade the Canberra Airport has grown into a multifaceted transport, business, and retail gateway which contributes significantly to Canberra’s economy”.

The Hon Warren Truss, MP (second reading speech 19 October 2010, *Airports Act* amendments) stated:

“Airports are essential community infrastructure. They are a vital part of ensuring that our nation is able to be connected to the rest of the world and that we are able to trade and to operate in association with our partners around the world”.

Productivity has been identified as one of the key challenges facing the Australian economy. The Australian Government’s Major Cities Unit report on the *State of Australian Cities 2013* noted:

“Major ports and airports are important to the productivity of major cities and they influence the urban structure of cities”.

2.1 INTERNATIONAL AGE

Canberra and the nearby region have never had a seaport and for decades have had a poor rail service therefore governments and the community rely heavily on Canberra Airport and the highways for the transfer of passengers and trade, refer Figure 2.1.

As well as being a key element of the Capital region’s transport infrastructure, Canberra Airport is important to a number of allied sectors; from regional transport services and the major tourism attractions to support services such as catering, travel consultants, and hotels. In addition, there have been significant positive economic impacts to the region from business, retail and commercial development especially at Canberra Airport, particularly in the aerospace and defence industry.

Canberra Airport, with the infrastructure capacity in place, is now poised to enter a new and challenging 'international age' in partnership with airline and freight operators to connect Canberra and the broader region of nearly 900,000 people to the world.

This new international age has been made possible by a multi-billion dollar investment in the wholesale redevelopment of the Airport since privatisation in 1998, comprising the terminal, runways, aircraft aprons, car parks, access roads, and commercial buildings.

The lengthening and strengthening of the Airport's main runway during 2006 was the foundation achievement towards the transformation of Canberra Airport and together with the \$480 million spent on the development of the new terminal (2008-2014) this total investment provides a lasting legacy to the community of aviation capability ready to enter the international age.

No other capital city airport has so far matched this level of infrastructure investment.

This massive investment in essential infrastructure represents the Airport's absolute and growing confidence in the robust future of Canberra and the region.

The investment in aviation also provides the region's community of nearly 900,000 with an Airport of true international passenger and freight capabilities for the very first time in addition to further domestic opportunities.

Accordingly, the best is yet to come in terms of greater future economic and social positive outcomes compared to the past. These future outcomes will be achieved by leveraging the aviation infrastructure capacity now available to create significant demand for jobs, trade, and commerce within the region.

A significant outcome will be greater competition with other Australian and world cities in tourism, trade and commerce as the structural shift unfolds and matures. A direct international connection to Asia will drive investment from abroad and boost exports of both goods and services.

Mr Andrew Barr, MLA ACT Deputy Chief Minister, in his Foreword to the ACT *2020 Tourism Strategy* (2013) stated:

"The Airport is now a fitting gateway for the National Capital that provides a solid platform for future economic growth – including the capacity to support direct international flight access."

The economic and social importance of airports to their community has recently been amplified through the public debate around a second Sydney airport. The Daily Telegraph of 25 October 2013 in this context noted:

“airports build the productive capacity of the economy over time, but along the way they also create jobs.”

Further the economic modelling on behalf of the NSW Business Chamber, states:

“an airport operating from 2027 will generate close to an additional 30,000 jobs and \$9 billion in economic output by 2050 for Western Sydney.”

All of this impact is projected to happen within only 23 years of opening.

Without a Western Sydney airport as envisaged, or if such an airport was to be delayed and delivered sometime after 2027, a proportion of these jobs and economic output will likely be generated at Canberra Airport by the flow-on of aviation demand. Road travel drive time to Canberra Airport from Western Sydney is only two hours whilst the traffic delays in Sydney’s road network often mean the journey from Western Sydney to Sydney Airport exceeds 1.5 hours (and car parking at Canberra Airport is easier and significantly cheaper). As low cost carriers and international services develop at Canberra Airport, the Airport’s catchment will extend to Western Sydney (and it will be at best 15-20 years before Badgerys Creek is operational). This flow on will be in the interest of, and a benefit to, this region’s community.

2.2 THE MULTI-BILLION DOLLAR INVESTMENT FOR ECONOMIC GROWTH

Since its privatisation in 1998, Canberra Airport has undergone a massive transformation which has had a profound and positive structural impact on the ACT and regional economy.

The new international age of Canberra Airport will provide a boost to this economic and social impact and influence the ongoing transformation of the structure of the City and the region and importantly how it is perceived in national and international tourism, trade and commerce.

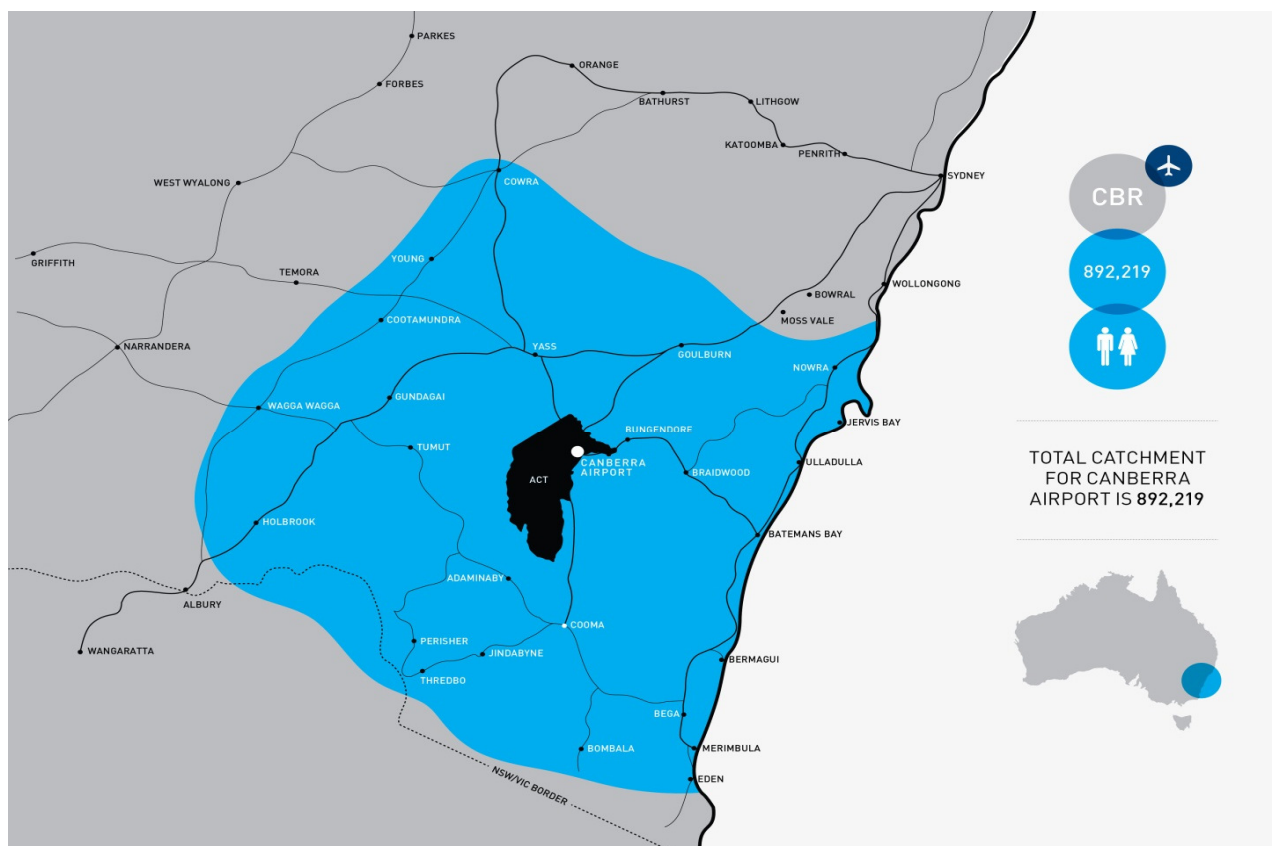
The \$480 million investment in the Canberra Airport terminal provides a foundation and unique opportunity to achieve the supply goal. In particular, the opportunity to establish direct international flight services and to open Canberra to the international marketplace will secure the city’s long term future as a key business and tourism hub.

2020 Tourism Strategy (2013)

The multi-billion dollar investment program has transformed Canberra Airport into a true gateway for our National Capital. This investment represents a very significant financial commitment to the long term success of Canberra as a city and as the centre of a region comprising a population of nearly 900,000, refer Figure 2.1. No other capital city airport has come close to investing such a large proportion in new capital investment activity; and it stands alone as the largest private sector investment in infrastructure within Canberra and the region in the last 16 years.

The upgrading of runway 17/35 in 2006, including a major extension, was the largest major runway expansion in Australia since Sydney Airport’s third runway was opened 20 years before. At a cost of more than \$60 million, it was critical infrastructure to allow longer range flights and unrestricted VIP operations, including visits for foreign heads of state.

Figure 2.1 – Canberra and surrounding regions



2.3 ACIL TASMAN ECONOMIC ASSESSMENT

A study by economic consulting firm ACIL Tasman was commissioned in 2010 by Canberra Airport to more precisely determine the economic benefits of the Airport to the region.

ACIL's modelling found in 2010 Canberra Airport:

- Drove more than seven percent of the ACT's economic activities;
- Generated and enabled 12,496 jobs; and
- Had a \$1.34 billion per annum contribution to gross regional product.

The study notes many of the benefits of the Airport are far too pervasive to quantify accurately and are referenced as 'catalytic benefits' – with the report concluding the impact of Canberra Airport on the wider region, while not precisely known, is much larger than first seems.

The study also states:

- In 2030, assuming a medium growth scenario, total activities associated with the Airport are expected to generate employment of over 21,000 jobs with the total value added to the local economy estimated at \$2.42 billion per annum; and
- Canberra Airport is curfew free and the Australian Government identified the importance of maintaining a network of curfew free airports, including Canberra Airport, on north-south and east-west axes to allow for the ongoing successful operation of overnight airfreight and other overnight aircraft operations.

Canberra Airport welcomes the ACT Government's long term support for "24 hour operations as an economic competitive advantage for the ACT and the broader region" as noted in the *ACT Planning Strategy (2012)*.

2.4 COMMERCIAL INVESTMENT

The Airport has recently played a strong role in consolidating Canberra's position as a major retail centre attracting local and regional shoppers away from competition in Sydney and Melbourne.

The development and opening of Costco's third store in Australia in the Airport's Majura Park in July 2011 has been a boon for retail tourism for nearly 900,000 regional residents to the benefit of local jobs, together with social and economic growth.

Canberra Airport has also assisted in securing IKEA to an ACT Government site on Majura Road opposite Majura Park. IKEA will build on the Costco legacy by diverting local and regional retail trade away from Sydney and Melbourne to Canberra.

A joint venture publication by the Canberra Convention Bureau and the Canberra Business Council, *Canberra - The Meeting Place of Australia*, July 2013 sets out at page 7 expenditure per delegate ranging from international (\$3,685) to national (\$494) to local (\$170).

Airport charges are included within the air fares. The expenditure for taxis and car hire costs range from \$63 (1.7 percent of total expenditure) for international delegates.

The economic benefit to the region, of an international delegate spend in attending Canberra conferences, is as follows:

- 40 percent is captured within airfares; and
- 60 percent is captured as an economic generator within Canberra's accommodation, food and beverage, and entertainment industry.

The latter is an example of the economic 'catalytic benefits' of the Airport that are difficult to measure however are real and will be more telling in the new international age of Canberra Airport.

Bureau of Infrastructure, Transport and Regional Economics (BITRE) researched the employment generation and economic activities around airports both within Australia and internationally and noted:

- Between 2006-2011 "airports have been amongst the most important job growth hubs in Australian cities; and
- In Europe, on site employment generally is in the ratio of 1,000 jobs per one million passengers".

In Australia at the 10 major airports, including Canberra, there are on average around 580 jobs per one million passengers (2011). At Canberra Airport the 2014 ratio is 3,700 jobs per one million passengers which reflects the diversity of employment development of the Canberra Airport Aerotropolis and the additional economic and social contribution by the Airport to the region.

More than 11,000 people currently work on the Airport in more than 280 businesses.

These businesses largely fall into six main general activities:

- Infrastructure;

- The Airport (owner and manager), Airservices Australia (provider of air traffic control and fire-fighting services), Australian Federal Police, private security, terminal maintenance, terminal cleaning, telecommunications, runway sweepers, and a mowing contractor;
 - Air transport;
 - Qantas (including subsidiaries QantasLink and Qantas Freight), Virgin Australia, RAAF Special Purpose Air (SPA) Fleet, general aviation and charter operators as well as airfreight (such as Toll and Qantas) and courier companies;
 - Aviation support services;
 - In-flight and terminal catering suppliers, aircraft maintenance, operators of aircraft hangars, fuel providers and rental cars;
- Retailing/wholesaling;
 - Shopping centre, cafes, Woolworths Supermarket, Costco, bulky goods wholesale, convenience service stations and terminal franchises (and other major and minor retail operators);
- Office;
- A range of public sector and private sector office tenants; and
- Directly airport-related activities off Airport site.

Of the 11,000 jobs currently located on Airport over 90 percent are employed in the 'innovative industries' of defence, aerospace, and information technology (IT). See Figure 2.2.

A freight hub at Canberra Airport would not only develop jobs at the Airport but would likely produce a new range of industries in Canberra and the region generating significant economic return and employing hundreds, if not thousands of people.

Increases in passenger services, including low cost carriers and direct international flights, will have significant benefits to Canberra's economy, bringing increased jobs and revenue streams to the local economy. In particular there will be a substantial stimulus to the tourism industry employing a range of staff, including accommodation and transport providers, restaurants, cafes, bars, and local tourism businesses.

Within the next five years, Canberra Airport expects to have up to 18,000 jobs on Airport. This is based on aviation growth and the full occupancy of all existing buildings on Airport. Additional development may increase the working population. This is likely to increase the total economic impact of Canberra Airport to \$2.2 billion (2010 values) and increase the Airport's contribution to the economy from seven percent to in excess of 10 percent.

By 2033/34 it is expected up to 34,000 people will be directly employed on Canberra Airport.

2.5 DIVERSIFYING REVENUE SOURCES

Over the next five years Majura Park, Brindabella Business Park and Fairbairn will continue to be developed with non-aviation land uses consistent with their development to date in response to market trends as indicated in Chapter 10. These precincts provide diverse revenue streams as a 'means of managing risk against comparatively volatile airline and aviation market'. These diverse revenue streams also provide funding security and financial rating to support aviation development. This diversity was highlighted by Deloitte Access Economics in its informative paper *Connecting Australia* May 2012. The development of Canberra Airport was used as a case study (Case study: 5 page 21).

The ACT Government supports the continuing development of Canberra Airport as an important element of the ACT's economy. The aviation-related activities and non-aviation activities that take place at Canberra Airport's various precincts contribute significantly to the economy of the ACT and the surrounding region. Canberra Airport's economic contribution is destined to grow in the next few decades and the Airport and ACT Government will continue to work together to foster that growth.

Figure 2.2 – Canberra Airport home to department of defence, aerospace and technology industries



2.6 CONCLUSION

While the future appears strong for Canberra Airport and the Capital region as a whole over the next 20 years, success depends on the support of the community, business, and government, the competitiveness of Canberra as a destination and importantly, support from the entire Capital region as Canberra Airport delivers the 'international age'.

Canberra Airport can deliver aviation growth and jobs to the community across a broad range of sectors. The challenge is to ensure these jobs are delivered with the ongoing support of the community.

The ongoing development of the Airport over the next five years will see a focus of significant investment in positioning and marketing the benefits of the Airport's aviation infrastructure capacity to all airlines and freight operators that operate to and within Australia.

Canberra Airport's aspiration is to build on existing domestic city connections, by the introduction of low cost carriers and international services so as to realise aviation passenger and freight growth during the new international age. Additional Australian and international city connections, as set out in Chapter 5, will accelerate the ability of Canberra and the region to be more competitive in tourism, trade and commerce.

Given the current economic conditions this aviation growth focus will be vital to the region's economy and social well-being.

This 2014 Master Plan serves as a framework for this aviation growth and other development of the Airport.

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