

23rd September 2008

Defence White Paper Team
Defence Establishment Fairbairn
F4-G-015
26-28 Fairbairn Avenue
CANBERRA ACT 2600

Dear Defence White Paper Team

Re: Submission to the White Paper

We refer to the 22nd April 2008 announcement, by the Hon. Joel Fitzgibbon MP, Minister for Defence, seeking submissions for a Defence White Paper.

Avalon Airport Australia Pty Ltd forward this letter in response to that announcement.

This submission draws attention to our unique experiences as a leaseholder of a Defence property.

Avalon Airport Australia Pty Ltd (AAA) is owned by the Linfox Group and is the company which manages, operates and develops Avalon Airport. The airport is 55 kilometres from Melbourne and is used for a range of civil aviation activities.

The airport has two primary uses. The first is as a Qantas B747 maintenance facility. In excess of 1,000 people are employed in aircraft maintenance operations within Avalon's three B747 hangars.

The second main use is as a location for Low Cost Carrier Jetstar's passenger flights. Each year, in excess of one million passengers use Avalon Airport en-route to Sydney Brisbane, Perth and until recently, Adelaide. These activities provide millions of dollars of economic and tourism-related benefits, which support the many small and family sized businesses which operate in the tourism industry, especially across South-West Victoria.

Avalon's secondary uses are as a location for international airfreight. Each year, more than 40 B747s land at Avalon carrying freight for a range of major events, the largest being the Melbourne Formula One Grand Prix. Avalon's remaining operations include the biennial international airshow, which has become the 4th largest in the world.

Avalon is rarely used for RAAF or Defence purposes. The airport is entirely used for civil aviation and tourism activities. There is no Defence presence on the airport and Defence / RAAF aircraft infrequently use the aerodrome.

Notwithstanding Defence's very infrequent use, and nil presence on the site, Avalon Airport continues to be a Defence Property, which is then leased to our AAA company. Defence administer the lease, and under the lease the Defence Minister also acts as the planning authority, who approves (or disapproves) activities such as a proposed International Passenger Terminal, or on-airport hotels, or shops or almost any other development in excess of \$5 million. Ironically, there is a governmental duplication, for AAA is also subject to gaining planning authority from the local council, the City of Greater Geelong. In fact, Avalon Airport is the only airport in Australia subject to two planning regimes, Local and Federal: for an Avalon Airport Major Development to proceed, it must have approval from the Defence Minister and Local Council.

AAA submits this correspondence for its sees inconsistencies and inconvenience to the Minister and the Department of Defence as a result of Avalon's lease. It also considers that these arrangements place it at a severe commercial disadvantage and that its ability to improve economic activity and employment in the Geelong region has been restricted.

We are hopeful this can be simplified. We note the White Paper seeks to make "*effective use of its financial and human resources; investing in capability that provides a properly equipped and balanced force structure*" (page 33). We have a recommendation in this regard.

Our view is that Avalon is not used by the Department of Defence and our planning applications, such as International Passenger Terminals, hotels, retail shops and so on, are an unnecessary distraction to Minister for Defence. Whilst Linfox is keen to advocate and champion with the Federal Government its proposed international passenger terminal at Avalon, for Low Cost Carrier flights into Asia, we feel apprehensive and somewhat embarrassed in doing so, for it is a distraction to one of the highest and most important officers in Australia. Avalon contends that these town planning issues can amount to a real distraction to a Ministry that has more pressing matters to consider, such as those of national security and other broader active defence matters.

However, under the present arrangements and terms of our current lease with Defence, we feel this will almost certainly continue to occur. For our company is proposing a range of applications requiring the minister's approval over the next two to three years, including reapplication of our (heretofore rejected) International Passenger Terminal plans, possible development plans to increase our domestic terminal, possible development plans for the construction of a hotel and possible development plans for the establishment of some retail shopping.

However we are mindful that the White Paper's theme is to manage Core Business and very much doubt that these described passenger terminal, hotel or retail proposals would constitute Core Business for the Department of Defence.

So consistent with the White Paper's theme of Managing Defence Core Business (page 33), AAA proposes that this White Paper make a recommendation to sell the Department of Defence's remaining interest in Avalon Airport to our company and place its planning approval process with the Victorian Government, through its City of Greater Geelong Planning Scheme. This action is already contemplated in Avalon's existing lease.

Avalon Airport is rarely used by the RAAF. In any event, the sale of Defence's remaining interest would not exclude Avalon's availability; RAAF may continue visiting Avalon as its needs arise; its ownership would not preclude that.

So in summary, AAA consider that Avalon Airport is an unnecessary Departmental and Ministerial distraction. Although it is entirely a civil airport, its present town planning approval process is subject to Defence Department and Defence Minister approval *and* Local Council approval. AAA consider this places it at a distinct commercial disadvantage with its competitors, for it is the only airport in Australia to operate in this way.

In conclusion, this submission recommends that the Department of Defence be encouraged to sell its remaining interest in Avalon Airport to AAA, as foreshadowed within the terms of its current lease agreement. This would enable Defence to focus on its core business, whilst also providing Avalon with a platform to thrive as a commercial, tourism and employment centre, especially for Geelong and South West Victoria.

We trust this submission assists your deliberations regarding the White Paper and would be pleased to participate in any public hearing process.

Yours sincerely



Tim Anderson
Managing Director