

MEDIA RELEASE

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NEW VISION TO INTEGRATE INTERNATIONAL, DOMESTIC AND REGIONAL SERVICES

Sydney Airport today announced its intention to commence broad stakeholder consultation on an exciting new vision for the airport. The vision sees Sydney Airport transformed into two airline alliance-based precincts integrating international, domestic and regional services under the one roof by 2019 and requires no change to the existing operating restrictions.

The proposed reconfiguration makes better use of the existing facilities, provides for more aircraft gates/parking and allows for future terminal expansion. The concept requires detailed design and analysis, negotiations with commercial parties and the necessary approval of the 2014 Master Plan and any associated MDPs. This vision has the potential to improve traffic flow around the airport.

Chief Executive Officer of Sydney Airport Kerrie Mather said: "This initiative has the potential to transform aviation in NSW. First, it would improve Sydney Airport's attractiveness as a global hub and deliver a better passenger experience every day. Second, as Sydney Airport invests in its future it would bring with it growth in tourism and business travel which would lead to job creation and contribute to NSW's economic prosperity.

"Sydney Airport is investigating reconfiguring the current domestic and international precincts to create two alliance-based precincts. Each would accommodate the entire operations of one of our major domestic airlines and its international partners.

"Under the proposal, the passenger experience is improved through faster connect times and more efficient airline and airport operations. The new airport configuration would minimise operating disruptions, which - given the significance of Sydney Airport - would have positive flow-on benefits to the rest of Australia's aviation network.

"From an airport operations perspective this would reduce aircraft turnaround times, largely eliminate towed main runway crossings and produce a better environmental outcome through reduced aircraft emissions.

"A major priority for Sydney Airport is working with State Government to improve traffic flow around the airport and to deliver comparable travel times from the CBD to each precinct. We also continue to invest in ground transport facilities and advocate improved public transport services," Ms Mather said.

Qantas Chief Executive Officer Alan Joyce said the vision responded to the challenges and opportunities facing Sydney Airport, with a focus on bringing airline alliances together.

"The proposed new terminal precinct would have significant benefits for all passengers travelling with both Qantas and Jetstar," Mr Joyce said. "As passenger numbers grow over the next decade, it is vital that airlines and airports work closely together to deliver a seamless travel experience.

"We look forward to exploring all aspects of the concept in detail during the consultation period," Mr Joyce said.

Virgin Australia CEO John Borghetti said the concept aligned with the airline's focus on delivering an enhanced customer experience and an integrated global alliance network.

"We support any proposal that improves services to the travelling public and grows tourism in Australia.

"We believe there is potential in Sydney Airport's proposal. We look forward to working with all stakeholders to explore its merits in detail, in particular how it supports the growth of Virgin Australia and its alliance partners," Mr Borghetti said.

The Proposal

The proposal recognises the need for Sydney Airport to work together with all airlines so they can respond quickly, and in a cost effective way, to the rapidly changing aviation environment.

Under the proposal it is envisaged the current domestic terminals, T2 and T3, will accommodate the Qantas Group, including Jetstar and international partners.

The current international terminal precinct, T1, would accommodate Virgin Australia and its international partners. Sydney Airport's other international airline partners would operate from T1 as today.

The proposal would guarantee ongoing access by regional airlines to Sydney Airport. The precinct from which domestic and regional carriers such as Tiger, Rex, AeroPelican and Brindabella will operate will be the subject of consultation.

The proposal also includes the construction of a new Qantas Engineering complex for line maintenance to support the airline's current and future fleet, and a new Virgin Australia hangar for wide and narrow-body aircraft that will serve as a dedicated maintenance base in Sydney.

Sydney Airport Master Plan

The proposal announced today is at the concept level, and is consistent with the permissible land uses as set out in the 2009 Master Plan.

Sydney Airport will now commence broader external stakeholder consultation regarding this proposal, engaging proactively with all airline partners, airport related businesses, border agencies, regulatory authorities, local, state and federal governments and the community, before making any decisions to formally proceed with this proposal.

Sydney Airport will evaluate the proposal in the context of the 2014 Master Plan process which is scheduled to begin in late 2013.

Sydney Airport, the Qantas Group and Virgin Australia Sign Key Commercial Agreements

Ms Mather said: "To facilitate this exciting new vision Sydney Airport has signed non-binding Memoranda of Understanding (MoUs) with its major domestic airline customers, the Qantas Group and Virgin Australia to progress the proposal.

"The MoU between Sydney Airport and the Qantas Group includes a commitment to explore the benefits and financial implications of an early reversion of long term leases. The Qantas Group currently has long-term leases on airport land, which includes Terminal 3, the Qantas Jet Base and the Qantas Freight Base.

“In addition, in recognition of the time required to develop the proposal the Qantas Group and Virgin Australia have each entered into agreements to extend the current international aeronautical pricing arrangements to mid-2015. This provides certainty to all parties while the proposal is evolved.

Sydney Airport has agreed with each of the Qantas Group and Virgin Australia:

- to work towards multi-decade commercial agreements that recognise that the proposal will deliver an operational step change at Sydney Airport and ensure that its untapped capacity is fully utilised over the years ahead; and
- that those commercial agreements will establish long term price parameters for Sydney Airport to achieve a reasonable return on its investment.

The proposal announced today will be pursued within the framework of Sydney Airport’s existing debt financing policies including debt funding of growth capital expenditure and maintenance of existing credit ratings.

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