

2 May 2017

Sydney Airport Decision on Western Sydney Airport

Sydney Airport has today advised the Commonwealth Government that it has not accepted the offer in the Notice of Intention (NOI) to develop and operate the Western Sydney Airport (WSA).

Since the project was announced by the Commonwealth in April 2014, Sydney Airport has undertaken extensive work to determine the likely demand and growth potential, construction costs, risk profile and financial returns of WSA. Throughout that time Sydney Airport also consulted openly and extensively with the Commonwealth Government.

Upon receipt of the NOI in December 2016 Sydney Airport engaged with the contractor market to further inform its view of the construction costs of site preparatory works and the aviation infrastructure works. Based on the final terms of the NOI Sydney Airport also assessed a wide range of funding options.

After taking into consideration the feedback from the recent market engagement process and investors, and the outcomes of its own evaluation, Sydney Airport determined that the terms of the WSA NOI do not meet its investment criteria.

Sydney Airport Managing Director and CEO Kerrie Mather said, "The development of a new airport is an exciting opportunity for western Sydney. We have no doubt that the new airport, which is expected to be operational late 2026, will create jobs and encourage significant investment in the region. Importantly, additional aviation capacity in the Sydney basin will ensure that NSW continues to compete both nationally and internationally for the highly valuable business, visitor and tourism economy.

"Sydney Airport's decision not to accept the WSA NOI on the terms provided is in the best interests of our investors who represent millions of Australians through their superannuation funds. Despite the opportunities that WSA will present, the risks associated with the development and operation of WSA are considerable and endure for many decades without commensurate returns for our investors.

"We are looking forward to continuing our positive and open engagement with the Commonwealth as we focus on delivering growth and a world class passenger and airline experience at Sydney Airport," Ms Mather said.

Being informed of the decision, the Honorable Paul Fletcher, Federal Minister for Urban Infrastructure said, "The consultation meetings with Sydney Airport were conducted in an atmosphere of good faith and I acknowledge their professional and constructive contribution during this process, as well as their strong and positive engagement with western Sydney. I wish the company well in its future endeavours, noting that Sydney Kingsford Smith Airport is Australia's principal international gateway and plays a vital role in the Australian economy."

Sydney Airport notes that the terms of the Right of First Refusal provide it with up to three months to review the material terms upon which the Commonwealth Government elects to develop and operate WSA itself or offers the opportunity to another party. If the terms are more favourable, Sydney Airport would have the option to develop and operate the airport on those terms.

The Commonwealth has advised that it will provide Sydney Airport with terms today and that those terms will mirror the NOI received in December 2016, meaning no new option will arise.

Background

The 2002 Sydney (Kingsford Smith) Airport Sale Agreement provided Sydney Airport with a Right of First Refusal to develop and operate a second major airport within 100 km of Sydney's CBD. Sydney Airport has been engaged in formal consultation with the Commonwealth Government regarding the proposed Western Sydney Airport since September 2014.

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