

# Sydney Airport Demand Management: Discussion Paper

## Executive Summary

Airport Coordination Australia (ACA), as the current Slot Manager of Sydney Airport would like to thank the Department of Infrastructure for allowing us to provide a submission to the review of the legislation. ACA will be commenting on the process and technical side of the review only. For ease of reference, we will be structuring our response in accordance with the questions provided as part of the review.

The review is well timed and provides a chance for the industry to comment on the slot regulations for the first time in eight years. ACA believes that there is opportunity to review the instruments to provide efficiencies in the below sections of the regulation:

- Slot Compliance Scheme
- Slot Allocation Priorities and New Entrant access
- Aligning to the WASG to provide clear guidance to the industry, including the development of a coordination committee
- Streamlining the PRSS rules and periods of operation
- Clearly defining the allocation of a slot, and what infrastructure is accounted for in that allocation

### a) How would changes to the definition of a regulated hour (i.e., removing the rolling hour) impact stakeholders?

ACA believes that this is the most misunderstood section of the instruments. There are two separate 15 min rolling hours. The first is the planned 15min rolling hour, that the Slot Manager uses to spread the planned operations across the hour. This is done to ensure that the demand on the airport infrastructure and allows Airservices Australia (AsA) to manage the airspace on the day more efficiently, as there are not 160 aircraft planning to operate in a 10 min period, as would happen if the 15-minute rolling hour were removed from the planned environment.

The second rolling hour is the hour used on the day of operation by AsA, to ensure that the actual movements on the day do not exceed 20 per 15 minutes. ACA believes that this is not required, and the industry should allow AsA to manage the operations on the day in accordance with their safety and systems processes. The safety net for this is the compliance scheme, if airlines are continually operating off slot, this will be captured in the compliance process and can be dealt with in that process. This would also allow for recovery periods after weather or other events that impede normal operations at the airport.



**b) Should any flights be excluded from the movement cap, while still providing a net benefit to the community? What impacts would this have?**

No flights should be excluded from the movement cap as this would artificially raise the cap. All aircraft need to be considered in the cap as a change in the cap would change the demand on the airport system and have an impact to industry stakeholders such as AsA.

**c) What means of publication would satisfy public accountability and transparency with respect to both breaches and non-breaches?**

As uptake of information is so low ACA would recommend that AsA continue to record the breaches on their website. It might also be suggested that the Department provide a link from relevant pages from their website.

**d) Should the definition of 'regional service' be changed? Why or why not?**

The definition of a regional slot should not change as it is simple and clearly identifies a regional slot. Any changes to the definition may make it more difficult to understand what a regional slot is and cause confusion for stakeholders. Whilst we recognise that limiting regional services to a seat count, for example 76 seats, would be an interesting idea, we believe that this would be difficult to manage in a practice. ACA would be happy to explore this further if this was an outcome of the review.

**e) Should the number of peak-period regional slots or the method for converting PRSS slots be revised? Why or why not?**

The number of peak period slots should not change, but there should be more flexibility in the movement of the slots in order to provide an opportunity for airlines to improve their connectivity, and as a result provide the travelling public with better regional travel outcomes. A slot should be able to move within their regulated fixed hour as they please without having to swap slots with another slot. This creates an 'even playing field' as currently airlines with larger slot portfolios have an advantage in having greater slot mobility, as they have more slots to potentially swap and move their PRSS slots around with.

The method for converting PRSS slots should be revised to make it easier for industry stakeholders to understand. ACA believes that there should be no method to convert a non-PRSS slot into a PRSS slot. The current methodology does not work in practice and causes endless confusion to airlines.

**f) Should there be alignment of the number of peak-period regional slots in the winter and summer seasons?**

Yes, in an ideal world there should be alignment between Summer and Winter slots. However, as the system is mature and there is a large uptake and use of the slots in the peak period this would be difficult to achieve. On the other side it would not be a good

outcome to ask airlines who hold current PRSS slots to move or return slots as they no longer fit into the new ringfenced slot group.

**g) Does the defined peak period remain appropriate for regional slots?**

ACA believes that the peak period should be modified to the hours of 0700-10:59 in the morning, and between 17:00-19:59. The hours mentioned incorporate the absolute peak period, and outside these times even pre-COVID there were slots available for non-PRSS slots. Therefore, we do not see a reason to decrease the hours of the ringfence as it still maintains the goal of the establishment of the PRSS policy.

**h) Is there a need for dedicated regional slots in off-peak periods?**

There is no need for regional slots in the off-peak period as there is a sufficient supply of slots available to all operators during the off-peak periods.

**i) Should there be additional flexibility in allowing regional slots to be moved between peak and off-peak periods?**

ACA believes that there should be greater flexibility for mobility of slots within the ringfence. This would mean that airlines who hold existing PRSS slots would be able to line their slots up throughout the week and would also release trapped slots.

An example of this would be to allow airlines to move their PRSS slots freely in their fixed hour (i.e., all slots in the 0700-0759 hour can move within this hour as they please)

**j) Are additional safeguards needed in order to implement the Productivity Commission recommendation that non-PRSS slots be allowed to be used for regional flights?**

ACA believes that this would be an outcome that would benefit certain stakeholders and negatively impact others. In the view of fair allocation, ACA believes that there are sufficient regional slots in the pool to adequately serve regional NSW. Shortening the PRSS hours would also aid in this and would be a measure that would satisfy both sides of the industry.

**k) Should there be further relaxation or other changes to the ACCC's price cap and monitoring regime?**

ACA has no comment on this.

**l) Are there adverse outcomes in implementing the Productivity Commission recommendation regarding the scope of future price declarations? Are specific safeguards needed to mitigate any impacts of implementing this recommendation?**

ACA has no comment on this.



- m) Are there any matters, not discussed already, which the Government should consider when developing any future Direction for regional price monitoring at Sydney Airport by the ACCC?**

ACA has no comment on this.

- n) How significant is the impact of implementing a bespoke slot scheme for Sydney Airport? Is there reason to implement a slot management scheme that is substantially different from the WASG? What challenges do inconsistencies between the WASG and Legislation create?**

Having a bespoke slot scheme creates an additional layer of complexity for airlines operating into Sydney Airport. The World Airport Slot Guidelines is globally recognised as the best practice standards for slot allocation that is constantly evolving, and the closer Sydney can align to this, the easier the process will be for airlines.

If the scheme were changed to align with the WASG, the only rules that would require to be substantially different would be the PRSS ringfence. ACA feels there is also opportunities to streamline the PRSS and make this also easier to understand and manage.

- o) What risks and opportunities could be realised by adopting the WASG?**

The biggest opportunity is to have a scheme at Sydney that aligns with the slot rules at the other end of the route, especially for International airlines. Adopting the WASG reduces the complexity of managing slots for airlines and would allow the rules to evolve with the WASG, instead of change requiring ministerial approval. The scheme would be more agile and would move with the industry, with the current state of the industry, we believe this is important now more than ever.

The risk to align to the WASG would be to ensure that the local rules are fit for purpose at Sydney. As mentioned previously, an example of this would be the PRSS section of the scheme would also be required to be reviewed to make it easier to understand and manage. Outside of the PRSS, the only local rules that would be required would be of an administrative nature and would not affect the process of allocation of slots.

- p) Do the allocation priorities in the Legislation, including historical precedence, remain appropriate? Should they be aligned with the WASG or be otherwise amended to fulfil the varied objectives of demand management? If so, how? Please provide your rationale.**

The priorities for slot allocation should reflect the WASG to ensure that airlines are treated in the same manner at both ends of the route, when operating at congested airports. With the formation of the WASB and the outcome of the WSG strategic review, the WASG is changing more with the industry now than it ever has. Therefore, the priorities should reflect the latest edition of the WASG, as it reflects the current state of the industry.

- q) Should the definition of a new entrant align with the definition used in the WASG? Why or why not?**

Yes, the new entrant rule should align with the industry standard of the WASG, to ensure equal treatment of slots at both ends of the route and allow greater access to slots for new entrant operators.

- r) Do the current arrangements create specific barriers to new entrants or airlines expanding services at Sydney Airport? Are there any changes that should be made to reduce these barriers?**

Aligning to the WASG priorities will assist in reducing the barrier to entry for new entrant carriers. The reason why the new entrant rule and priorities were changed in the WASG was to allow better access to congested airports for new entrant operations. Access to constrained airports is an issue that the WASB (World Airport Slots Board) continues to work on as it is an issue not only in Sydney but throughout the world. We believe that this is an important point that needs to be addressed, especially in the recovery phase from COVID.

- s) Should the 'size of aircraft' rule be retained? If so, what rationale or application criteria should be used?**

ACA believes that the 'size of aircraft' test is no longer appropriate. This is due to the switch from larger aircraft to next generation smaller aircraft that is currently occurring in the industry. International airlines are choosing to use small, more fuel and economically efficient aircraft for long haul services and the larger aircraft will be phased out in the future. Therefore, the aircraft size test will be redundant, as it already is in the domestic market with the majority of the airlines using the same size aircraft to operate domestic routes.





**t) What considerations should be given for an effective compliance scheme?**

Firstly, it is important to note the difference of on time performance monitoring and the 80/20 use it or lose it test. On time performance monitoring reviews whether the airline is operating on time and in accordance with the slot provided by the slot manager. The 80/20 use it or lose it test reviews the airlines use of the slot, as to whether they arrive on the day the slot has been granted, or if the slot has been cancelled by the airline and not operated.

The current compliance scheme needs to be reviewed to ensure that the compliance committee can legally enforce fines for contravention of the scheme. The committee itself should also be reviewed to decrease the size of the committee and its processes. In the past the committee was tasked with reviewing every off-slot movement and deeming whether the movement was inside or outside the airlines control. ACA would suggest that the airlines and the new compliance committee only review slot contravention cases once the slot is considered as operating an off-slot movement for 20% of the season. This would cut down the workload of the committee greatly and the reporting requirements for the airlines also.

The new chapter in the WASG would provide a good basis for the slot compliance scheme. We believe that importance should be placed on the timeliness of contravention notices provided to the airlines and subsequent actions therein. Currently, the Compliance Committee cannot issue an infringement notice before the end of the scheduling season. ACA believes that this should be amended to provide the capability to fine airlines for misuse once a breach has occurred, whether it be 20% of the way through the season or later.

ACA recommends that the misuse of slots also be included in the compliance scheme.

**u) Does the focus of compliance being on off-slot and no-slot movements remain appropriate? Should slot management at Sydney Airport include compliance provisions for broader aspects, such as the actions the WASG consider to be slot misuse? If so, would this support the objectives of demand management being met?**

Yes, ACA considers that slot misuse should be included in the compliance scheme and that this would support the objectives of demand management.

**v) Are the penalties, if implemented, significant enough to encourage compliance? Are there alternative compliance mechanisms which could be considered?**

ACA deems the penalties significant enough to encourage compliance. When the scheme was created there was less of a commercial imperative to operate on slot. This has changed over the last twenty years and now on time performance is a customer expectation as well.



The penalty system is a mechanism that would work if airlines were legally obligated to pay a fine for off-slot operations.

**w) Do you have any comments on the Ministerial Direction provision in the Act?**

ACA has no comments on the Ministerial Direction provision itself, however, it would be helpful to the Slot Manager for Ministerial Directions to be more agile and of timely nature. ACA understands the approval process for a Ministerial Direction is onerous and time consuming, but if a pathway for faster Directions could be achieved in this review it would be very helpful not only to the Slot Manager but to the aviation community.

**x) Does it remain appropriate for the Slot Manager and Compliance Committee to be principal instigators for changes to the slot scheme and compliance scheme?**

No, we believe that the Slot Manager and the Coordination Committee should be the principal instigators of the slot scheme and the Slot Manager and the Compliance Committee should be the principal instigators of the compliance scheme.

**y) Given the maturity of slot management and the WASG, does the scope of the Slot Manager's functions remain appropriate?**

Yes, we consider the scope of the Slot Manager's functions still appropriate, however, we would include additional clarity on the tasks of the coordinator to include Slot Management of Runways, apron, and terminals at Sydney Airport.

**z) What process should be undertaken to identify and appoint a Slot Manager and how often should the position be reviewed?**

The Slot Manager should have an appointment period of 5 years, and the Slot Manager should be reappointed on consultation with the stakeholders, if the majority of stakeholders are happy with the Slot Managers performance, then the reappointment should occur without the need for a tender process.

**aa) Does the current definition of a slot (and associated terms and processes) in the Legislation ensure the most efficient use of the infrastructure and implementation of the movement cap?**

The current definition of a slot should remain, however there should be a clearer outline of the responsibilities of the Slot Manager, which include the allocation slots that include the runway, apron, and terminal infrastructure at Sydney Airport.

**bb) What opportunities and risks could arise from closer alignment to the WASG inferred approach to slot coordination (i.e., a single entity to make slot allocations which reflect all airport capacity factors)?**

As Sydney Airport's infrastructure is also congested, not just the runway, it is important to ensure that slot allocations consider the other infrastructure at the airport. If this is not achieved, this can cause major delays and inefficiencies at the airport on the day of operation. We do not see any risks in allocating all airport capacity factors at Sydney Airport. From an ACA perspective, we perform the allocation of all airport capacity factors at 34 out of the 38 airports we manage globally.

**cc) Do the record keeping requirements provide the appropriate balance between treatment of any commercially sensitive information and providing sufficient transparency to afford stakeholders confidence slots are being managed appropriately?**

ACA considers the record keeping requirements appropriate and fit for purpose. ACA believes that information regarding to Slot Historical Listings and initial submission data as commercially sensitive and should not be shared with the aviation community.

ACA provides daily slot reports to Sydney Airport and Qantas (as has been requested by those stakeholders), along with this, the slot listings are available for the stakeholders to view at any time on our website. The airport and the airlines can also ask for a slot listing at any time, with airlines sending an SIR and the airport on request. In 2021, ACA will roll out an airline portal where airlines and the airport can access information on slot listing, including available PRSS slots in real time. ACA believes that transparency is a cornerstone of slot management and will be the first slot coordinator in the world to allow airports access to real time slot data through an online portal.

ACA is open and willing to review the process of slot transparency through this review.

**dd) Should there be a legislated framework for handling influxes of returned slots due to significant industry disruptions?**

Yes, there should be a legislated framework for handling influxes of returned slots due to significant industry disruptions. As mentioned previously, ACA believes this is important to be able to provide timely actions to aid the industry act early and for the Slot Manager to provide efficient slot allocation.

**ee) While recovering from the impacts of the COVID-19 pandemic, how important is providing certainty for existing airlines, versus creating opportunities for new and/or expanding airlines?**

We deem it is a balance of the two, but believe this question is out of scope of the Slot Manager.





- ff) Given the unpredictable recovery period, should further measures relating to slot allocations be considered in response to COVID-19? What are reasonable indicators for further support in response to the COVID-19 pandemic?**

ACA believes that it is too late for any measures to be put in place in response to COVID-19. However, advice is required to be given to the Slot Manager for treatment of slots for S21 by the 4<sup>th</sup> of January.

- gg) Which option, option variant or alternate approach is reasonable? Please provide your rationale.**

ACA believes this is out of scope of the Slot Manager, as we are a neutral and independent entity.

- hh) If further interim measures are implemented in response to COVID-19, should they only apply to peak period slots?**

ACA believes this is out of scope of the Slot Manager, as we are a neutral and independent entity.

- ii) Would you support the establishment of a Pandemic Recovery Pool of slots? Why or why not? What parameters would make it most effective?**

ACA believes this is out of scope of the Slot Manager, as we are a neutral and independent entity.

- jj) Are the objectives of the Legislation clear and relevant? Are there non-regulatory approaches to achieve the intended objectives?**

The objectives are clear, however, the detail in the scheme is overly complex and difficult for some stakeholders to understand. As mentioned previously, moving to a Legislation that is closely aligned to the WASG would provide more clarity for stakeholders. Brisbane and Perth airports are examples of successful non-regulated approaches to Slot Management.

- kk) Are there opportunities, not already considered in this paper, which could make the Legislation simpler, clearer, and easier to read? Do definitions and processes align with business practices?**

Most of the opportunities are already considered in this paper. The PRSS rules, the aircraft size test rules, slot swap rules are examples of areas that could be simplified to improve airline and stakeholder understanding. Clearly defining what airport infrastructure is part of a slot allocation would also be helpful to the community.

## **II) Would consolidating the Legislation into fewer instruments reduce complexity?**

Yes, consolidating the instruments would reduce complexity and confusion.

### **mm) What are the regulatory impacts imposed on you and how could they be reduced?**

- The regulatory impacts of the Compliance Scheme could be amended to still be fit for purpose but decrease the regulatory requirement for airlines and the Compliance Committee.
- Streamlining Ministerial Directions would aid in providing the industry with an agile response to major events affecting normal operations.
- Clearer regulations would make the instruments easier for the industry stakeholders to understand and aid in the efficiency of slot allocation for the Slot Manager.
- Developing a coordination committee would provide a forum for the industry to discuss slot allocation and improve transparency of slot allocation and capacity declarations.

