



# DEMAND MANAGEMENT AT SYDNEY AIRPORT



## AIRPORTS COUNCIL INTERNATIONAL (ACI) SUBMISSION ON DEMAND MANAGEMENT AT SYDNEY AIRPORT

### 1. Foreword

- 1.1 At global level, ACI World serves 668 members, operating 1979 airports in 176 countries. According to ACI's 2020 Annual World Airport Traffic Report, in 2019 airports worldwide welcomed 9.1 billion arriving and departing passengers and handled 119.9 million metric tonnes of cargo and 102.3 million aircraft movements
- 1.2 ACI Asia-Pacific, one of the five regions of Airports Council International (ACI), is based in Hong Kong and represents 117 members operating 604 airports in 49 countries/ territories in Asia-Pacific and the Middle East. In 2019, ACI Asia-Pacific airports handled 3.8 billion passengers and 55.8 million tonnes of cargo.
- 1.3 As the only global trade association of the world's airports, ACI
  - represents airports' interest with governments and international organisations;
  - develops standards, policies and recommended practice for airports;
  - provides information and training opportunities to raise standards around the world; and
  - is a community network platform for industry stakeholders.
- 1.4 ACI welcomes the Australian Department of Infrastructure, Transport, Regional Development and Communications inquiry on demand management at Sydney Airport. ACI would like to comment on the following points:
  - slot management;
  - movement cap; and
  - COVID-19 impacts



## 2. Slot management

- 2.1 The airport community globally and in the Asia-Pacific region contributed to the Strategic Review of the Worldwide Slot Guidelines and subsequent joint publication of the Worldwide Airport Slot Allocation Guidelines (WASG) by ACI, IATA, and WWACG, which have fully substituted the IATA Worldwide Slot Guidelines since June 2020. For the first time ever, the global guidelines are associated with a joint commitment from airports and airlines to continuously improve the global slot process in the WASG.
- 2.2 The WASG and its governance setup recognise the key role that airports play in developing airport infrastructure and their legitimate interest in how capacity is used. Similarly, **national legislation should also include a key recognition of the role of airport operators in slot allocation policies and processes**, that is to:
- confirm its airport is designated at the appropriate coordination level,
  - determine appropriate seasonal declared coordination parameters,
  - drive capacity optimisation and enhancement,
  - contribute to shaping allocation priorities to local requirements,
  - promote efficient slot use,
  - support efforts to combat slot misuse and poor punctuality, and
  - ensure transparency of the process.
- 2.3 Any reform of the national legislation on slots should be inspired by the new set of objectives set in the WASG, including maximising benefits for the travelling public, enhancing airport infrastructure potential and increasing competition in addition to meeting the airport users' demand (see WASG par. 1.2.1).
- 2.4 The WASG enables a globally compatible slot allocation process at both ends of a route, in a context where most slot-controlled airports are predominantly international airports. As such, **ensuring consistency between the Australian legislation and WASG provisions and principles is a condition to a level playing field at both a regional and global level.** Nonetheless, global compatibility does not imply that the exact same set of rules must apply worldwide. National legislation, regulations and local rules are justified to reflect local market conditions and specific circumstances. The WASG is intended as a minimum common denominator rather than a binding regulation.
- 2.5 **As such, the WASG acknowledge the right of each national regulator to derogate or regulate differently from the principles set in the WASG**, in order to tailor the national legislation to local needs. As stated in the WASG Preface: *“Although the policies, principles and processes outlined in this document are intended as best practice for worldwide application, it is possible that some states or regions may also have regulations governing some of these issues. In such cases those regulations will have precedence over the policies, principles and processes of these guidelines.”* This provision is also relevant to tackle unprecedented circumstances, such the one triggered by the COVID-19 pandemic.



2.6 **Slot allocation policies should reflect the specific characteristics of the Australian market and of Sydney Airport as the primary international gateway of the country.** Especially under the current challenging circumstances, the different magnitude of its domestic, international and transit traffic, with a clear prevalence of the former, should be duly considered in order to differentiate measures and identify options aimed at maximising its competitive landscape for the benefit of the passengers.

2.7 The notion of historic precedence, both in the WASG and in the Australian legislation, is fundamental to the slot allocation process. It can benefit both airlines and airports by providing planning certainty and a basis for investment, while giving passengers consistent and reliable services. However, historic rights can also ossify slot allocation, entrench incumbent airline positions, and limit new airline entry and opportunities for increased competition. Sydney Airport is a highly congested airport that operates at the end of a line and is subject to a night curfew. Therefore, optimal scheduling for long-haul services generally falls into two distinct and highly constrained windows within its operating hours. Accordingly, the airport would benefit from new policy proposals complementing the historic rights to **enhance the airport slot usage requirements** “to realize the full capacity potential of the airport infrastructure”. Notably, ACI recommends to:

- increasing the **minimum series length for historic rights**: short-series operations harm the efficient use of scarce airport capacity and lead to schedule fragmentation, where slots are blocked for parts of the season and the remaining slots cannot be effectively utilised by other airlines. A **minimum series length** of 15 weeks in Summer and 10 weeks in Winter may be considered, with the possibility to further increase based on the local needs of Sydney Airport.
- removing the **double-dip flexibility**, by which the use-it-or-lose-it rule is measured against the slots held on the Historic Baseline Date (HBD) while further allowing airlines to additionally cancel up to 20% of slots before the HBD without affecting their historic slots. The double-dip enables airlines to make ad hoc cancellations from series of the slots that they wish to retain but fails to incentivise the return of full-season slots useful for reallocation to other airlines, negatively impacting competition. The flexibility for airlines to cancel up to 20% of slots both before and after HBD means that airlines can retain historic rights having operated as little as 64% of these slots.
- considering **the flexibility to increase the 80% use-it-or-use-it threshold**, if determined necessary by aviation regulatory authorities after consulting with industry stakeholders.

2.8 The new entrant definition in the legislation is not consistent with the definition included in the WASG. According to the WASG **new entrants include new and existing airlines with less than seven slots per day** (i.e., up to three daily slot pairs). Consideration should be given to **further expand the WASG rule in the national legislation to encompass a broader set of priorities for new requests**, which include new entrant airlines, requests to operate new routes, and requests to enhance competition on a route that currently has only one or two competitors.



- 2.9 One significant challenge highlighted by airports in the latest revision of the global guidelines is the need for early access to schedule information and slot requests to assist with the airport's planning processes. In line with the WASG (art 5.4 and 5.5), the national legislation should mandate the slot coordinator to consult with the airport in applying the additional criteria used for the slot allocation, in order to substantiate its discretionary decision in a transparent manner. This should be done in addition to providing details of slots requested, allocated and outstanding slot requests to airport managing bodies and airlines after Initial Coordination (the SAL deadline), as well as up-to-date information on capacity utilization and availability.
- 2.10 The "size of aircraft" rule is a good example of a local solution to effectively enforce the use-it-or-lose-it rule and ensure that the use of airport infrastructure is efficient and in line with the capacity provided by the airport operator, and as such should be retained.
- 2.11 Slot compliance is a necessary condition to ensure that slot allocation policies and processes deliver on their objectives for consumers and enable the most effective use of scarce airport capacity. ACI welcomes the clear definition of slot misuse in the WASG (par. 9.2.2), which should be reflected in the revision of the national legislation. This provision should be complemented by effective **measures to combat slot misuse and persistent poor punctuality, including improved administrative and financial sanctions** against misuse. More specifically:
- effective administrative sanctions, such as the ability to withdraw slot series being misused, applying lower priority to future slot requests, and the ability to refuse to allocate further slots to the operator for a fixed period of time should be part of the series of measures used to combat slot misuse;
  - financial sanctions can be an effective and flexible tool to combat slot misuse which should be developed and implemented under national law, where appropriate.
  - the Compliance Committee should be enabled, both in terms of composition and mandate, to apply effective administrative and financial sanctions against slot misuse. Airport operators should support these efforts by providing direct assistance to the slot coordinator in its slot performance monitoring duty.
- 2.12 Similarly, an efficient slot allocation process **requires airlines to only request slots that they intend to use, and to hand-back any spare slots in a timely way** to allow them to be re-allocated to other operators. The current slot allocation process lacks effective incentives to encourage airlines to hand-back slots on time. There is no cost to airlines requesting and holding excess slots. As such, **a combination of improved administrative sanctions and financial incentives should be available to improve the efficiency of the slot bidding, allocation and hand-back process:**
- the slot coordinator should be empowered to refuse to allocate available slots, and to withdraw allocated slots, if not satisfied that the airline is able to use them



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- lower allocation priority or limiting access to new slots for a period of time should be considered following slot misuse in the form of overbidding and late slot handback. The onus should be on the airline to disprove that it is not misuse or intentional under-utilisation.

2.13 In regard to the function of slot coordination, **coordinated airports in Australia should have sufficient input into the service requirements and standards expected of a slot coordinator**, and be regularly consulted to ensure that coordination is undertaken in accordance with the airport's requirements. Transparency of the coordination system must meet the highest standards from the perspective of both the airport operator and airlines. For coordinated airports, full access to the following essential data should be enabled:

- details of historic slots, slot use by series of slots during the previous equivalent season, and any justified non-utilisation of slots accepted by the coordinator;
- initial submissions by airlines with full details of slots requested;
- full details of slots allocated, requested (waitlist times) and reasons for schedule adjustment, continuously updated;
- slot availability and utilisation information, continuously updated; and
- criteria used for the allocation of slots and, upon request, reasons for specific allocations.

2.14 Finally, **airports should have sufficient input into matters related to slot allocation and slot performance monitoring tackled by the slot coordinator**. As such and in line with the WASG (par. 5.6), a coordination committee should be established to enable Sydney Airport to provide direct advice to the slot coordinator when relevant.



## 3. **Movement cap**

- 3.1 As per the WASG, coordination parameters represent the maximum capacity available for allocation considering the functional limitations at the airport such as runway, apron, terminal, airspace, and environmental restrictions. While rolling hours are commonly used in capacity declarations, capacity constraints set at shorter time intervals such as movement limits every 15 minutes can also be an effective planning tool to prevent flight clustering within the period. The most appropriate method to address the potential issue of clustering in the schedule should be determined by the airport operator, in consultation with the relevant stakeholders, through the capacity declaration rather than through regulation.
- 3.2 **As a standard practice, coordination parameters can be used to manage noise by setting clear scheduling limits that can be coordinated in a specified period of time.** Oversight and compliance mechanisms may also be implemented to ensure that noise objectives are met.
- 3.3 Several airports have implemented noise management strategies worldwide. **Methods usually include a combination of annual caps, curfews and scheduling limits which may vary depending on the time of the day, time of the year, aircraft type and service type**, in recognition of the fact that noise is influenced by several factors other than the number of movements. That said, while rolling time periods are commonly used in the coordination parameters as a planning tool for scheduling purposes, **an operational limit on the maximum number of movements over a rolling hour every 15 minutes is very rare at global level.** Airports upon which caps are imposed rather tend to be set at an annual level so as not to undermine the productivity of the airport.
- 3.4 ACI supports the approach proposed by Sydney Airport. **Noise management can be achieved successfully through coordination parameters.** A more dynamic and reactive approach to operational constraints would facilitate recovery from interruptions and increase the overall productivity of the airport for the benefit of the community it serves.
- 3.5 In developing the best approach to manage noise, consideration should be given to the fact that **the aviation sector has been working successfully for several years towards adopting new noise reduction technologies and procedures for limiting or reducing the number of people exposed to aircraft noise. Noise levels generated by aviation globally have halved in the past 10 years.** It is estimated that the noise footprint of each new generation of aircraft is at least 15% lower than previous models, and 75% quieter than the first jet aircraft.



## 4. COVID-19 impacts

- 4.1 In light of the recovery of air traffic, the Worldwide Airport Slot Board (WASB, the body tasked with developing global slot rules) identified a globally compatible recommendation on the reinstatement of airport slot usage requirements for the upcoming Summer 2021 season, which included, amongst other recommendations, a 50:50 use-it-or-lose-it threshold. While slot allocation policies from the WASB are intended as general guidance for worldwide application, the circumstances and needs faced by airports in their local markets vary and should be duly taken into account.
- 4.2 As such, in line with one of the overarching objectives of the WASG, i.e. enhancing airport infrastructure potential and increasing competition, ACI recommends that the local market conditions in Australia be considered in developing an approach to Summer 2021. Specifically, any route that can operate under the current unprecedented circumstances should be treated differently to routes that continue to face government restrictions. In the case of Australia, domestic routes are not expected to be subject to ongoing restrictions, and capacity is expected to rapidly return to pre-COVID-19 levels. As such, this market should not require additional ongoing alleviation. Encouraging competition and connectivity would greatly benefit Australian communities and the Australian economy as a whole. Nonetheless, markets and routes subject to ongoing government restrictions may require greater protection than the one offered by the WASB recommendation.

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