



AUSTRALIAN
AIRPORTS
ASSOCIATION

16 December 2020

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To whom it may concern,

Sydney Airport Demand Management Discussion Paper

The Australian Airports Association (AAA) is the national voice for Australian airports, representing the interests of more than 330 airports and aerodromes across Australia and more than 120 corporate members supplying products and services to airports. Australia's airport sector ranges from the international gateway airports to regional airports and remote airstrips.

Prior to the pandemic, the nation's airport sector was responsible for maintaining the jobs of more than 206,000 Australians, including 8700 people directly employed by airports. In 2017, Australian airports added \$34.6 billion (around 2 per cent) to Australia's GDP, consisting of \$4.9 billion in direct economic activity from core airport activities plus an additional \$29.7 billion of indirect and value-added activities.

Introduction

The AAA welcomes the Australian Government discussion paper on Sydney Airport Demand Management and thanks the Department of Infrastructure, Transport, Regional Development and Communications (the Department) for the opportunity to provide feedback.

Following the Productivity Commission's (PC's) 2019 inquiry into *the Economic Regulation of Airports*¹ the Government committed to conducting a comprehensive review of Sydney Airport demand management – this includes determining whether the objectives of the *Sydney Demand Management Act 1997* (the Act) and the associated legislative instruments are still relevant and fit-for-purpose.

Summary

The AAA believes the current demand management framework at Sydney Airport is too rigid and ineffective at providing:

- efficient use of airport infrastructure;
- guaranteed and enhanced access to peak slots for regional services;

¹ Productivity Commission 2019, *Economic Regulation of Airports*, Report no.92, Canberra

- encouraging competition among airlines; and
- facilitating recovery from the COVID-19 pandemic.

The AAA supports a framework which is fair and transparent, one that takes into consideration both the economic significant and complex operating environment of Sydney Airport and the unique and equally significant set of economic challenges faced by regional airports across New South Wales.

The AAA believes any regulatory change to the demand management framework should not cause additional burden to an already struggling airport sector, but rather be a balance between transparency, efficient outcomes and public interest.

Beyond the key topics of the discussion paper, the AAA would support greater flexibility for Sydney Airport to manage daily operations, which could be achieved by:

- removing the 15-minute rolling hour.
- allowing Sydney Airport to operate at 80 scheduled services per clock hour (e.g., aligning the regulations to ensure the maximum number of services allowed can be achieved on a day-to-day basis operationally); and
- aligning slot management with global rules where possible to ensure optimal efficiency in the use of limited slots.

In addition, the AAA supports the modernising of current regulations which would properly address current and future noise outcomes, improving transparency, as well as enhancing and guaranteeing regional access during peak times.

Movement Cap and Slot Management

At Sydney Airport, slots are allocated within the capacity of the movement cap. The maximum number of slots that can be used is 80 per hour. Slot management has been used as a noise mitigation tool.

Increasing the number of movements from the currently regulated 80 per hour is out of scope for this review, however, the AAA believes there is an opportunity for the Department to look at regulatory and procedural inefficiencies which are restricting Sydney Airport from operating at their regulated capacity, as well align Australia with international best practice procedures (International Air Transport Association [IATA] Worldwide Airport Slot Guidelines [WASG]).

Despite Sydney Airport being able to accept 80 movements per hour, regulatory inefficiencies mean the airport rarely sees more than 74 movements. This has an impact on both cost opportunity as well potentially impacting regional services and airports.

There are numerous examples of regional airlines missing out on peak time slots and larger airlines wishing to fly to Sydney Airport being turned away. This highlights the current framework is not meeting the key objective of coordinating and facilitating access to Sydney Airport for everyone.

A simple way to drive efficiency gains would be moving to a regulatory context permitting 80 scheduled (as opposed to actual) movements on a clock hour basis. This would remove the inefficiencies driven by the current rolling hour measurement, while providing some flexibility in improving access for airlines and assist in reducing delays on the back of something such as a weather event. In turn, this improves national network reliability as there may be greater flexibility in further limiting the need for diversions to other airports in these circumstances.

Further, the current slot management system is also driving inefficiencies. Where possible, these should align to global standards as set out in the WASG with appropriate mechanisms to drive

transparent outcomes in the allocation and subsequent utilisation of what is a public good. This would ensure efficiency is at the centre of the system and work towards better outcomes for the travelling public, airports, airlines, and the broader economy. For context, a daily international service running year-round generates \$122 million in economic activity and creates around 1300 jobs², while the nation's regional airport sector is responsible for maintaining the jobs of more than 4500 people from their communities and prior to pandemic, accounted for 45% of Australia's tourism.

While noting it is out of scope for this specific review, the AAA supports an aim of moving to a daily or weekly cap in the future to drive even more efficient outcomes for all stakeholders in the future.

Regional ring fence

Australia is one of the most sparsely populated land masses in the world. Our dependence on air transport to link our cities and regions means aviation is an industry of national strategic importance to Australia.

Regional airports play vital roles in sustaining regional economies and communities, enabling access to specialist health, education, commercial and recreational facilities and facilitating social connections. Regional airports are also a key facilitator of tourism, which is a significant economic driver for many regional communities.

During the COVID-19 recovery, regional aviation will continue to be of critical importance to the national economy supporting all facets of business, trade and tourism activities which in turn contribute significantly to Australia's prosperity.

The AAA supports a mechanism which guarantees and increases regional access at peak times into Sydney Airport.

With the regional ring fence currently protecting around 24% of slots in peak times for intrastate regional services, the AAA believes more should be done by the Department to ensure a holistic approach to regional access is implemented, for example, the number of passengers utilising the route should not be the only benchmark of economic or social importance.

Concluding remarks

Once again, the AAA welcomes the Australian Government discussion paper on Sydney Airport Demand Management and thanks the Department for the opportunity to provide feedback.

The AAA believes the demand management framework should ensure Sydney Airport is able to operate as efficiently as possible within its local community, while providing the best possible social and economic benefit to NSW and Australia.

The AAA suggests that while Sydney Demand Management was not within the scope of the Department's Aviation Issues Paper, it should not be ignored as part of a medium-term plan for the sector.

After reviewing the discussion paper and seeking feedback from our airport members, the AAA recommends the Department:

1. implement a strategy which would allow greater flexibility for Sydney Airport to manage its daily operations transparently and efficiently.
2. guarantee and enhance regional access to Sydney Airport.

² Review of Sydney Airport Demand Management, Sydney Airport Submission, 2020

3. aligns Australian regulations with international best practice slot management where possible as set out in the WASG.

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